Budget design and priorities

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> Fiscal policy plays a key role in stimulating economic growth and productive employment, as well as supporting macroeconomic stabilization (SDG 8).

Background

Fiscal policy plays a vital role in achieving the SDGs. Public domestic resources from tax and non-tax revenues represent the main source of development financing, especially given declining flows from both ODA and the private and non-profit sectors. Through fiscal policy, Governments can reduce income and gender inequalities. Social spending and progressive taxation contribute significantly to the social dimension of sustainable development. In addition, various corrective fiscal measures can be used to overcome environmental challenges, such as climate change and the unsustainable use of natural resources.

Losses from poor infrastructure governance

53%	34%	15%
Low-income developing countries	Emerging market economies	Advanced economies

In this context, this chapter investigates the extent to which the current structure of the national budget of Egypt and the existing budgeting process support the achievement of the SDGs. To that end, this chapter analyses the national budget's structure in terms of both expenditure and revenue according to the economic, functional and administrative classification systems during the period between fiscal years 2014/15 and 2020/21. In addition, it examines various issues related to public financial management in Egypt and investigates the way in which the existing budget process could be strengthened to improve targeted spending.

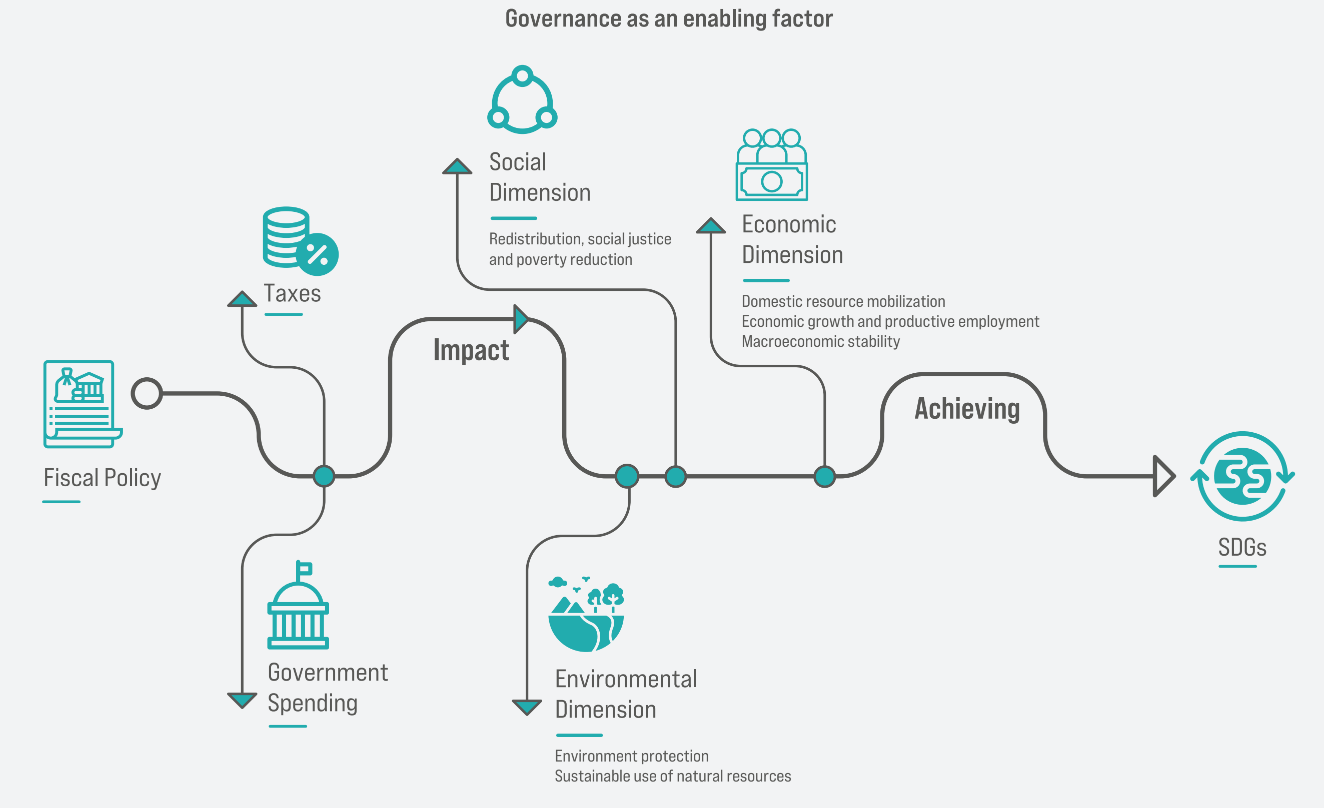
A. The role of public finance in achieving the Sustainable Development Goals

Fiscal policy plays a significant role in supporting the achievement of various SDGs and their targets, particularly in terms of domestic resource mobilization; distribution policy, income redistribution and poverty alleviation; and environmental protection. Fiscal interventions in these areas directly impact economic, social and environmental SDGs.

As depicted in figure 31, the mobilization of domestic public resources by efficiently raising taxes and other non-tax revenue is necessary to secure the funds needed to finance public goods and achieve the various SDGs. Furthermore, fiscal policy plays a key role in stimulating economic growth and productive employment, as well as supporting macroeconomic stabilization (Goal 8). It also plays a redistributive role through taxation and social spending, with a view to reducing inequalities in income (Goal 10) and gender (Goal 5). Incentives established by fiscal policy can be used to effectively target progress on climate action (Goal 13) as well. Environmental taxation and reforms to the energy sector and other distortive subsidies are among the primary fiscal measures that can help to promote environmental protection and the sustainable use of natural resources, which are cornerstones of sustainable development.

Undoubtedly, sound governance systems and quality budgetary institutions are necessary for fiscal policy to be effective in achieving the SDGs. They enhance accountability and transparency, control corruption, uphold the rule of law and improve government effectiveness. Poor governance, which manifests in the form of weak institutions and a lack of fiscal rules, has an adverse impact on the equity and efficiency of allocating government expenditures and mobilizing government revenues. For instance, Schwartz and others show that losses from poor infrastructure governance (measured as a percentage deviation from full efficiency) reach approximately 53 per cent in low-income developing countries and 34 per cent in emerging market economies, compared to 15 per cent in advanced economies.

Figure 31. A conceptual framework of the role of fiscal policy in achieving the Sustainable Development Goals



Source: El Husseiny, I.A. (2020). Enhancing the role of fiscal policy in achieving the Sustainable Development Goals (SDGs): insights from behavioural economics with a special reference to Egypt. European Journal of Economics, Finance and Administrative Sciences, No. 106, pp. 22–43.

1. Public domestic resource mobilization

Financing is essential to implementing the 2030 Agenda for Sustainable Development, with its 17 Goals and 169 targets. Among the various development finance options available to Governments (i.e. domestic, external, public and private), domestic resource mobilization is of particular importance, especially for developing countries. Indeed, it is widely perceived as a way to fill the gap between available development financing and the ambitious goals and needs of national development plans. Furthermore, the link between revenue collection and effective expenditures on public goods and services forms the basis of the social contract between citizens and the State and gives rise to the prominent role of domestic public resources in financing for development (FFD).

Accordingly, target 17.1 on partnerships for the Goals stresses the importance of strengthening domestic resource mobilization in developing countries to improve domestic capacities for collecting taxes and other revenue. In addition, the mobilization of domestic public resources by enhancing revenue administration, improving the efficiency and effectiveness of tax systems and reducing tax avoidance topped the list of action areas that emerged from the Third International Conference on Financing for Development, held in Addis Ababa in July 2015.[1]

Nevertheless, mobilizing domestic public resources by raising tax and non-tax revenues should be carried out as efficiently as possible, with the fewest distortions to incentives for economic agents regarding saving, consumption, investment and labour.[2] This would help to reduce the adverse impact of taxes on employment and productivity, private investment and economic growth (Goal 8).

> Public domestic resources from tax and non-tax revenues represent one of the major sources of financing for the SDGs.

In addition, productive employment (Goal 8) can create a cycle in which more and better jobs expand the primary source of finance for households: their labour income. This in turn expands the tax base and leads to an expansion in the primary source of finance for companies: their sales revenue. This eventually stimulates investment and raises productivity, which in turn feeds back into the creation of additional productive employment opportunities.

2. Distribution, redistribution and poverty alleviation policies

These policies are among the key areas in which fiscal policy can play a powerful role, relying on fiscal measures that include taxes, social transfers and subsidies, as well as public spending on pro-poor social services.

Three of the 17 SDGs are directly linked to the distribution function of fiscal policy: Goal 1 on poverty, Goal 2 on hunger and Goal 10 on inequality. Indeed, Goal 10 aims to increase the income of poor and low-income groups; promote the social, economic and political inclusion of all; and adopt proper fiscal, wage and social protection policies that achieve greater equality. In addition, fiscal policy has the potential to narrow gender gaps and achieve gender equality (Goal 5), primarily by financing distribution policies (i.e. education and health) and schemes targeting gender bias. For example, gender-responsive budgeting enables Governments to plan and budget for efforts that support gender equality objectives and to effectively track financial commitments and actual expenditures concerning these objectives. Furthermore, fiscal policy can target employment objectives (Goal 8) through employment-responsive budgeting, which considers budgetary implications for employment in the budget process.

It is worth mentioning that using fiscal policy to achieve other economic and environmental goals under the 2030 Agenda will positively impact the well-being of the poor and most vulnerable segments of the population. For instance, the role of fiscal policy in mobilizing domestic resources; promoting economic growth, job creation and employment; and enhancing macroeconomic stability should contribute to better social outcomes for prosperity and well-being.

3. Environmental protection and the sustainable use of natural resources

In addition to its role in achieving the economic and social SDGs, fiscal policy plays a significant role in the environmental dimension of sustainable development. This is primarily through corrective fiscal measures (i.e. corrective taxes and subsidies) that aim to internalize the externalities associated with various production and consumption activities in a way that

The 2030 Agenda for Sustainable Development

17 Goals **169 Targets**

promotes the sustainable use of natural resources and environmental protection.

Governments can impose corrective taxes on harmful and polluting activities and the irrational use of natural resources. Such taxes include a carbon tax and pollution or waste charges, as well as taxes on plastic bags, fossil fuels and petroleum products, among others. They can also provide corrective subsidies, tax benefits and incentives to promote environmentally friendly patterns of production and consumption, such as subsidizing firms that use or produce renewable and sustainable energy.

B. Budget planning and prioritization

Since the relative share of grants in total government revenues for Egypt did not exceed 1 per cent over the previous six years, tax and non-tax resources are crucial to financing development. This situation requires proper budget planning and prioritization. The Government should target development goals when preparing the State budget. Measures should also be in place to ensure that government spending is effective and efficient. This section reviews government practices regarding budget planning and prioritization, as well as efficient budget implementation.

1. Macrofiscal analysis and budget prioritization based on the Sustainable Development Goals

Robust macrofiscal analysis and forecasts are essential elements of strategic planning. They allow the Government to develop alternative fiscal scenarios based on plausible unexpected changes in macroeconomic conditions or other external risk factors affecting revenue, expenditure and debt. The Ministry of Finance has a macrofiscal unit that is responsible for generating these scenarios; however, this unit focuses more on fiscal risk analysis and deficit management than on the targeting of development goals. Budget prioritization is left to the Cabinet and the budgeting process, which is led by the Ministries of Finance and Planning and Economic Development.

In this context, it is worth highlighting that the Ministry of Finance presents annually to the Cabinet the main objectives of the budget proposal and their links to the Egypt Vision 2030. In addition, the Ministry announces these objectives annually through budget documents, including the budget circular and the financial statement.

Prioritizing the budget according to development goals does not receive considerable attention from the Parliament during the budget approval process. The focus of the discussion is primarily on the budget allocations assigned to budgetary authorities; the share of expenditures for each functional sector; and the extent to which the Government respects the constitutional mandates governing allocations for pre-university education, higher education, scientific research and health. Legislators also pay particular attention to the allocations assigned to the governorates they represent, particularly given the lack of local councils, which were dissolved following the revolution in 2011.

> “The relative share of grants in total government revenues did not exceed **1%** over the previous 6 years.

2. Budget consolidation and efficiency

Budget consolidation is a crucial element of rational budgeting processes. It allows the Government to allocate resources to support established priorities. The public finance structure in Egypt consists of 654 budgetary authorities: 161 units at the central level, 349 at the local level and 144 public service authorities. Each budgetary authority prepares its budget in accordance with annual budget circulars and negotiates them with the Ministry of Finance, for recurrent expenditures, and with the Ministry of Planning and Economic Development, for investment expenditures. The number of budgetary authorities is excessive according to international standards and contributes to budget fragmentation. It also does not allow for development-based policy change or cross-agency interventions. There are many options to reduce the number of budgetary authorities, as they are established by laws and regulations. For example, these authorities could be reclassified into primary authorities, which have the right to negotiate their budgets with the Ministry of Finance, and secondary authorities, which have the right to negotiate their budgets with the primary authorities.

Many autonomous and economic units have the authority to intervene in the mandates of various sectors through recurrent and investment expenditures, with little interministerial coordination. This practice is particularly acute at the local level, where the capacity to manage the complexities of a fragmented system is greatly diminished.

The fragmented budget structure in Egypt limits allocative efficiency. This, in turn, limits effective prioritization, as resources cannot be easily allocated to the areas of greatest need. It is also extremely time-consuming. The budget process must be consolidated to ensure that budgets are efficient and consistent with core macroeconomic and development objectives.

3. Programme-based budgeting and budget comprehensiveness

Over the previous three years, the Ministry of Finance introduced programme-based budgeting at the ministerial level. It provided significant technical assistance to budgetary units nationwide in order to implement the new budgeting system. Nevertheless, it is extremely important to ensure that the outputs of the programme-based budgeting exercise are reflected in the annual line item budget. Budget comprehensiveness is weakened by extrabudgetary funds, which have their own financial resources and specific expenditures. This undermines budget effectiveness in allocating resources to high priority areas. Moreover, data on such funds are not publicly available and, therefore, cannot be considered during the budgeting process. In response to a request from the Parliament, the Ministry introduced a number of reforms governing extrabudgetary funds, which included dissolving some of them, reviewing their fiscal rules and ensuring that their current expenditures and revenues are included in the budget.

4. Multi-year budgeting

In general, the budget in Egypt is prepared on an annual basis, even though the chapter on investments is prepared on a medium-term plan (a three-year national plan). Recurrent expenditures are estimated on an annual basis, and government institutions cannot carry over their budget allocations, owing to the adoption of cash-based budgeting system. Budgetary authorities, however, can transfer allocations among budget chapters within the fiscal year. Strategic budgeting requires a planning process that can extend beyond a single year. Annual budgets address only short-term government spending needs, while medium-term budgets accommodate multi-year programmes, projects and policies. Strategic budgeting should be based on three pillars: medium-term fiscal, budgetary and expenditure frameworks. The fiscal framework is the first necessary step in developing an expenditure framework. It should contain a statement of fiscal policy objectives and a set of integrated medium-term macroeconomic and fiscal targets and projections. While the Ministry of Finance does develop a medium-term fiscal framework that is reflected in its annual financial statement, this important step must be expanded through the development of an expenditure framework, at the very least for certain sectors that serve development goals.

C. Government expenditure from the perspective of the Sustainable Development Goals

The functional classification of the State budget in Egypt reflects the Government's decision to allocate overall spending among social services such as health, education and youth; infrastructure, public utilities and economic affairs, including transport, water and sanitation, housing, energy, industry and agriculture; purely public goods and services, such as justice, police and national defence; and social protection. Indeed, some of the SDGs are directly linked to specific sectors and activities, such as health (Goal 3), education (Goal 4), agriculture (Goal 2), water and sanitation (Goal 6), energy (Goal 7) and infrastructure and industrialization (Goals 9 and 11).

The Government's decisions in terms of allocating expenditures among recurrent items (i.e. wages and salaries, goods and services, interests and transfer payments) and capital items (i.e. investments) has its own synergies with the SDGs. For example, some of the SDGs, such as those related to agriculture, water and sanitation, energy and infrastructure, involve more capital-intensive activities. Others may require relatively higher recurrent spending, such as those related to reduced poverty and inequalities, education and health. As a result, the extent to which the Government's budget structure is biased towards recurrent versus capital expenditure would reflect in the progress made under various SDGs.

> Revenue mobilization capacity in Egypt is modest when compared to other peer countries.

Furthermore, the Government's decisions in terms of allocating budgetary funds among its administrative levels (local vs. central) has its own implications for the efficiency and effectiveness of public service delivery. This, in turn, would have an impact on the pace at which the country can achieve the SDGs.

Total government expenditure in Egypt is estimated at approximately LE 1.7 trillion, according to the modified State budget of 2020/21. The ratio of government expenditure to GDP has gradually decreased from 30.2 per cent in 2014/15 to 25 per cent in 2020/21. Several fiscal reform measures implemented by the Government since 2016, which include phasing out energy subsidies and reforming the civil servant system, have contributed to this decreasing trend. In particular, government expenditure as a percentage of GDP in the chapters on "Subsidies, grants and social benefits" and "Wages and salaries" has decreased from 8.2 per cent to 4.9 per cent and from 8.2 per cent to 4.8 per cent, respectively, between 2014/15 and 2020/21.

The following subsections introduce further analysis on the expenditure side of the State budget according to the functional, economic and administrative classifications and their potential links to the SDGs.

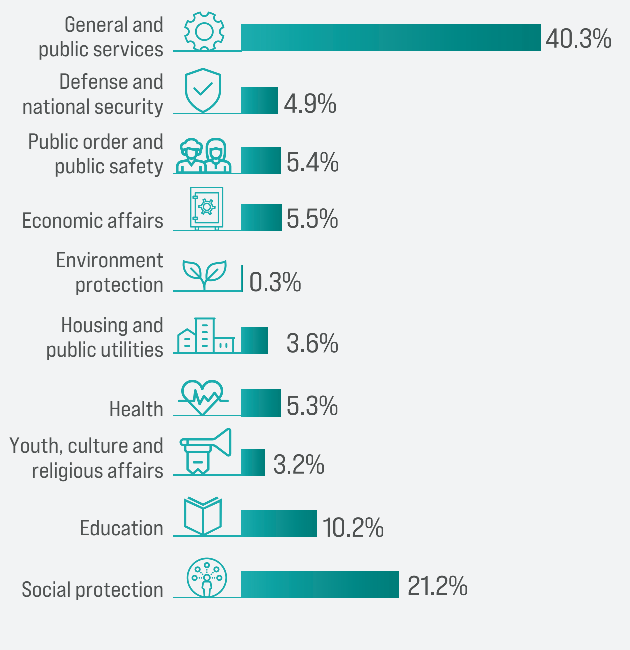
1. Functional classification of government expenditure and the Sustainable Development Goals

According to the functional classification system of the State budget, total government expenditure is divided into 10 functional sectors. As depicted in figure 32, general and public services and social protection receive the greatest shares of total expenditure, at an average of 40.3 per cent and 21.2 per cent, respectively, during the period 2014/15 to 2020/21. Education is next, with an average share of 10.2 per cent. Figure 33 displays the relative shares of functional sectors measured as a percentage of GDP.

The relative share of public and general services increased sharply, by approximately 13 percentage points. This sector comprises several legislative and executive entities.[3] It also includes budget allocations for public debt transactions, which increased significantly from 25.1 per cent to 33 per cent.

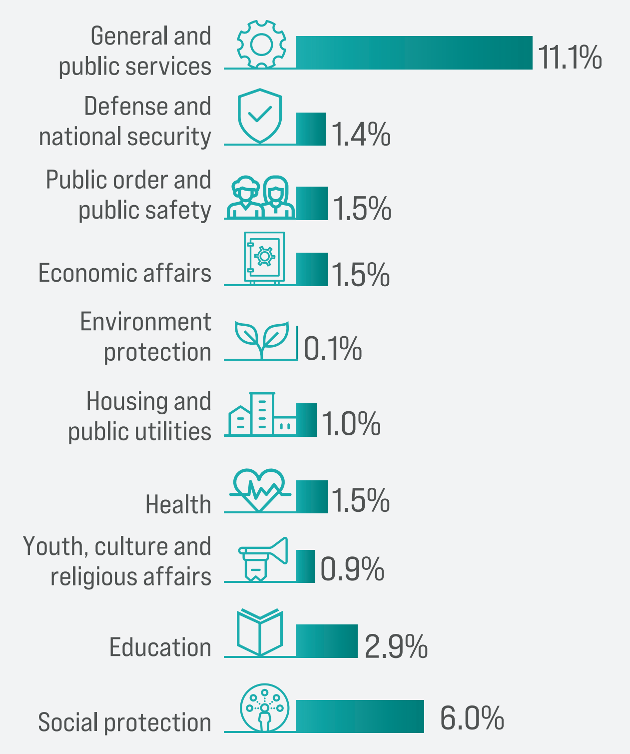
Furthermore, social protection and education topped the functional sectors expenditure list, as a percentage of both total government expenditure and GDP, although they showed a decreasing trend during the analysis time frame. Between the fiscal years 2014/15 and 2020/21, the relative share of social protection in total government expenditure decreased from 25.6 per cent to 16.7 per cent, while that of education decreased from 12.6 per cent to 9.2 per cent. In contrast, the relative share of housing and public utilities increased slightly, from 2.8 per cent to 4.6 per cent, reflecting the expansion in the Government's megaprojects and investments in the social housing programme and relevant public utilities, including water and sanitation.

Figure 32. Structure of government expenditure by functional classification, as a percentage of total government expenditure (2014/15 to 2020/21)



Source: Authors, based on the final accounts of the Egyptian State budget for the fiscal years 2014/15 to 2019/20 and the modified budget figures from 2020/21, prepared by the Ministry of Finance.

Figure 33. Structure of government expenditure by functional classification, as a percentage of gross domestic product (2014/15 to 2020/21)



Source: Authors, based on the final accounts of the Egyptian State budget for the fiscal years 2014/15 to 2019/20 and the modified budget figures from 2020/21, prepared by the Ministry of Finance. Data on GDP for the respective years are extracted from the financial and analytical statements of the Egyptian State budget as published by the Ministry of Finance.

The fact that the majority of government expenditure is dominated by public debt transactions under the public and general services sector has unfavourable implications for the SDGs. Large, increasing interest payments on public debt are expected to crowd out public investment, assuming that the Government does not utilize off-budget resources to finance its investments. Private investment will be crowded out as well, owing to the Government's increased pressure on loanable funds. Consequently, this would have an adverse impact on productive employment and economic growth (Goal 8). Furthermore, interest payments are made with budgetary funds that could otherwise be allocated to health and education, which could constrain the full achievement of Goals 3 and 4.

It is worth mentioning that the increase in government expenditure on interest payments during the period of analysis was the result of increased public borrowing to finance national megaprojects that aim to improve the infrastructure and public services provided to citizens. Nevertheless, the Ministry of Finance has recently made significant efforts to decrease public debt and improve fiscal discipline by achieving primary budget surpluses, increasing the tax-to-GDP ratio and rationalizing government expenditure by shifting from in-kind to cash subsidies and focusing on human development-related programmes and activities. As a result, debt service payments (i.e. interests) have declined to 8.3 per cent of GDP and 33 per cent of the total government expenditure in the modified budget for 2020/21, compared to 10.2 per cent and 39 per cent, respectively, in the final accounts of fiscal year 2018/19.[4]

While government spending on health is comparable to the average of lower-middle-income countries (1.4 per cent of GDP in 2018), spending on education is lagging behind (approximately 4 per cent of GDP in 2018). Furthermore, government expenditure on education and health is relatively low in Egypt compared to some of its middle-income peer countries, such as Jordan, Lebanon, Malaysia, Morocco, South Africa, Tunisia and Viet Nam.[5] Indeed, government spending on the education and health functional sectors in Egypt falls below the stated constitutional entitlements of 6 per cent and 3 per cent of gross national product (GNP), respectively. On the other hand, these constitutional entitlements would indeed be met when applying a broader concept of general government, in which the relevant expenditure by public business sector and economic authorities is considered along with the functional sectors' share in total interest payments.

In addition, the current structure of the State budget, as reflected in figures 32 and 33, indicates that environmental protection receives the fewest resources, constituting an average of 0.3 per cent of the total government expenditure and 0.1 per cent of GDP. This is expected to limit the Government's ability to achieve SDGs related to the environment, such as Goal 6 on clean water and sanitation, Goal 7 on affordable and clean energy and Goal 13 on climate action.

On a positive note, the significant decline in the relative share of social protection for both total government expenditure and GDP is expected to reflect positively on the environmental and social dimensions of sustainable development. In terms of the environment, the decrease in the relative share of the social protection sector came as a result of reforming subsidies, primarily by phasing out distortive petroleum subsidies. From a social perspective, the decrease in the relative share of social protection has been accompanied by a reallocation of budgetary funds from subsidies to social benefits. This reprioritization is expected to benefit SDGs linked to reducing poverty (Goal 1) and inequality (Goal 10). Nevertheless, synergies between various targets of a particular SDG should also be considered to determine the net impact of a policy change on the SDGs. For instance, target 1.3 on implementing nationally appropriate social protection systems and measures for all could be harmed by the decline in total government expenditure on social protection.

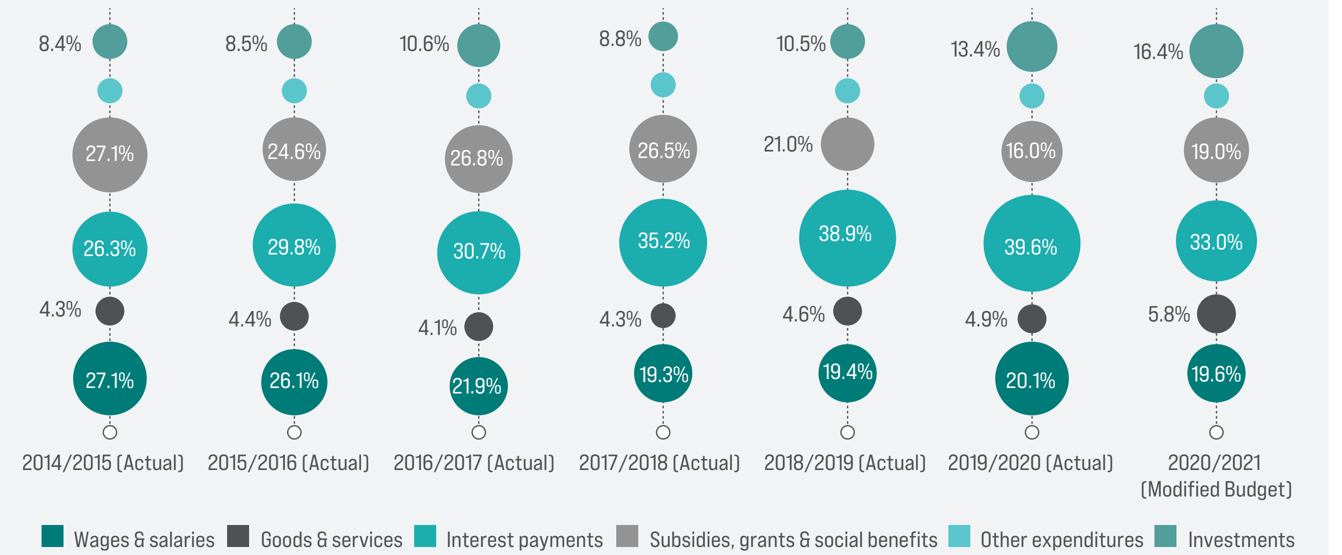
“There is still considerable room to improve the efficiency of the VAT system in Egypt.

2. Economic classification of government expenditure and the Sustainable Development Goals

The structure of government expenditure by economic classification, over the time frame between the fiscal years 2014/15 and 2020/21, is presented in figure 34. Of the six expenditure chapters in the State budget, interest payments; subsidies, grants and social benefits; and wages and salaries constitute an average of 78.3 per cent of total government expenditure. While the relative share of interest payments has been increasing over the analysis time frame, the spending on the other two chapters has been declining.

As mentioned, a budget structure in which interest payments acquire the largest share adversely impacts the Government's potential to achieve the SDGs.

Figure 34. Structure of government expenditure by economic classification



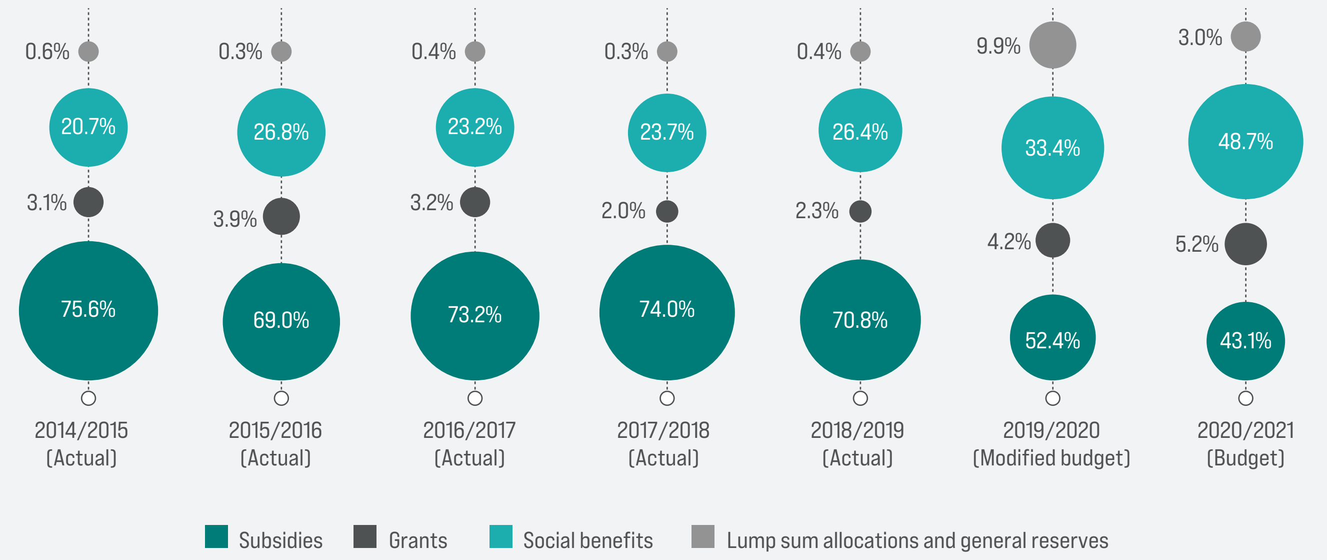
Source: Authors, based on the final accounts of the Egyptian State budget for the fiscal years 2014/15 to 2019/20 and the modified budget figures from 2020/21, prepared by the Ministry of Finance.

Figure 35 provides a closer look at the structure of the fourth expenditure chapter entitled "Subsidies, grants and social benefits" during the time frame 2014/15 to 2020/21. Budget resources have been reallocated from subsidies to social benefits, owing to significant reform measures launched by the Government of Egypt in 2016 with the aim of improving both efficiency and targeted spending on social protection. The reforms centred around the adoption of a new approach to social protection spending under which financial resources have been shifted from direct price subsidies (i.e. energy subsidies) to direct cash transfer programmes (i.e. Takaful and Karama),[6] which better target eligible citizens. This approach also seeks to reform the existing food subsidy system and increase social security pensions.[7]

> A budget structure in which interest payments acquire the largest share adversely impacts the Government's potential to achieve the SDGs.

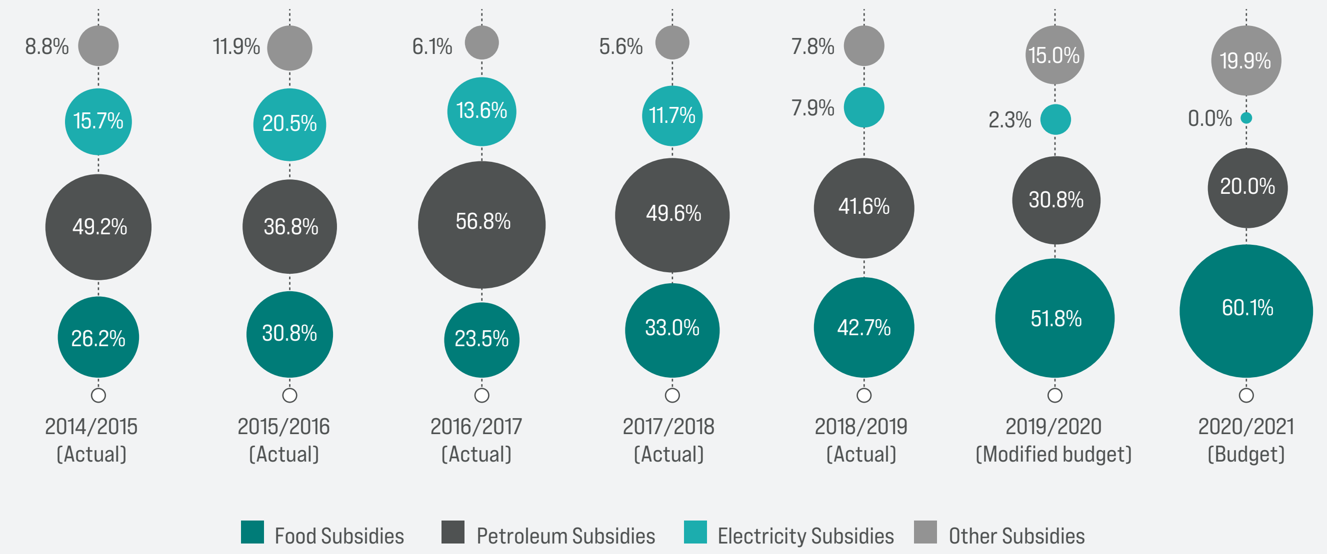
Furthermore, these reform measures have decreased the relative share of expenditures on energy subsidies (for both petroleum and electricity) in favour of food subsidies, as depicted by figure 36. In the approved budget for the fiscal year 2020/21, energy subsidies have been allocated 1.7 per cent of total government expenditure, compared to 9.2 per cent for education, 5.5 per cent for health and 4.9 per cent for food subsidies. This shift in the budget structure is expected to aid Government efforts to eradicate poverty and mitigate social inequalities, with positive results for Goals 1 and 10.

Figure 35. Structure of the fourth expenditure chapter entitled "Subsidies, grants and social benefits"



Source: Authors, based on the final accounts of the Egyptian State budget for the fiscal years 2014/15 to 2018/19, the modified budget figures from 2019/20 and the approved budget figures from 2020/21, prepared by the Ministry of Finance.

Figure 36. Relative share of main subsidy items as a percentage of total spending on subsidies



Source: Authors, based on the final accounts of the Egyptian State budget for the fiscal years 2014/15 to 2018/19, the modified budget figures from 2019/20 and the approved budget figures from 2020/21, prepared by the Ministry of Finance.

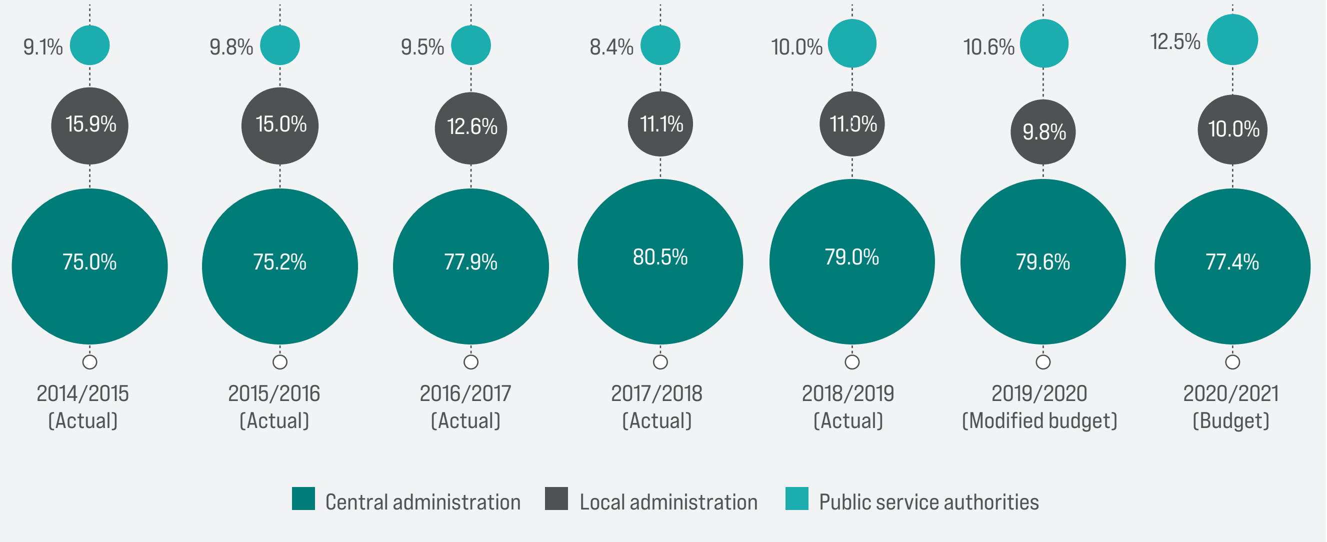
It is noteworthy that the Treasury of Egypt provides financial support to economic authorities and State-owned enterprises (SOEs) that encounter financial difficulties or experience financial losses. This support has been estimated at an average of approximately LE 6.7 billion during the fiscal years under analysis, representing almost 9 per cent of the expenditure on the fifth chapter entitled "Other expenditures" and 0.5 per cent of the total government expenditure. Ideally, these entities should have the potential to generate large, sustainable profits on which the Government could rely to achieve the SDGs.

3. Administrative classification of government expenditure and the Sustainable Development Goals

The administrative classification of government expenditure, as presented in figure 37, indicates a high degree of fiscal centralization. During the time frame 2014/15 to 2020/21, central administration has been allocated an average of 77.4 per cent of total government expenditure, compared to approximately 10 per cent for local administration. Furthermore, the relative share of central administration in total expenditure has been rising over the period of analysis, while that of local administration has been deteriorating.

During the time frame 2014/15 to 2020/21, central administration has been allocated an average of 77.4 per cent of total government expenditure, compared to approximately 10 per cent for local administration.

Figure 37. Structure of government expenditure by administrative classification



Source: Authors, based on the final accounts of the Egyptian State budget for the fiscal years 2014/15 to 2018/19, the modified budget figures from 2019/20 and the approved budget figures from 2020/21, prepared by the Ministry of Finance.

This structure of government expenditure does not support the implementation of article 176 of the Constitution of Egypt regarding the shift towards a more fiscally decentralized system, according to which the budgetary and executive power should transfer to local administrative units. Moreover, this existing structure of government expenditure is expected to have an adverse impact on the efficiency and effectiveness of service delivery, which in turn would negatively affect the Government's potential to successfully achieve the SDGs.

It is worth mentioning, however, that a considerable share of the investment chapter for central administration and public service authorities in Egypt is allocated to capital projects that favour local administration. For instance, many projects carried out by the General Authority for Roads and Bridges at the governorate level are financed from the Authority's budget. In addition, the establishment of schools and hospitals at the governorate level is financed through the budgets of the relevant public service authorities rather than that of the local administration, despite the fact that the governorates are the main beneficiaries of these projects.

In this regard, studies show that government expenditure decisions could be more efficient and effective when undertaken by the administrative level closest to the citizens. This ensures that expenditure decisions will be based on more precise information regarding needs and priorities and subject to tighter accountability mechanisms.

Fiscal decentralization has a high impact on ending poverty (Goal 1), since the local government is closer to citizens and has the ability to target the poor and identify their needs. In addition, the local government is able to target disadvantaged groups and track the status of local citizens against poverty indicators over time. Goal 2 on ending hunger is also highly impacted by fiscal decentralization. The local government can tailor programmes to improve malnutrition conditions and infant health and decrease maternal mortality. Compared to central Governments, local governments are in a better position to design effective programmes and projects to combat hunger.

Fiscal decentralization has a significant impact on good health and well-being (Goal 3) as well. Since demographics, health needs and priorities differ across jurisdictions, local governments are better positioned to identify health needs and develop customized programmes. Education (Goal 4) is also affected by fiscal decentralization, as there are cultural and educational differences among jurisdictions. Local governments must be empowered to make decisions pertaining to the education process, such as the number of education hours and the appointment of teachers.

The management of water and sanitation (Goal 6) is purely the responsibility of the local government and is therefore strongly impacted by assigning expenditure responsibilities to local administrations. They can conduct needs assessments and ensure citizen participation so that their needs are reflected in expenditures related to water and sanitation. Local governments can also implement advanced methods of waste management and expand revenue from these activities.

As for sustainable cities and communities (Goal 11), fiscal decentralization has a strong impact. Capitals and large cities are often regulated by specific rules and regulations that provide the local government more power in terms of expenditure and revenue assignments. Decentralization would therefore allow local governments to allocate resources to the safety, resilience and sustainability of cities. They would also be able to impose and collect taxes and user charges, which would positively impact sustainability.

D. Government revenue from the perspective of the Sustainable Development Goals

Public domestic resources from tax and non-tax revenues represent one of the major sources of financing for the SDGs. Indeed, Goal 17 on partnerships for Goals is directly linked to the revenue side of the State budget. In particular, target 17.1 relates to strengthening domestic resource mobilization through improving domestic capacity for collection of taxes and other revenues.

Domestic resource mobilization is one of the factors that poses a major challenge to accelerating the achievement of the SDGs in Egypt. While mobilizing resources from all possible public, private, domestic and international sources is necessary to finance development, a considerable share of SDG-related investment in Egypt must be financed from domestic public resources.[8] ODA inflows to Egypt have declined to approximately $3.4 billion in 2017, down from approximately $4.7 billion in 2015 and $7 billion in 2016.[9] In addition, Egypt is underperforming relative to its peer countries in most indicators related to private sources of financing, both domestic and external, including exports-to-GDP ratio, foreign direct investment inflows and savings-to-GDP ratio.[10]

As a result, as mentioned in chapter 3 of this report, government revenues represented the main source of FFD in Egypt during both the periods 2005–2014 and 2015–2019. This situation places pressure on the Egyptian Government to strengthen its capacity to mobilize public domestic resources from taxes and non-tax revenues. In this context, this section analyses the structure of government revenue and its development over the period 2014/15 to 2020/21.

Total government revenue from taxes, grants and other non-tax revenues accounted for approximately LE 1.3 trillion (18.8 per cent of GDP) in the modified State budget for the fiscal year 2020/21, compared to approximately LE 465 billion (19.1 per cent of GDP) in the final account of the fiscal year 2014/15. As presented in table 7, the majority of total government revenue in Egypt is collected from taxes, constituting 14.1 per cent of GDP in 2020/21. Public domestic revenue from non-tax sources represented almost 4.7 per cent of GDP in 2020/21. In contrast, the relative share of grants in total government revenue is modest and has been decreasing over the analysis period, reaching 0.03 per cent of GDP in 2020/21.

Table 7. Evolution of the ratio of government revenue to gross domestic product (2014/15 to 2020/21)

Fiscal year/indicator	2014/15 (Actual)	2015/16 (Actual)	2016/17 (Actual)	2017/18 (Actual)	2018/19 (Actual)	2019/20 (Actual)	2020/21 (Modified budget)
Taxes, as percentage of GDP	12.6%	13.0%	13.3%	14.2%	14.0%	12.7%	14.1%
Government revenue (excluding grants), as percentage of GDP	18.1%	18.0%	18.5%	18.4%	17.9%	16.7%	18.8%
Total government revenue (taxes + non-tax revenue + grants), as percentage of GDP	19.1%	18.1%	19.0%	18.5%	17.9%	16.8%	18.8%

Source: Authors, based on the final accounts of the Egyptian State budget for the fiscal years 2014/15 to 2019/20 and the modified budget figures from 2020/21, prepared by the Ministry of Finance. Data on GDP for the respective years are extracted from the financial and analytical statements of the Egyptian State budget as published by the Ministry of Finance.

Table 8. Tax revenues and government revenue excluding grants, as a percentage of gross domestic product in selected middle-income countries (average from 2014 to 2019)

Country	Government revenues excluding grants, as a percentage of GDP	Tax revenues, as a percentage of GDP
Egypt[a]	17.9	13.3
Morocco	25.7	21.6
Philippines	15.0	13.5
Lebanon	18.8	14.5
Jordan	22.5	15.0
South Africa	31.5	26.7
Turkey	30.4	17.7
Malaysia	17.5	13.2
Lower-middle-income countries	15.1	12.0
Middle-income countries	20.1	12.0

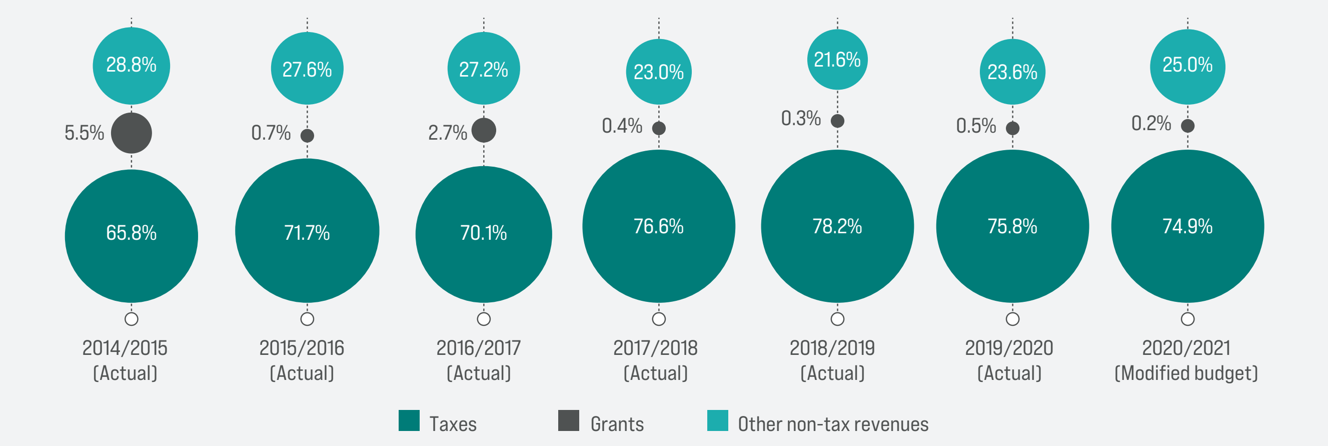
Source: Authors, based on the World Bank Database. Available at https://data.worldbank.org/indicator. Accessed on 12 October 2021.
a: Data for Egypt are based on the final accounts of the State budget for the fiscal years 2014/15 to 2019/20, published by the Ministry of Finance.

Table 8 demonstrates that the country's revenue mobilization capacity (measured by tax-to-GDP ratio and government revenues-to-GDP ratio, excluding grants) outperforms the average of lower-middle-income countries and is comparable to some upper-middle-income countries, such as Lebanon and Malaysia. Nevertheless, revenue mobilization capacity in Egypt is modest when compared to other peer countries, such as Jordan, Morocco, South Africa and Turkey. In order to secure the financial resources needed to achieve the SDGs in Egypt, greater efforts must be directed to strengthening the country's public domestic resource mobilization. It is worth mentioning that the Ministry of Finance is attempting to address this weakness while guaranteeing that citizens do not bear additional burdens. These measures include expanding the tax base, improving the tax administration system and encouraging the informal sector to join the formal economy.

1. Economic classification of government revenue

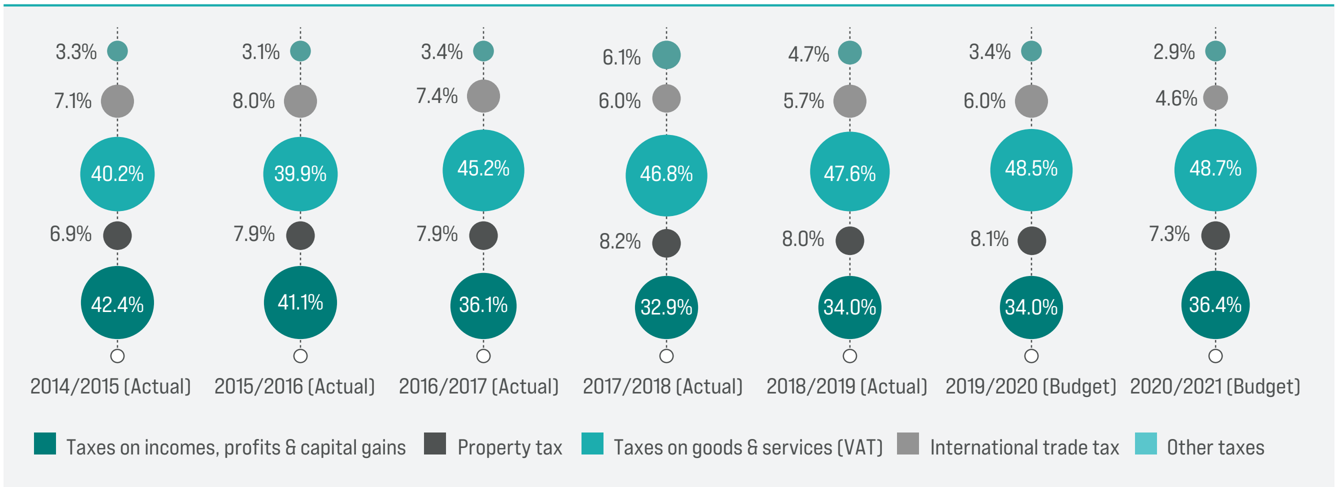
Figure 38 presents the structure of government revenue over the time frame 2014/15 to 2020/21. The relative share of taxes in total government revenue has significantly increased, by almost nine percentage points, from 65.8 per cent to 74.9 per cent, at the expense of grants and other non-tax revenues. This can be explained by Government measures to expand the tax base, such as introducing the value added tax (VAT) system in 2016, enforcing the property tax and modernizing the customs tax administration. These measures are reflected in the increase in the relative share of taxes in both total government revenue and GDP, as depicted by figure 39 and table 7, respectively.

Figure 38. Structure of government revenue by economic classification



Source: Authors, based on the final accounts of the Egyptian State budget for the fiscal years 2014/15 to 2019/20 and the modified budget figures from 2020/21, prepared by the Ministry of Finance.

Figure 39. Structure of tax revenues in Egypt



Source: Authors, based on the final accounts of the Egyptian State budget for the fiscal years 2014/15 to 2018/19 and the approved budget figures from 2019/20 and 2020/21, prepared by the Ministry of Finance.

As shown in figure 39, the structure of tax revenues has witnessed a considerable shift during the analysis period, from direct taxes (i.e. property tax and taxes on income, profits and capital gains) to indirect taxes (i.e. international trade tax and taxes on goods and services). The adoption of Law No. 67 of 2016 on VAT to replace Law No. 11 of 1991 on general sales tax has contributed significantly to this shift. According to the new law, the general tax rate increased from 10 per cent to 13 per cent in 2016/17 and then to 14 per cent in 2017/18. While the majority of services were exempt under the general sales tax system, the VAT system has expanded the tax base by ensuring that all goods and services, both local and imported, are subject to this tax. Nevertheless, the new system has maintained the exemption for basic goods and services that primarily impacts the lives of the poor and low-income groups.

It is worth mentioning, however, that there is still considerable room to improve the efficiency of the VAT system in Egypt. In fact, VAT efficiency exhibited a declining trend over the last decade in most countries, even those that have increased VAT rates. This indicates that

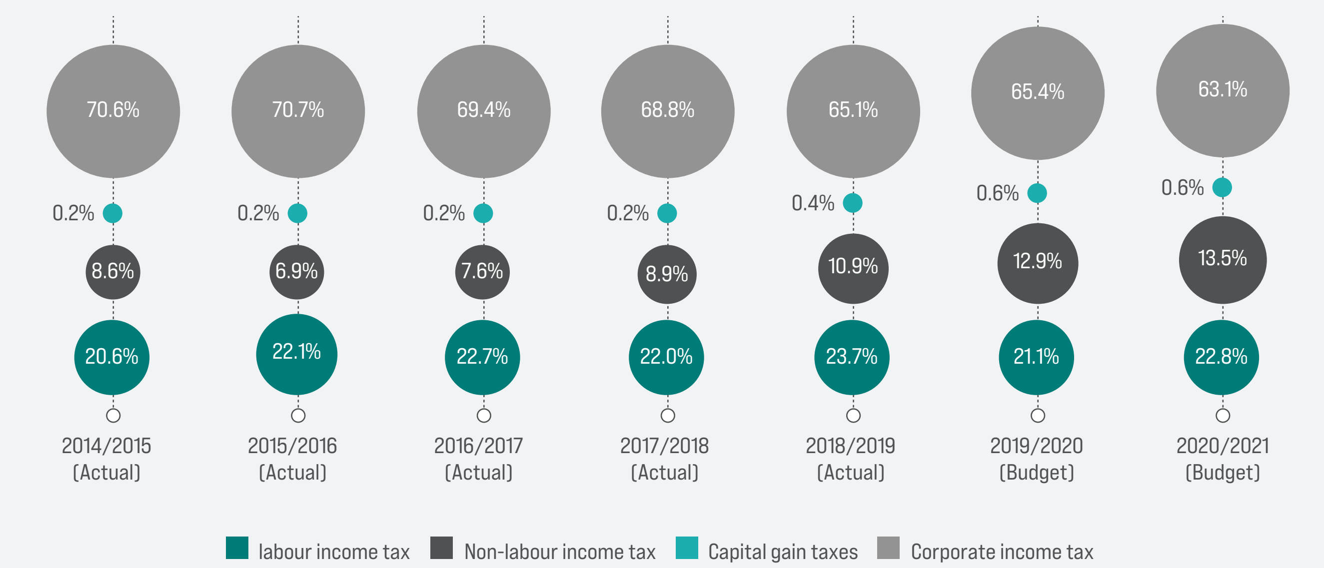
VAT efficiency does not necessarily improve in countries with higher VAT rates.

This tax structure seems to serve economic efficiency objectives, given that indirect taxes are generally less distortive than direct taxes in terms of their excess burden or harmful impact on work, savings and investment incentives. Nevertheless, the current tax structure may give cause for concern from a social equity point of view. While indirect taxes have a flat tax rate structure, they tend to be regressive in practice. Individuals with a lower income have a higher marginal propensity to consume; consequently, a greater percentage of their income is paid in tax.[11] Nonetheless, indirect taxes on consumption can contribute to income redistribution if they are used to finance progressive spending. Higher excise taxes on luxury goods can also make consumption taxes much more progressive.[12]

In general, these issues have been considered by the current VAT system in Egypt. On the one hand, the system fully exempts approximately 57 commodity groups that mostly impact the lives of the poor, including basic goods and services like tea, sugar, milk, eggs, bread, fish, fruits and vegetables, banking and financial services, basic educational and medical services, and drugs and their active ingredients. On the other hand, the VAT law has recognized a group of goods and services subject to special tax rates (i.e. the table tax) that cannot be adjusted without a legislative amendment. Within this group, two subgroups can be identified. The first is goods and services that are subject to the table tax only, such as cigarettes, petroleum products, fertilizers and agricultural pesticides. The second is goods and services that are subject to both the table tax and the general VAT rate, since they are considered luxuries goods, such as soft drinks, beer, air conditioners, perfumes and cosmetics, cars, mobile phones and credit cards. These arrangements make the consumption tax in Egypt less regressive and more conducive to the achievement of SDGs linked to health and environmental protection.

As presented in figure 40, corporate income tax constitutes the majority of tax revenues on income, profits and capital gains and averages 67.6 per cent from 2014/15 to 2020/21. The Egyptian General Petroleum Corporation and the Suez Canal Authority are the main contributors to revenues collected from this tax. In contrast, the relative share of personal income tax, both on labour and non-labour income, has averaged 32.1 per cent.

Figure 40. Structure of taxes on income, profits and capital gains



Source: Authors, based on the final accounts of the Egyptian State budget for the fiscal years 2014/15 to 2018/19 and the approved budget figures from 2019/20 and 2020/21, prepared by the Ministry of Finance.

Furthermore, the majority of personal income tax revenues, an average of approximately 70 per cent during the analysis period, is contributed by the payroll tax under labour income tax, while the remaining share is collected from the incomes of freelance professionals and commercial and industrial activities. This suggests that the largest share of personal income tax is essentially collected from government employees. The heavy tax burden on this segment can be explained by the weak tax administration system, which gives rise to tax evasion and tax avoidance, including through profit shifting. Additionally, a significant share of economic activities in Egypt is carried out in the informal sector. The effect of global and regional tax competition should be considered as well.

Almost one quarter of total government revenue is collected from non-tax revenue sources. Hence, strengthening public domestic resource mobilization in Egypt requires significant efforts to improve the financial performance of Egyptian economic authorities and SOEs. As table 9 shows, dividends received from economic authorities and SOEs constituted almost 35.3 per cent of total non-tax revenues and 9.2 per cent of total government revenue, on average, during the analysis period. As the data indicate, the Suez Canal Authority, the Egyptian General Petroleum Corporation and the Central Bank of Egypt (CBE) are the major contributors to total dividends earned by the Treasury, accounting for an average of almost 71 per cent. In contrast, the overall contribution of other economic authorities and companies from both the public sector and the public business sector averaged approximately 29 per cent of the Treasury's total earned dividends. As such, improving the fiscal performance of these entities could enhance the Government's potential to secure the funds needed to finance the SDGs.

Table 9. Structure of dividends received by the Treasury from economic authorities and State-owned enterprises

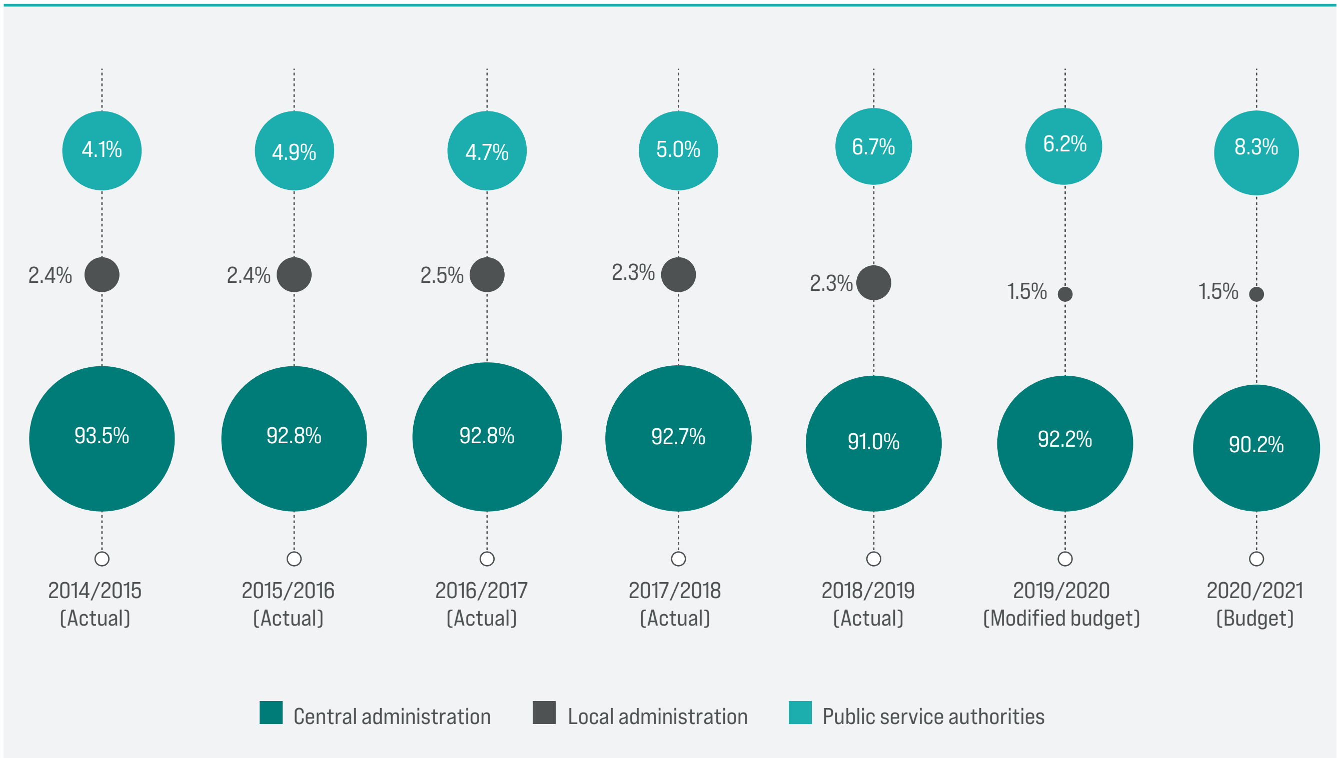
Item/fiscal year	2014/15 (Actual)	2015/16 (Actual)	2016/17 (Actual)	2017/18 (Actual)	2018/19 (Actual)	2019/20 (Budget)	2020/21 (Budget)	Period average
Economic authorities	14.1%	12.4%	15.5%	15.9%	22.6%	24.3%	27.1%	18.8%
Public sector companies	1.5%	1.8%	3.5%	4.6%	4.9%	5.2%	12.4%	4.8%
Public business sector companies	3.1%	3.6%	3.8%	8.5%	6.3%	5.7%	8.5%	5.6%
Central Bank of Egypt	18.8%	46.6%	27.4%	10.0%	0.0%	0.0%	0.0%	14.7%
Egyptian General Petroleum Corporation	35.6%	12.4%	8.4%	15.6%	2.7%	22.6%	10.6%	15.4%
Suez Canal Authority	26.9%	23.3%	41.4%	45.4%	63.5%	42.3%	41.4%	40.6%
Total dividends from economic authorities and State-owned enterprises (in millions of Egyptian pounds)	**71,399**	**63,274**	**70,969**	**52,246**	**47,766**	**85,413**	**80,878**	**67,421**
Percentage of other non-tax revenues	**53.3%**	**46.7%**	**39.5%**	**27.7%**	**23.5%**	**31.2%**	**25.1%**	**35.3%**
Percentage of total government revenue	**15.3%**	**12.9%**	**10.8%**	**6.4%**	**5.1%**	**7.5%**	**6.3%**	**9.2%**

Source: Authors, based on the final accounts of the Egyptian State budget for the fiscal years 2014/15 to 2018/19 and the approved budget figures from 2019/20 and 2020/21, prepared by the Ministry of Finance.

2. Administrative classification of government revenue

Figure 41 shows that the majority of government revenue is collected at the central level. Indeed, the relative share of local administration in total government revenue has decreased from 2.4 per cent in 2014/15 to 1.5 per cent in 2020/21.[13] This confirms that Egypt is a highly centralized system, not only in terms of expenditure decisions but also in terms of taxation power. This structure has an adverse impact on the country's potential to achieve the SDGs. Citizens have relatively weak incentives to pay taxes collected at the central level compared to local taxes, as the later allow them to link their tax payment to the benefits they receive at the local level. As such, tax evasion and tax avoidance are expected to be more prominent under more fiscally centralized systems. The achievement of many of the SDGs, however, requires sufficient funds to be available at the local level.

Figure 41. Structure of government revenue by administrative classification



Source: Authors, based on the final accounts of the Egyptian State budget for the fiscal years 2014/15 to 2018/19, the modified budget figures from 2019/20 and the approved budget figures from 2020/21, prepared by the Ministry of Finance.

E. Conclusion and policy recommendations

From 2016 to 2019, Egypt has carried out a successful reform programme to correct large external and domestic imbalances, supported by its arrangement under the IMF Extended Fund Facility. The economic and fiscal measures implemented include the liberalization of the exchange rate, the phasing out of fuel subsidies, the implementation of the VAT system and substantial fiscal consolidation to ensure public debt sustainability. The fiscal savings resulting from these reforms have been utilized in part to strengthen the social protection system, with a view to reducing the adverse impact of structural adjustment on the poor. Reforms were also initiated in multiple structural areas, including public procurement and SOE governance. Despite the strong ownership and commitment of the Egyptian Government, which were critical in achieving macroeconomic stabilization, challenges remain, particularly in addressing poverty and inequality.

The analysis presented in this chapter provides the foundation for a number of policy recommendations regarding public finance and sustainable development in Egypt.

First, although social protection is the second largest sector in the State budget, public spending on this sector has been characterized by inefficiencies and poor targeting. As a result, spending has not translated into positive results in terms of reducing poverty and inequality. Indeed, between 2012 and 2017, the poverty headcount ratio in Egypt (based on the international poverty line of $1.90 a day, adjusted for purchasing power parity) has increased from 1.5 per cent to almost 3.8 per cent.[14] In addition, the national poverty rate increased from 26.3 per cent to 32.5 per cent between 2012/13 and 2017/18 before it decreased to 29.7 per cent in 2019/20.[15] Furthermore, while the Gini coefficient decreased between 2010 and 2012 from 30.2 to 28.3, it rose to 31.5 in 2017.[16] The allocation of additional funds to the social protection sector in Egypt should therefore be accompanied by greater attention to policy design and implementation to improve the targeting and efficiency of government expenditures.

Second, energy subsidies on fuel and electricity have long been the prominent example of distortive subsidies that contribute to the wasteful use of natural resources in Egypt. In addition, given their poor targeting mechanisms, energy subsidies were regressive in nature, as their benefits have primarily been allocated to rich companies and consumers. These subsidies have deteriorated the environment by increasing air pollution, noise and congestion, which are associated with the growing use of motor vehicles. This situation, however, has been reversed as a result of Government reforms introduced since 2016 that phased out energy subsidies and restructured public spending on social protection. These reforms serve not only environmental SDGs, but various social and economic SDGs as well. Moreover, the resources saved by these measures would allow the Government to eliminate distortive taxes on labour and capital, which would positively affect employment, private investment and economic growth. These measures would also free up budget resources to be allocated for social spending, which would benefit the most vulnerable segments of the population and hence contribute to reducing income inequality.

Third, the analysis provided in this chapter shows that the tax-to-GDP ratio and the government revenue-to-GDP ratio, excluding grants, are relatively low. This can be explained by narrow tax bases, a relatively weak tax administration system and widespread tax evasion and avoidance. Investing in the tax administration system in terms of transparency, efficiency, collection efforts, enforcement and compliance is crucial to increasing these ratios. In addition, strategic decisions should be made regarding the optimal tax mix for Egypt, based on national economic and social structures and political priorities. The political environment for changes in the tax mix should also be considered, since widening the tax base means that some constituencies who were not paying taxes previously, or were paying very little, will be asked to make greater contributions to domestic public resources.

Fourth, fiscal policy has a crucial role to play regarding the environmental dimension of sustainable development by guaranteeing the sustainable use of natural resources and promoting environmental protection. While taxes are commonly used as distributive measures of fiscal policy, they should also be used as corrective measures with the aim of internalizing externalities associated with various production and consumption activities. The Government can impose corrective taxes on harmful and polluting activities and the irrational use of natural resources by both companies and individuals. Common examples of corrective taxes that serve environmental objectives include a carbon tax, pollution or waste charges and taxes on plastic bags.

In addition to environmental concerns, various social and economic issues would be served by introducing corrective taxes and subsidies and eliminating or rationalizing existing distortive and inefficient subsidies. These measures have the benefit of increasing government revenue and financial savings, which could be used to support the delivery of various SDGs. Revenue mobilized from environmental taxes and the elimination of inefficient subsidies can be used to reduce harmful taxes on labour or capital accumulation. This should have a positive impact on employment and economic growth (Goal 8). Alternatively, these revenues can be used for increasing pro-poor government spending on health care and education (Goals 3 and 4). The resources mobilized can also be used for social support schemes that better target low-income groups and the most vulnerable, helping to reduce inequality (Goal 10). In addition, financial savings from reforming pricing policies in the water and energy sectors can be used to improve the availability and quality of services provided by these sectors and enhance the efficient use of natural resources (Goals 6 and 7).

Fifth, the shift towards a more fiscally decentralized system is important in localizing the SDGs. This should take advantage of the planning process in Egypt to begin working on localization tools to create an enabling environment, as well as the implementation of constitutional obligations regarding decentralization.

Sixth, the analysis of the budgeting process in Egypt reveals a need to introduce additional reforms to public financial management. On the expenditure side, moving towards programme- and performance-based budgeting and introducing a medium-term expenditure framework is the only way to link expenditure to development goals and policies. Adopting a gender-responsive budgeting approach is also recommended in order to plan for efforts that support gender equality objectives and effectively track related budget allocations. Another essential reform is to update budget accountability to include the impact of government expenditure on achieving the SDGs and national sustainable development goals under the Egypt Vision 2030 (box 1). On the revenue side, tax bases and prices should be revisited, with consideration for the expected social, economic and environmental impact.

Box 1: Approaches to integrating the Sustainable Development Goals in budgetary processes – country examples

1. Using the SDGs to improve the budget proposal narrative

Governments can integrate the SDGs by including qualitative—and more rarely quantitative—elements on SDG achievement in the budget documents they propose to parliament. For instance, during the preparation of the 2018 budget in Finland, the Ministry of Finance asked each ministry to add a short paragraph under each of the main titles in the budget proposal providing information on how sustainable development would be reflected in their sectoral policies during the 2018 financial year. In Norway, since 2016 each ministry has written a paragraph about its activities in relation to the SDGs under its responsibility, demonstrating the contribution of its proposal to achieving the Goals. Following a review by other ministries, the Ministry of Finance compiles the paragraphs and includes them in a chapter on SDG achievement, which is added to the main document of the budget proposal. In Sweden, ministries are encouraged to demonstrate the link between their area and the SDGs in the budget documents.

2. Mapping and tracking the budgetary contribution to the SDGs

In Mexico, the Government links its budgetary programmes to the SDGs to determine what percentage of a Goal is linked to any budgetary programme, as well as the number of budgetary programmes linked to each Goal. The Colombian Government has developed an automatic analysis text tool to identify links between budgetary programmes and each Goal. Nepal and the Indian State of Assam have gone a step further, coding their budget according to the SDGs in order to track the allocation of resources to each Goal. To move beyond mapping budgetary programmes or allocations in relation to the SDGs, countries could evaluate how different allocations actually impact SDG achievement by adding performance indicators, as is the case in Mexico.

3. Using the SDGs as a management tool for negotiations

Ministries in some countries use the SDGs and their targets as a management and negotiation tool to justify their budget proposals and negotiate for more funds. In Assam, the SDGs are a tool for line departments to obtain priority funding. In Finland, the administration expects the SDGs to be a beneficial tool that might better direct resource allocation decisions towards sustainable development. In Afghanistan, the SDGs will be used as a selection criterion to identify which grant applications from the provinces will obtain funding from the central Government.

4. Improving the budget performance evaluation

The SDGs and their targets and indicators can be used to improve a budget performance evaluation system. Mexico, for example, is revising its budget performance indicators in light of the SDGs. France announced in February 2018 that it would align its budget performance indicators with the SDGs "where relevant and possible". Slovenia has clearly linked the SDGs to national objectives and adapted them to their national context and challenges, prior to adopting 30 key performance indicators to evaluate national development, including budget performance. These indicators indirectly reflect the SDGs after being nationally translated.

Source: Adapted from Hege, E. and L. Brimont (2018). Integrating SDGs into National Budgetary Processes. Paris: Institut du développement durable et des relations internationales.

While the COVID-19 pandemic and its associated economic, fiscal and social impacts could exacerbate existing sustainable development challenges in Egypt, they could also provide an opportunity to introduce further structural reforms and continue those that have already begun in an effort to speed up the recovery and enhance the delivery of the SDGs.

In particular, Egypt shows a strong commitment to improving the social safety net as a major priority of current and future structural fiscal reforms. Authorities are looking into expanding social support to include more vulnerable groups, such as at-risk women, the elderly and school children. In addition, Egypt is committed to a public expenditure review, supported by the World Bank that covers social protection, health and education programmes, with a particular focus on evaluating the effectiveness of government spending in these key areas.

Moreover, the Government of Egypt perceives public revenue mobilization as essential to supporting the higher primary surpluses needed to create fiscal space for priority spending on health, education and social protection. Prior to the COVID-19 crisis, the draft medium-term revenue strategy, developed with support from IMF, had identified a range of institutional and compliance reforms for both the tax and customs agencies, as well as tax policies to increase revenue by 2 per cent of GDP over four years. Indeed, certain revenue measures from the draft strategy were accelerated and embedded in the budget for the fiscal year 2020/21.[17]

Furthermore, it is worth mentioning that the Ministry of Finance prepares and publishes the medium-term public debt management strategy annually. The strategy outlines the methodology and planned actions to improve public debt management and reduce the debt-to-GDP ratio, primarily by reducing public debt burdens, prolonging debt average life and developing the government securities market to ensure that the necessary funding for the budget is provided in a timely manner.

The Government's commitment to reform the existing budgetary system and processes has been reflected in the newly proposed unified public finance law, which was drafted by the Ministry and submitted to the legislature in December 2020 for discussion and approval. The proposed law replaces both Law No. 53 of 1973 on the State budget and Law No. 127 of 1981 on government accounting. It incorporates modern practices of public financial management, such as medium-term budgetary frameworks, programme- and performance-based budgeting, budget ceilings, fiscal planning and automation.

As such, the new law aims to improve the efficiency, effectiveness and prioritization of government spending, as well as achieve greater fiscal discipline. The proposed law seeks to achieve these objectives primarily by introducing effective mechanisms of financial accountability and transparency throughout the entire budget cycle; unifying the accounting rules to which all public entities, including economic authorities, are subject; and improving the governance of procedures to reallocate general reserves and additional appropriations. The proposed law also aims to strengthen the coordination mechanisms between the Ministries of Finance and Planning and Economic Development during budgetary processes in a way that should eventually translate into better fiscal performance for the Government.

Finally, it is noteworthy that the analysis provided by this chapter is limited to the State budget of Egypt and therefore it does not consider the role of economic authorities, SOEs and extrabudgetary funds and accounts in financing sustainable development. A more comprehensive view of the relationship between public finance and sustainable development in Egypt could be achieved by considering the role of off-budget public domestic sources of finance.

Losses from poor infrastructure governance reach

53% in low-income developing countries

34% in emerging market economies

The public finance structure in Egypt consists of

654 budgetary authorities

161 units at the central level

349 at the local level

144 public service authorities.

Total government expenditure in Egypt is estimated

LE 1.7 trillion

Endnotes

1. Long and Miller, 2017; United Nations Environment Programme, 2016.
2. Acheson and Lynch, 2017; Gupta and others, 2002.
3. Examples of these entities include Parliament, the Supreme Committee for Elections, the Cabinet, the Presidency, the governorates' general Diwans, the Ministry of Local Development, the Ministry of Finance, tax authorities, the Central Auditing Organization, the Ministry of Foreign Affairs, the Ministry of International Cooperation, the Ministry of Planning and Economic Development, the Central Agency for Organization and Administration and its Directorates, CAPMAS and the Information and Decision Support Center.
4. These ratios are calculated by the authors based on publications from the Ministry of Finance. These include the final accounts of the Egyptian State budget for the fiscal year 2018/19, the modified figures of the Egyptian State budget for the fiscal year 2020/21, GDP data for 2018/19 in the analytical statement of the State budget for the fiscal year 2020/21 and GDP data for 2020/21 in the financial statement of the State budget for the fiscal year 2021/22.
5. These comparisons are based on the World Bank Database, available at https://data.worldbank.org/indicator, accessed December 2020.
6. Takaful (meaning "solidarity") is a monthly cash transfer programme that targets poor households with children and is conditional on the child's school attendance, medical check-ups for mothers and children under 6 years of age and attendance in nutrition classes. Karama (meaning "dignity"), on the other hand, is a monthly unconditional cash transfer to the most vulnerable segments of population, namely the elderly (over 65 years of age), persons with disabilities and orphaned children.
7. Ministry of International Cooperation, Egypt, 2016; Ministry of Planning and Economic Development, Egypt, 2018a.
8. Ministry of International Cooperation, Egypt, 2016.
9. Ministry of Planning and Economic Development, Egypt, 2018a.
10. Amin-Salem and others, 2018.
11. El Husseiny, 2020.
12. United Nations, Inter-agency Task Force on Financing for Development, 2019.
13. It is noteworthy that, according to the property tax law, 50 per cent of the revenue collected from property taxes should be transferred to the governorates and the Slums Development Fund.
14. These figures are based on the World Bank Database, available at https://data.worldbank.org/indicator, accessed December 2020.
15. These ratios are based on data from CAPMAS.
16. These figures are based on the World Bank Database, available at https://data.worldbank.org/indicator, accessed December 2020.
17. IMF, 2020b.