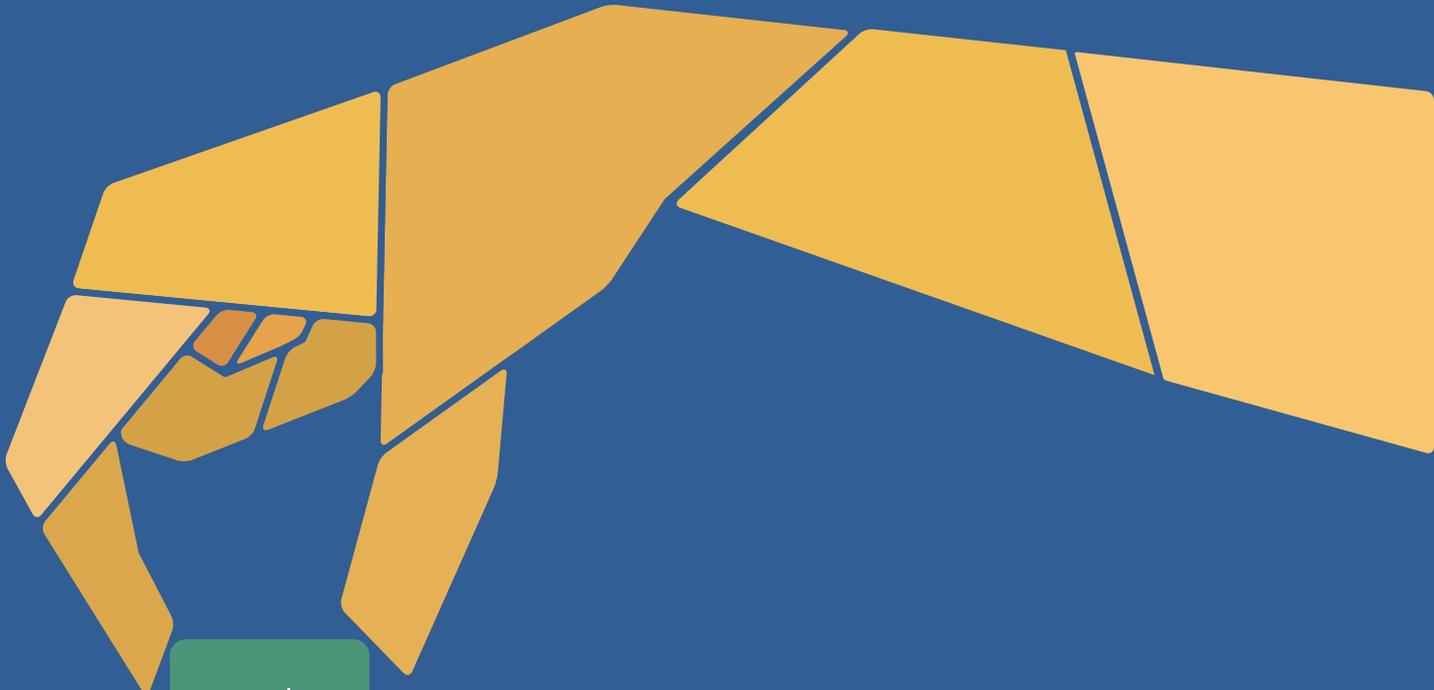
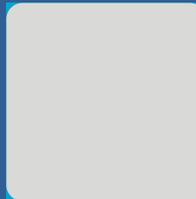




Spotlight on Children in the 2020/21 and 2021/22 Budget



						
		Budget Transparency Brief No.5				
						

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Child Budget Transparency Series

Child budget transparency series highlights and monitors budget allocations for initiatives that benefit children directly, or indirectly through family allocations.

This budget brief explores the size and the composition of the 2021/22 public budget, with a focus on the government social spending and child-specific allocations on education, health and social protection in light of the recent Egyptian context.

The series is jointly produced by Ministry of Finance and UNICEF Egypt as part of their efforts to enhance transparency and citizen engagement in the budget process.

These efforts come in accordance with Egypt's ratification of the Child Law in 1996 as the first legislation to protect children's rights in Egypt and the establishment of the National Council for Childhood and Motherhood (NCCM) in 1988.

Numbers provided in this document by the Ministry of Finance can be categorized into:

- Actual: Refers to the actual achieved numbers for past financial years
- Budget: Refers to the projections mentioned in the Executive Budget Proposal for the current financial year set at the beginning of the year
- Budget Estimate: Refers to the continuous changing projections for the current financial year dependent on changes on local and international levels

The FY 2021/22 budget is dedicated to enacting the principle of active citizenship while promoting human development and social protection. Additionally, to continue achieving fiscal consolidation, keeping debt levels on a downward path, while supporting productive and export industries thus improving citizens' standards of living and enhancing the health and education sectors.

The 2019/20 & 2020/21 budgets are characterized by an unprecedented set of measures and a stimulus package of more than EGP 100 billion, which is considered the largest in the history of Egypt for exceeding in size and measures the package implemented for the global economic crisis in 2008. The 2021/22 budget will include an extension and a continuation of the aforementioned stimulus measures.

This stimulus package aims at supporting children and their families, individuals and sectors negatively affected by COVID-19 crisis. Further, it includes many incentives for productive industries and projects.

The government of Egypt is keen to enhance transparency and citizen engagement in budget processes in accordance with internationally recognized standards to achieve **SUFFICIENT, EFFICIENT** and **TRANSPARENT** budgets for greater and more equitable results for children.

1

The sufficiency of a budget allows to finance social policies that are targeted but that can guarantee basic income for all citizens especially vulnerable groups with a mix of Protective, Promotive and Preventative measures.

2

Efficient budgets ensure that allocations reach the intended beneficiaries and that delivering institutions are best equipped to deliver social policy measures in the most effective way.

3

Transparent budgets provide the right mechanisms for beneficiaries to voice inefficiencies and describe practical barriers to the implementation of social policies.

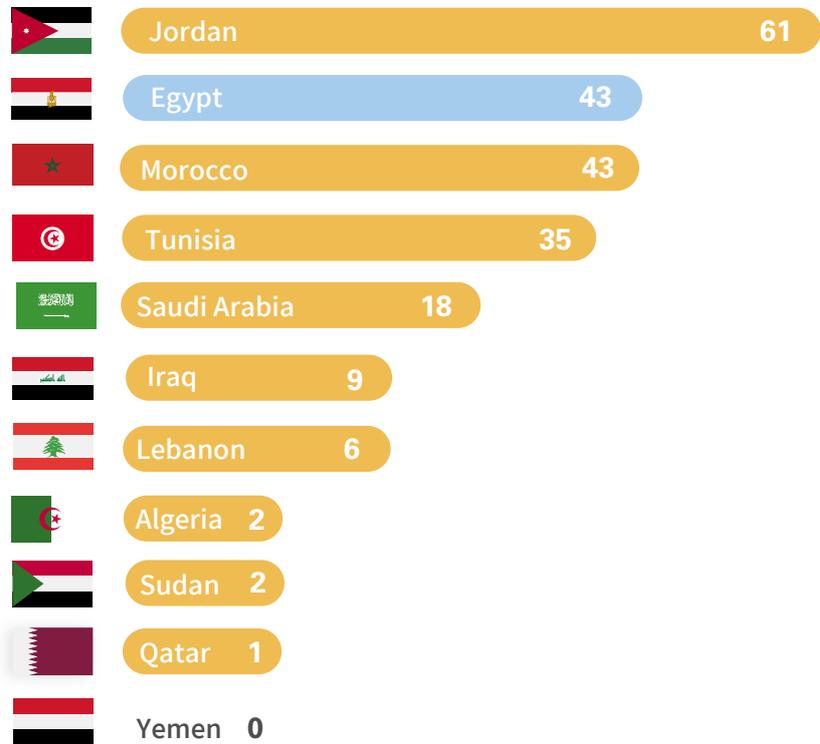
¹The Open Budget Index is the world's only independent, comparative measure that tracks government budget transparency. Countries covered by the Open Budget Survey are given a transparency score between 0 and 100.

Egypt has shown a noticeable improvement in the Open Budget Survey 2019 jumping by 30 basis points cumulatively during the period from 2012 till 2019. Thus, ranking 61 out of 117 countries in the International Budget Partnership Survey in 2019, which signals an improvement by 29 spots compared to 65th in 2017 and 90th in 2015, and thus, positioning Egypt as second in the region.

1.1 Transparency Scores for Selected MENA Countries, 2019

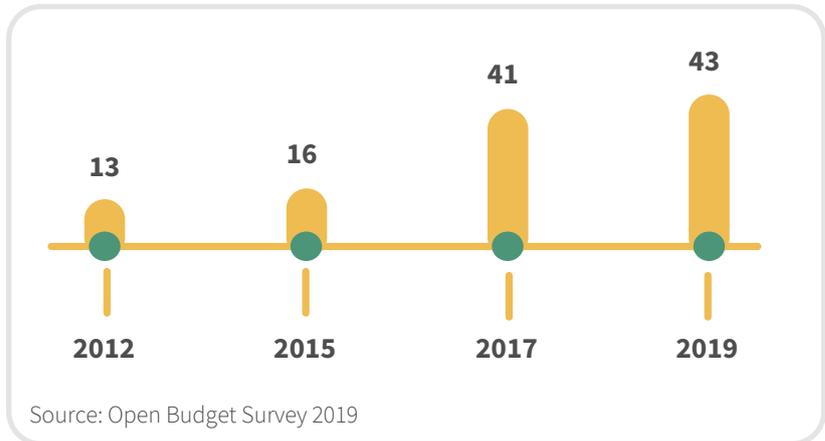


Global Average
45



Source: Open Budget Survey 2019

Figure 1. Trend in Egypt’s Budget Transparency Score, 2012 to 2019



Source: Open Budget Survey 2019

1.2 What are the main child-related objectives of the 2020/21 budget?

- Supporting all the economic sectors to overcome the repercussions of COVID-19 pandemic, while maintaining the reform path of the national economy;
- Providing quality health care for citizens, in addition to expanding the application of the universal health insurance system;
- Supporting social protection networks by increasing allocations for effective social protection programs that target the most vulnerable groups;
- Equal and fair access to opportunities through enhancing education system and scientific research;
- Increasing the allocations for the enhancement of infrastructure by improving roads, drinking water services and sanitation.

Understanding Economic and Functional Budget Classifications

Table 1. State Budget Breakdown by Economic Classification

	2020/21 Adjusted Budget (Million EGP)	2021/22 Budget Proposal (Million EGP)
Total Revenues	1,288,753	1,365,159
Taxes	964,777	983,010
Grants	2,209	1,541
Other Revenues	321,766	380,608
Total Expenditures	1,713,178	1,837,723
Wages and workers' compensations	335,000	361,050
Purchases of goods and services	100,200	103,889
Interests	566,000	579,582
Subsidies, grants and social benefits	326,280	321,301
Other Expenditures	105,000	113,787
Purchase of non-financial assets (investments)	280,698	358,113

Table 2. State Budget Breakdown by Functional Classification

	2020/21 Adjusted Budget (Million EGP)	2021/22 Budget Proposal (Million EGP)
Total	1,713,178	1,837,723
 General public services	776,462	857,268
 Public order and public security	80,419	88,118
 Economic affairs	111,795	110,476
 Environment protection	3,323	2,804
 Housing and community facilities sector	79,529	78,925
 Health	93,544	108,761
 Youth, culture and religious affairs	48,395	49,346
 Education	157,580	172,646
 Social Protection	285,969	283,378
 Other functional activities	76,164	86,001

The Economic Classification breaks the budget down into revenues and expenses. It lists general categories from which money is collected and on which it is spent. Even though the economic classification tells people where the money comes from and on what it will be spent, it doesn't clarify the purposes and objectives for which the money is spent.

The Functional Classification is where citizens can learn about the activities that money will be spent on. Egypt's State Functional Budget is made up of 10 functions (including healthcare, education, social protection, and environmental protection, among others).

The Egyptian economy continues to be praised by international institutions for its positive performance indicators that reflect its resilience in facing external and internal crises. This is a result of the economic reforms adopted during the pre-pandemic period that allowed flexibility to absorb shocks and mitigate their severity.

Recent forecasts of Standard Chartered indicate that Egypt will become one of the top 10 economies in the world by 2030. It is expected that Egypt will achieve a growth rate of 2.8% during 2020/2021 then restore an estimate average of the pre-pandemic GDP growth rate of 5.4% in 2021/2022. The figures indicate a gradual recovery of the economy from repercussions of COVID-19 showing the efforts of the government and their commitment to continue the ongoing economic reforms that has begun in the past years.

Meanwhile, the government succeeded in containing the inflation in 2019/20 at 5.7%, following a spike in 2017/18 that reached 21.6%. Both Debt and Deficit to GDP ratios have been consistently decreasing since 2017. In 2019/20, debt represented 87.5% of GDP compared to 108% in 2016/17.

Figure 2. Real GDP Growth Rate

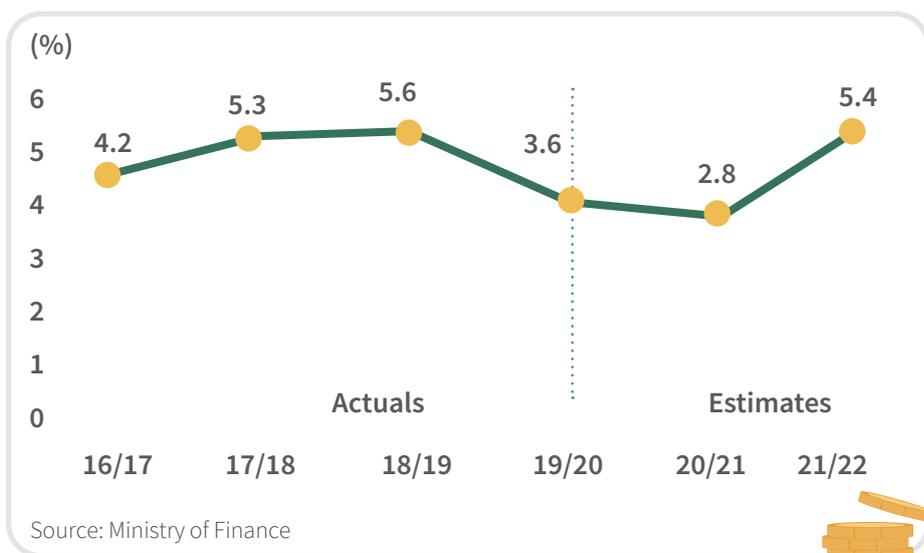


Table 3. Key Macroeconomic Indicators

Indicator	2018/2019 Actuals	2019/20 Actuals	2020/21 Estimates	Source
Real GDP growth rate	5.6%	3.6%	2.8%	MoF
GDP per capita (constant 2010 US\$)	-	3,019	-	World Bank
GNI per capita (constant 2010 US\$)	-	2,690	-	World Bank
Inflation rate	12.2%	5.7%	4.5% July-March (Actual)	MoF
Total population	-	100 million	-	CAPMAS
Child population	-	39 million	-	CAPMAS

Source: Ministry of Finance, Executive Budget Proposal 2021/22.

In 2019/20, the poverty rate has declined for the first time in 20 years to reach 29.7% compared to 32.5% in 2017/18.

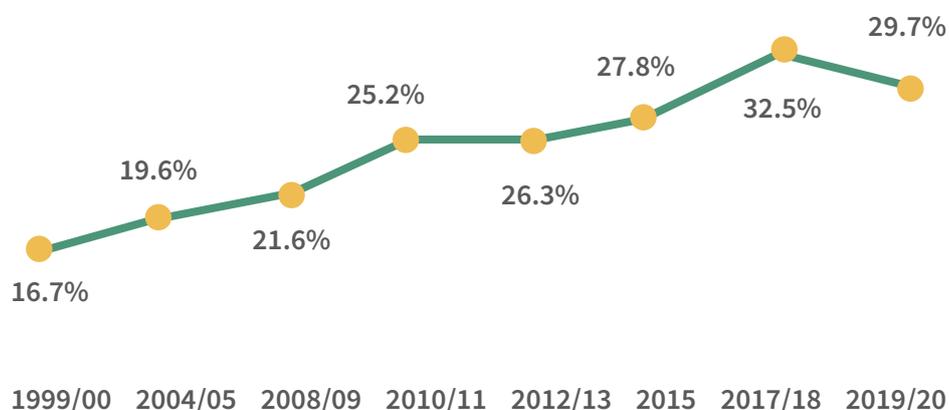
Egypt's Human Development Index (HDI) score has increased from 0.701 in 2018 to 0.707 in 2019, ranking the country 116 out of 189 countries.

For the first time, Egypt's HDI is above the average HDI of the Arab states, indicating an improvement for the economy and the components of human capital.

As for the Human Capital Index (HCI), which measures the amount of human capital that a child born today can expect to attain by the age of 18, has reached 0.494 in 2020, ranking the country 115 out of 174 countries.²



Figure 3. Poverty Rates in Egypt, 1999/00 to 2019/20



Source: HIECS, 2017/18. Data for 2019/20 are obtained from the official website of the Ministry of Planning and Economic Development

The Egyptian population has been growing at a fast pace of 2.2% per year on average, between 2016 and 2019.³ Children represent around 40% of the population. This rapid increase of the population can put additional pressure on the access and quality of basic services, such as health, education and social protection, hindering the realization of children's rights.

²Human Development Report 2020, UNDP, December 2020

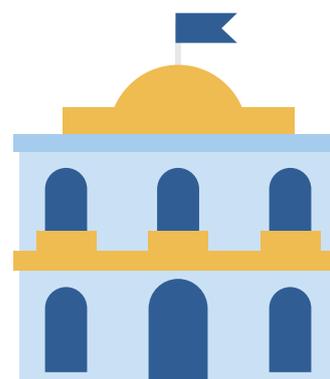
³<https://www.eg.undp.org/content/egypt/en/home/presscenter/pressreleases/2020/human-development-report-2020--the-next-frontier--human-developm.html>

Composition of Government Allocations

The 2021/22 state budget aims to increase the financial allocations directed to spending on human development programs and improving basic services for citizens. The government is keen to expand funding for effective social protection programs, while working on a comprehensive development plan for healthcare, education, wages, pensions and infrastructure.

Table 4. Expenditures and Revenues in the 2020/21 budget (EGP Billion)

	2019/20 Actuals	2020/21 Estimates	21/22 (Budget)
Revenues	EGP 975.4	EGP 1117.1	EGP 1,365,2
Annual Growth%	3.6%	14.5%	22.2%
Expenditures	EGP 1434.7	EGP 1614.3	EGP 1,837,7
Annual Growth%	4.7%	12.5%	13.8%
Overall Deficit	EGP 462.8	EGP 506.4	EGP 475.5
Annual Growth%	8%	7.7%	6.7%



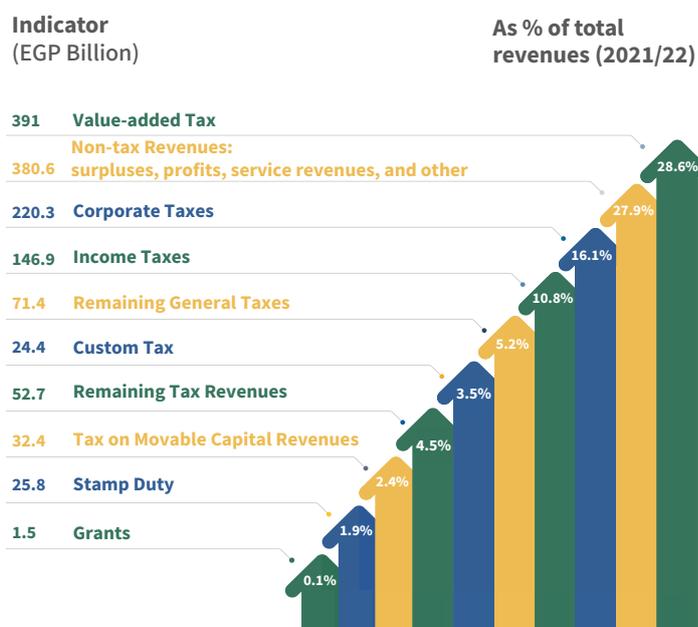
Source: Ministry of Finance.

Table 5. Budget Summary (EGP Billion)

	2019/20 Actuals	2020/21 Estimates	21/22 Budget Proposal
Revenues	975.4	1117.1	1365.2
Growth%	3.6%	14.5%	22.2%
Tax	739.6	830.8	983.0
Growth%	0.5%	12.3%	-
%to GDP	12.7%	13.0%	13.8%
Grants	5.3	2.2	1.5
%to GDP	0.1%	0.0%	0.0%
Non-tax Revenues surpluses, profits , service revenues, and others	230.5	284.1	380.6
Expenditures	1434.7	1614.3	1837.7
Growth%	4.7%	12.5%	13.8%
Net Financial Assets	3.5	9.2	2.9
Growth%	75%	163%	-
Total Deficit	462.8	506.4	475.5
%to GDP	8.0%	7.7%	6.7%
Primary Surplus/ Defecit	105.6	59.6	104.1
%to GDP	1.8%	1%	1.5%

Table 6. How much each source of revenue contributes to the 2021/22 budget

*Total revenues for 2021/22 are equal to 1.37 trillion



Source: Ministry of Finance, Executive Budget Proposal 2021/22.

How Much is Allocated for Child-Related Social Spending?



5.1 Social Protection (EGP 45 Billion allocated to children)⁴

For the first time in 20 years poverty has declined in Egypt. Poverty rate has declined from 32.5% in 2017/18 to 29.7% in 2019/20 when it had increased from 27.8% to 32.5% between 2015 and 2017/18.

Social protection has been prioritized over the past years as a strategy to put poverty and inequality on a downward path. This vision is emphasized in the national Sustainable Development Strategy: Egypt Vision 2030, which places social protection and children’s interest at its core.

Table 7. Key indicators related to social protection

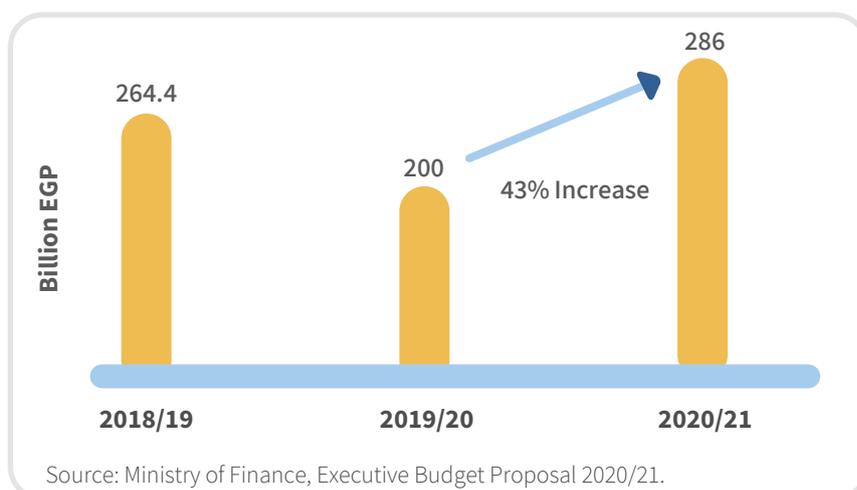
	Indicator by Year	Indicator by Year	Source
¹ Monetary HH poverty	32.5% (yr. 2017)	29.7% (yr. 2020)	CAPMAS
Social protection as % of GDP		4.1% (yr. 2020/21)	MoF
² Child multidimensional poverty (MODA)		29.5% (yr. 2017)	CAPMAS & MoSS
³ Human Development Index (HDI, scale 0-1)	0.701 (yr. 2018)	0.707 (yr. 2019)	UNDP
⁴ Inequality (Gini index)	31.8 (yr. 2015)	31.5 (yr. 2017)	World Bank
% of children covered by the social assistance programme (Takaful and Karama)	3.9 Million	5.3M/ 13.5% (yr. 2020)	MoSS

1,2,3,4 refer to glossary (page 16)

5.1.1 How much is allocated for Social Protection?

Allocations to social protection have increased by 11.2% between 2016/17 and 2020/21

Figure 4. Budgetary allocations to Social Protection, 2018/19 to 2020/21



⁴Social protection refers to allocations of social assistance for elderly, social security, child’s pension, unemployment benefits, social assistance programmes (Daman and TKP), subsidies and pensions. These allocations are under The Ministry and directorates of Social Solidarity, NCCM, NCSCR, department of reduced costs the living.

5.1.2 Key Child-related Social Protection Programs in 19/20, 20/21 and 21/22

Table 8. Main Social Protection Programme Allocations
(Values in EGP Million)

		Allocation 2019/20	Allocation 2020/21 (Adjusted)	Allocation 2021/22
	Contributions to insurance pension funds	55,000	130,000	180,000
	Food ration subsidies	80,427	84,487	87,222
	Petroleum products subsidies	18,677	28,193	18,411
	Social assistance (incl. Takaful and Karama and child pension)	18,500	19,000	19,000

Source: Ministry of Finance, Executive Budget Proposal 2021/22.

It is estimated that EGP 44.5 billion of the total Social Protection budget are allocated to children, accounting for a share of 15.6%⁵:

- EGP 8.4 billion of the funds allocated to Takaful and Karama cash transfer program go to children, who constitute 44% of the program beneficiaries (5.3 million children).⁶
- According to the Ministry of Social Solidarity, Takaful and Karama Programme (TKP) and social assistance programme (Daman Egtema'y) covered 3.8 Million households as of December 2020, compared to 2.6 Million in December 2019.
- The 2020/21 budget allocates EGP 84.5 billion for food subsidies, including EGP 48 billion for bread subsidies and EGP billion 36.5 for ration cards subsidies.
- It is estimated that EGP 33.8 billion out of the total allocations for food subsidies benefit children.
- The children's share of the EGP 5.7 billion subsidies to the social housing program is estimated to be EGP 2.3 billion.
- Moreover, the budget allocates EGP 70 million to finance the child's pensions.⁷

⁵This estimation was calculated by UNICEF as a proportion of the figure of EGP 286 billion devoted to the Social Protection sector in the Ministry of Finance's Executive Budget Proposal 2020/21.

⁶Figures are based on data provided by the Ministry of Social Solidarity.

⁷The estimated children's shares of food and social housing program subsidies were calculated by UNICEF, based on data from CAPMAS Statistical Yearbook 2020, which shows that children (0-18) make up 40% of the population in Egypt. Allocations for food subsidies, social housing and child's pension were obtained from the Ministry of Finance's Executive Budget Proposal 2020/21.



5.2 Health Sector

Egypt has achieved remarkable improvements in the domains of child and maternal survival and health over the past decade, yet the COVID-19 pandemic poses some challenges that require systems require resilient, responsive and accessible systems to address distributional and income inequalities across regions and groups in Egypt.

Table 9. Health Indicators Among Children Under-Five

Indicator		Value per year	Value per year	Source
Health as % of total budget		4% (yr. 2019/20)	5.5% (yr. 2020/21)	Ministry of Finance, Executive Budget Proposal
Infant mortality rate (per 1,000 live births)		25 (yr. 2010)	22 (yr. 2014)	EDHS
Life expectancy at birth for males (years)		70.1 (yr. 2015)	74.3 (yr. 2020)	CAPMAS
Life expectancy at birth for females (years)		72.9 (yr. 2015)	75.5 (yr. 2020)	CAPMAS
Prevalence of stunting among children under-five		29% (yr. 2008)	21.4% (yr. 2014)	EDHS
Prevalence of wasting among children under-five		7% (yr. 2008)	8.4% (yr. 2014)	EDHS

5.2.1 How Much is Allocated to Health?

EGP 275.6 billion

- Allocations for spending on health have increased to improve the quality of services provided to citizens and to cover the cost of health insurance, medicines, and health sector professionals, and the treatment of the disadvantaged at the expense of the treasury. Health allocations amount to EGP 275.6 billion (FY 21/22), an increase of EGP 17.1 billion compared to last fiscal year (FY 20/21).

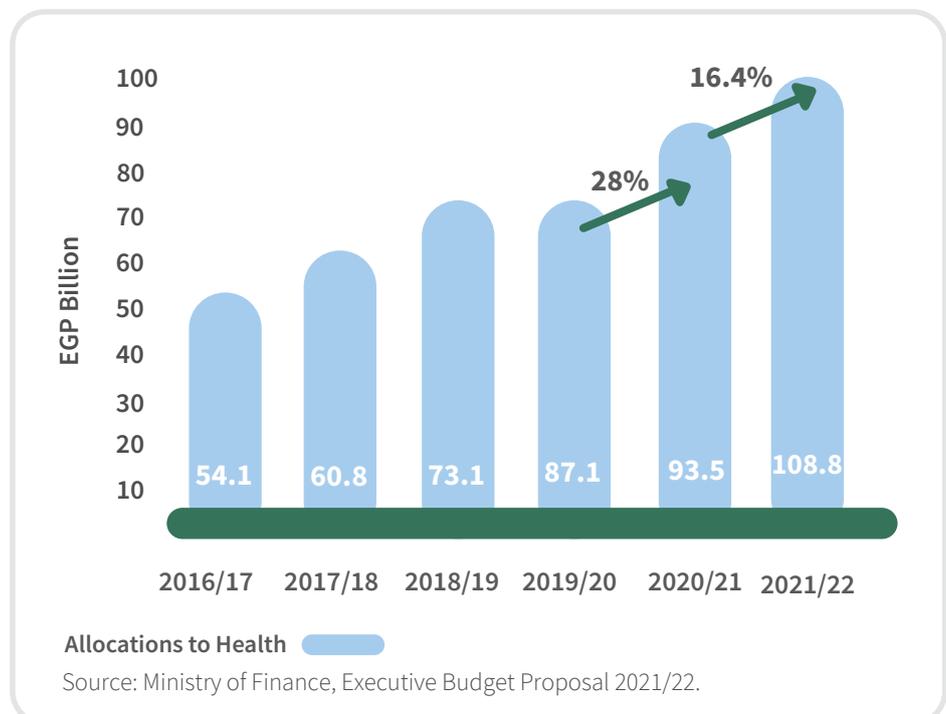


5.2.2 Key Child-Related Health Programs in 2021/22

Below are some of the key child related health programs:

- EGP 2,500 million is allocated to subsidize medicine and dairy products for children.
- EGP 178 billion to support social affairs and the national program for early childhood development.
- EGP 581 Million for the health insurance of children at the different educational levels (371 million for students till secondary education + 210 Million for preschoolers), single mothers and farmers benefiting to around 23.8 million children.
- EGP 800 million out of the EGP 865 million allocated to subsidize health insurance of those who are unable to afford it among the beneficiaries of the comprehensive health insurance program benefit to children.⁸ Whereas, out of the EGP 182 million allocated to subsidize health insurance of those who are unable to afford it among the beneficiaries of Takaful and Karama and Daman social assistance, it is estimated that EGP 80.1 million go to children.⁹
- EGP 67.6 million are allocated for each of the three presidential initiatives for (i) the early detection of hearing impairment for newborns; (ii) the prevention of infections from pregnant mothers to fetus; (iii) the early detection of neonatal diseases and prevention of children chronic diseases. This sums to a total of additional EGP 202.8 million allocated for children's health.¹⁰

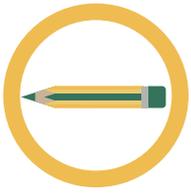
Figure 6. Trends in functional classification of health section allocations (in Billion EGP)



⁸The estimated children's share was calculated by UNICEF, based on data from CAPMAS Statistical Yearbook 2020, which shows that children (0- 18) make up 40% of the population in Egypt.

⁹The estimation was based on data provided by the Ministry of Social Solidarity, which shows that children (0-18) make up around 44% of the Takaful and Karama beneficiaries.

¹⁰Based on data obtained from the Ministry of Finance's Executive Budget Proposal 2020/21.

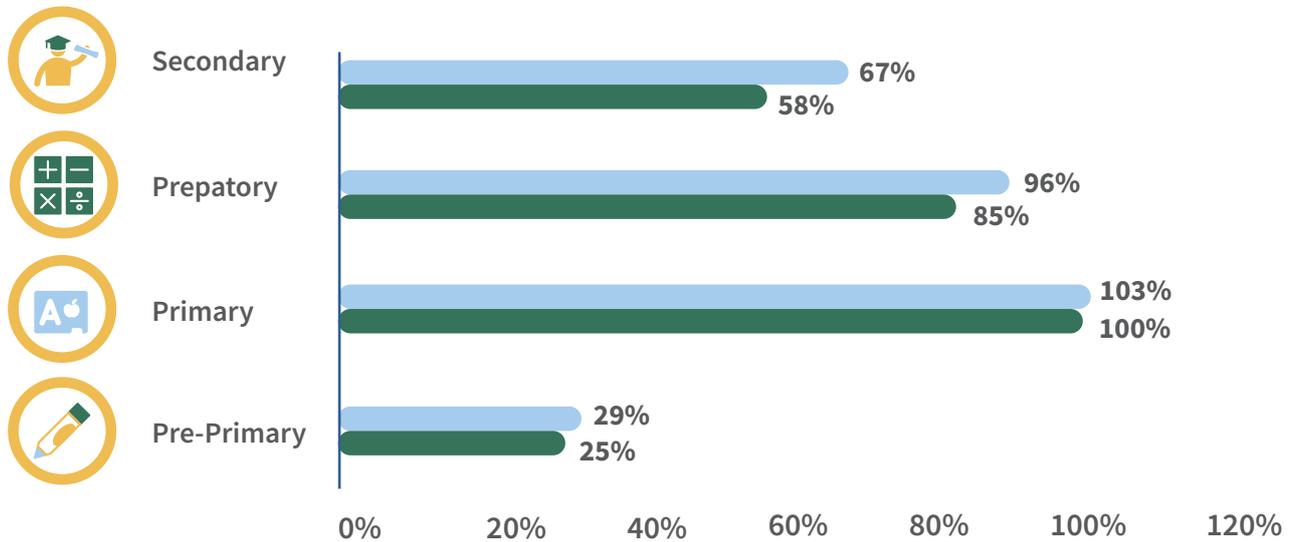


5.3 Children Education

Children's access to education has improved over the past decade. The pre-university education system, with 25 million across, pre-primary, primary, preparatory and secondary education levels, is the largest in the region.

Gross and net enrolment rates of 103% and 100% in 2019/20 for primary, falling to 67% and 58% as we progress to secondary level education. While gender ratios favor girls, socio-economic and geographical disparities remain the key deterrents to equal attainment, even though we have a very high this decreases by preparatory and secondary.

Figure 7. Enrolment rates in 2019/20



Source: Ministry of Education, Statistical yearbook 2019/20.

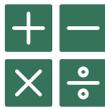
Gross Enrollment Rate ■ Net Enrollment Rate ■

The government has made extensive efforts to improve the accessibility and the quality of education, through increasing the allocations for education, in addition to, providing capacity building and training for the teachers to be able to cope to the increased demand and the COVID-19 period. However, over the past years the increase in enrolment rates was accompanied by a slow increase in the number of teachers and classrooms at the different education levels. For instance, the average number of pupils per class is around 51 at the primary stage, compared to 39 in 2009/2010. On the other hand, full-scale transformation of the education system is designed to move to a skills-based learning experience and an expansion of digital learning.

Figure 8. Class density for the different education levels, 2019/20



Secondary General 40.9



Preparatory 46.6



Primary 50.6



Pre-Primary 36.4

Source: Ministry of Education, Statistical yearbook 2019/20.

Note: Data refer to the schools (public and private) under the Ministry of Education system, and exclude Al-Azhar schools



5.3.1 How Much is Allocated to Education?

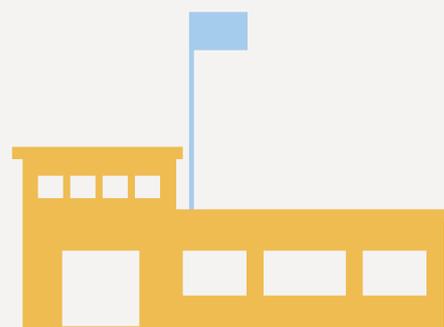
EGP 388 billion

- Allocations for education (pre-university EGP 256 billion and higher education EGP 132 billion) amount to EGP 388 billion, an increase of EGP 24.6 billion (6.3%), compared to FY 20/21, with more focus on TVET and building the capacity of teachers. On another note that allocations for scientific research increased by EGP 4 billion to reach EGP 64 billion in 2021/22 budget.

It's worth noting that in 20/21 budget, EGP 12,200 million were allocated for the implementation of 2,555 projects with a total of 39,064 classrooms in the different education stages, according to the plan of the General Authority for Educational Buildings.¹¹

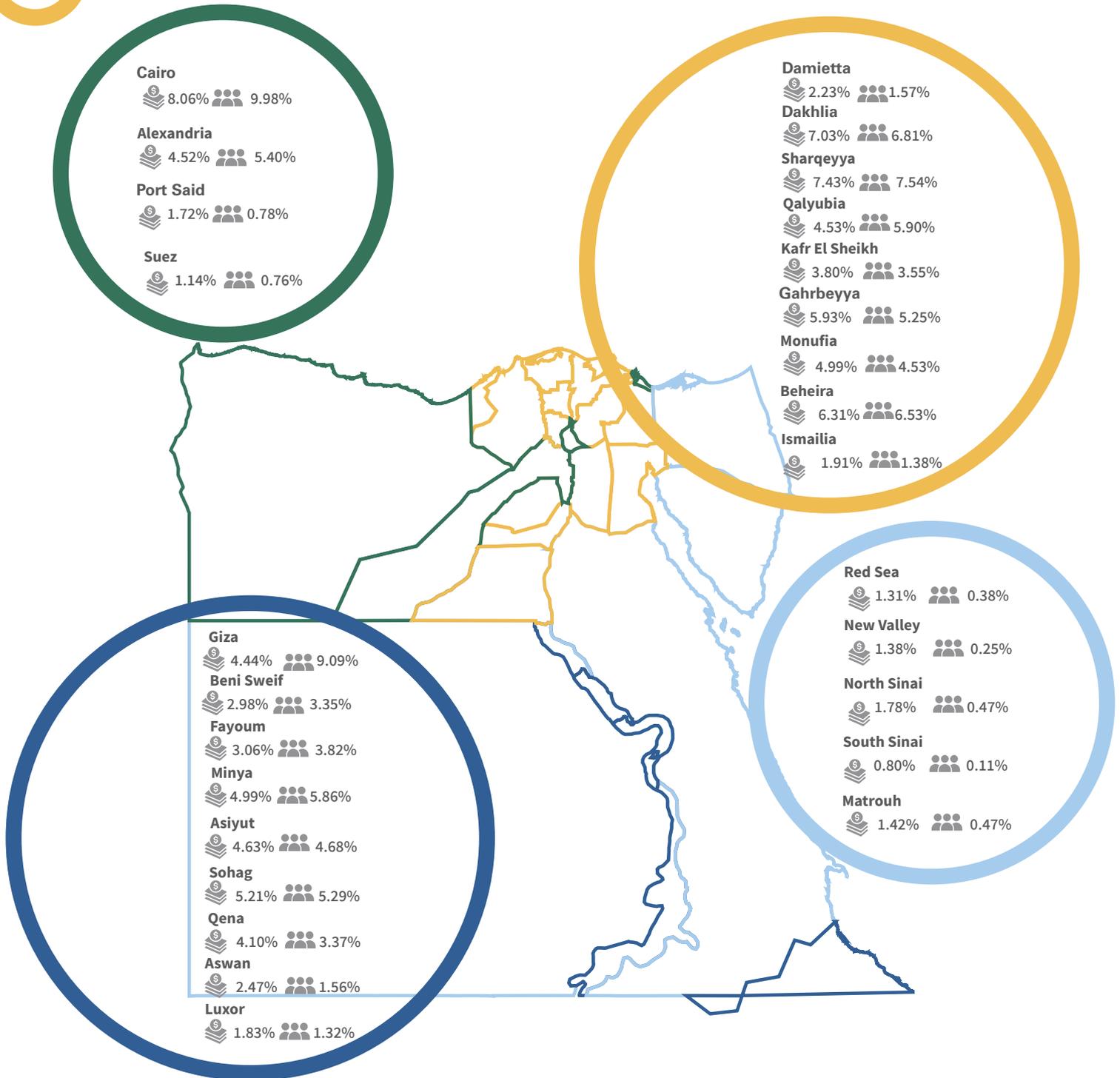
Improving the quality of the educational process by developing online education in light of the COVID-19 pandemic:

- The Ministry of Education has developed an electronic library that includes all educational curricula of the different stages from kindergarten to secondary, in Arabic and English.
- An electronic platform for communication between students and teachers has been also provided by the Ministry.
- Implementation of the largest system of electronic exams. The system has been tested on the exams of the secondary stage.



¹¹Based on the Ministry of Finance's Citizen Budget 2020/21.

Geographical Distribution of Investments



% of Total Allocations

% of the Population

- Urban Governorates
- Upper Egypt Governorates
- Frontier Governorates
- Lower Egypt Governorates

Source: Ministry of Finance, Local Administration Budget 2020/2021 and Egypt Census 2017.

¹²Egypt regions: Urban governorates include Cairo, Alexandria, Port Said and Suez. Frontier governorates include the Red sea, New Valley, Matrouh, North Sinai, and South Sinai. Upper Egypt governorates include Giza, Beni Suef, Fayoum, Menya, Assiut, Souhag, Qena, Aswan and Luxor. Lower Egypt governorates include Damietta, Dakahlia, Sharkia, Kalyubia, Kafr El-Sheikh, Gharbia, Menoufia, Beheira, and Ismailia.

From a Line-Item to a Program Based Budget

In accordance with the National Sustainable Development Strategy also known as Egypt Vision 2030, the government has finalized the preparation of a Program Based Budget starting 2019/20.¹³ The gradual move from the line-item to Program budgeting will assist in raising the efficiency of public spending, monitoring the effectiveness of the government performance, ensuring the largest possible benefit out of public resources, and achieving the targeted results from the financial allocations.

Program based budget refers the approach where the allocations and expenditures are linked to programmes, with defined goals and objectives. Program based budgeting helps establish a strong linkage between budget allocations, expenditures and policy outputs to improve transparency and visibility for programs.

The program budget for 2019/20 is based on 5 strategic objectives:

Strategic Objective	Allocation (in EGP Billion)	% of total program budget
 Safeguarding national security and boosting Egypt's foreign policy	40,827.5	11.9%
 Human development	133,019.9	38.7%
 Economic development and raising the efficiency of government performance	57,657.4	16.8%
 Improving operating levels	2,271.6	0.7%
 Improving citizens' standard of living	109,887.8	32.0%

The fulfillment of each strategic objective relies on a number of major programs composed of a set of sub-programs. Each government agency prepares a plan to clarify its emerging programs in accordance with the major and sub-programs of the government.

¹³The released numbers are based on the data reported by only 404 public budget entities out of the 623 budgetary bodies for the year 2019/20.

Monetary household poverty

Percentage of people living below the national poverty line, as per CAPMAS Households Income, Expenditure and Consumption Survey (HIECS).

Child multidimensional poverty (MODA)

A child is considered multidimensionally poor in Egypt when severely deprived in at least 2 child wellbeing dimensions of the 8, namely, protection, education, nutrition, health, housing condition, access to information, access to sanitation, and access to water.

The Human Development Index (HDI)

is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions. The HDI index is a number between 0-1, the higher a country's HDI score, the higher its level of human development (and vice versa).

The Gini index

measures the extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.

The gross enrolment rate

is calculated as the number of children enrolled in the specific education level, regardless of age, divided by the age group population of the same education level.

The net enrolment rate

is calculated as the number of children enrolled in a specific level of school (for example, primary education) who belong to the age group that corresponds officially to that level of schooling (e.g. 6-11 year-olds), divided by the total population of the same age group.

Egypt regions

Urban governorates include Cairo, Alexandria, Port Said and Suez. Frontier governorates include the Red sea, New Valley, Matrouh, North Sinai, and South Sinai. Upper Egypt governorates include Giza, Beni Suef, Fayoum, Menya, Assiut, Souhag, Qena, Aswan and Luxor. Lower Egypt governorates include Damietta, Dakahlia, Sharkia, Kalyubia, Kafr El-Sheikh, Gharbia, Menoufia, Behera, and Ismailia.

The Gross Domestic Product (GDP)

is the sum of gross value added produced by all residents in the country. The GDP per capita is obtained by dividing the total GDP by the total population.

Arab Republic of Egypt

