Arab Republic of Egypt

MINISTRY OF FINANCE

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BUDGET BRIEF:

EGYPT'S STIMULUS MEASURES & PACKAGES FOR FY 2023/2024 and FY 2024/2025 PUBLIC BUDGET

Budget Transparency Brief No. 10

The Fiscal Transparency and Citizen Engagement unit in the Ministry of Finance publishes this series of transparency briefs in collaboration with UNICEF in light of the government's keenness on enhancing Fiscal Transparency and Citizen engagement in the state's budget process according to internationally recognized standards to achieve adequate, effective, and transparent budgets for achieving greater and more equitable results. Therefore, these reports aim at raising the awareness of citizens on what is taking place on a global scale affecting the Egyptian economy so that they can participate effectively in the participatory budget process. All the information detailed hereafter is the sole responsibility of the Ministry of Finance of Egypt as it is the leading source for all the state budget allocations for the fiscal years (FYs) 2023/2024 and 2024/2025.

Table of Contents

Key Highlights..... 3

1 Global Economy Spillovers.....4

2 Macroeconomic Risks Exacerbated by Neighboring Geopolitical Tensions.....5

3 Egypt's Commitment to Socio-Economic Development Amidst Domestic Challenges.....6

4 Fiscal Discipline at the Crux of Egypt's Medium-Term Fiscal Policy.....8

5 Budget 2024/2025: Responding to Global and Domestic Challenges.....11

6 Prioritizing Social Protection: Egypt's Fiscal Stimulus Packages.....13

7 Macroeconomic Reforms: Driving an Influx of Liquidity and Growing Investor Appetite.....15

Annex I. Overview of Recent Financial Inflows.....16

Annex II. Leveling the Playing Field for the Private Sector.....18

Key Highlights

The Egyptian government has been steadfast in responding to global and domestic economic challenges. It has taken measures aiming to boost investment, foster private sector-led growth, and promote job creation. Concurrently, it is emphasizing fiscal sustainability through rigorous consolidation measures. That is while ensuring that vulnerable households are not burdened through fiscal stimulus packages and social protection measures.

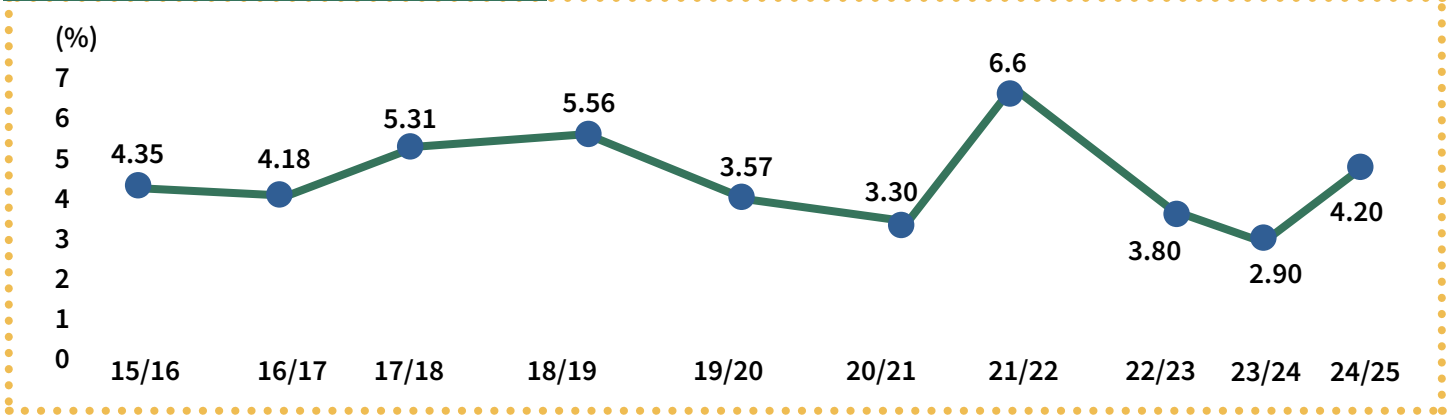
Egypt has been facing external shocks from global economic spillovers, including the Russo-Ukrainian conflict and tightened global monetary policies. Neighboring geopolitical tensions have put pressure on Egypt's foreign exchange receipts from the Suez Canal and have resulted in increased fiscal burdens.

Egypt stands at a crossroads of economic opportunities and challenges. Aligning with fiscal consolidation measures, government debt is **projected to reach 88.2% in FY 24/25, down from 91.4% of GDP in FY 23/24.** To curb inflationary pressures, the Central Bank of Egypt has set an inflation target of 7% (±2%) by the end of FY 24/25.

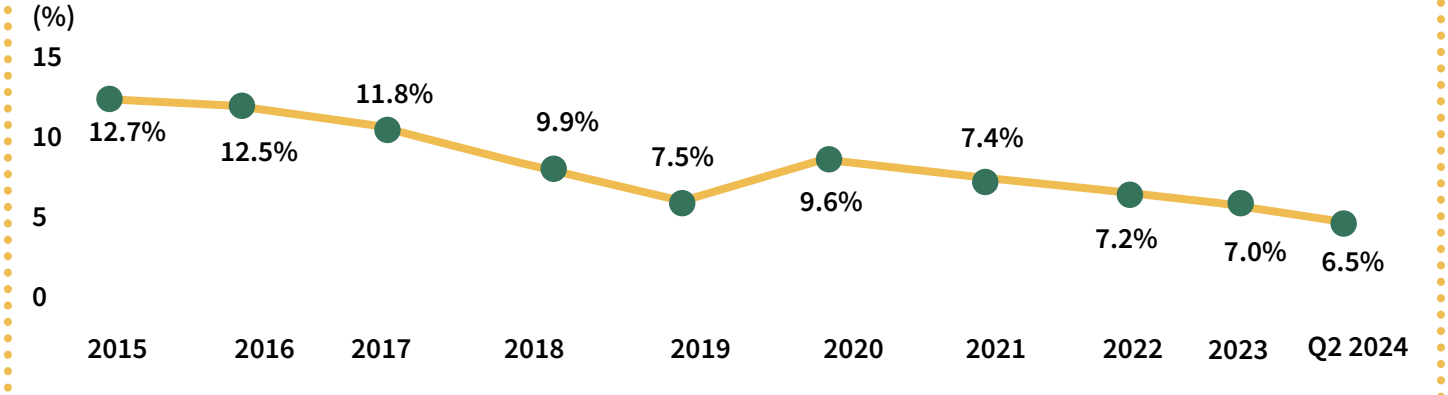
Several fiscal austerity measures are being implemented. This is in line with Egypt's Medium-Term Debt Management Strategy 2024-2027 which aims to reduce the debt-to-GDP ratio to less than 80.0% by FY 26/27. The current fiscal policy targets an increase in total revenues to reach **LE 2.6 LE billion (15.4% of GDP)** through tax administration enhancement measures. Additionally, several debt reduction and public investment rationalization decisions are being implemented.

Egypt's budget for **FY 24/25 targets a 4.2% growth rate, up from 2.9% in FY 23/24.** This projected growth rate is in light of efforts to ensure fiscal consolidation and private-sector led economic growth. The FY 24/25 budget anticipates a **primary surplus of 3.5% of GDP** and a budget deficit of 7.3% of GDP. Noteworthy annual increases in social sector spending in **FY 24/25 include a 20.1% rise in subsidies, grants, and social benefits expenditures, a 24.7% increase in health expenditures, and a 44.3% growth in education expenditures** (as per constitutional requirements).

Evolution of real GDP growth rate



Unemployment Rates



Source: Ministry of Planning and Economic Development and CAPMAS

Additionally, it should be noted that despite the economic challenges faced, unemployment rates have exhibited a downward trend. This demonstrates the translation of achieved economic growth into decent job generation.

The Government of Egypt demonstrates a strong commitment to ensuring the resilience of vulnerable households to economic shocks. This commitment is exemplified by two important social protection packages implemented during the FYs 23/24 and 24/25: an EGP 60 billion package announced in October 2023 and an **EGP 180 billion package announced in March 2024.**

These packages have entailed several key social protection measures such as: increasing the number of beneficiaries of the **Takaful and Karama program and its benefits,** hiring more staff and implementing raises for workers in the health and education sectors, and implementing increases in the minimum wage, the tax exemption limit, and pensions.

In light of these fiscal consolidation and macroeconomic stabilization efforts, notably the shift to a flexible exchange rate regime, global credit rating agencies have upwardly revised their future outlooks for the Egyptian economy to positive. That is in addition to the expansion of the **IMF's Extended Fund Facility arrangement by $5 billion.** Additionally, this has been marked by increased investor appetite in the domestic market, where inflows between March and May 2024 have reached **$13.8bn into bills and bonds.**

Finally, against this backdrop, Egypt is witnessing an economic upturn fueled by significant capital inflows, notably the $35 billion Ras El Hikma investment deal with the United Arab Emirates. That is in addition to the European Union's aid package of **€7.4 billion, the World Bank's $6 billion financing**, and budget support from Japan and the UK. These funds and investments entail several macroeconomic and structural reforms aiming to stimulate real economic growth.

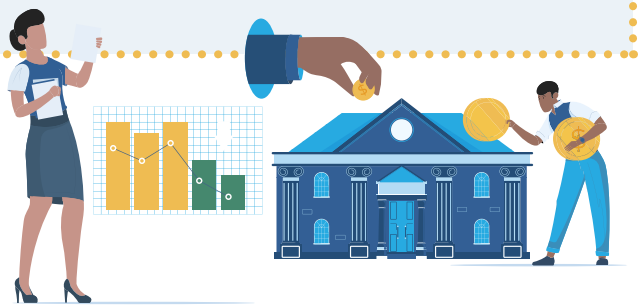
1 Global Economy Spillovers:

The Egyptian economy has been subject to a series of external shocks which had significant domestic impacts. These included the global slowdown triggered by the pandemic; soaring food and energy prices upon the outbreak of the Russo-Ukrainian war; and global monetary policy tightening to curb inflationary pressures.

Driven by supply chain disruptions resulting from the Russo-Ukrainian conflict, average oil prices reached a peak price of $91 per barrel in FY 21/22.[1] Despite their decline, oil prices have not reverted back to their pre-war levels. These sustained elevated prices place fiscal pressures on the domestic budget through an increased fuel subsidy bill, especially in a context of currency devaluation[2]. Additionally, as a net oil importer, this trend exerts pressures on Egypt's trade balance.

These supply chain disruptions have also induced significant inflationary pressures on international food prices. Despite the decline in wheat prices since the outbreak of the war, as of 2024, they remain 44.4% higher than their pre-war levels[3]. Egypt is severely impacted by these dynamics through increased fiscal pressures on bread subsidy expenditure and heightened food inflation. This could be attributed to the fact that Egypt is the largest importer of wheat globally with 85% of its wheat imports being sorted from Russia and Ukraine prior to the war[4].

Exemplified by the surge in US policy interest rates from 0.25% to 5.5% since March 2022, the prevailing global trend of tightened monetary policy has translated into increasing external debt servicing costs[5]. This is against the backdrop of foreign currency shortages.



[1]Financial Statement of the State Budget 2024/2025 (page 45)
[2]Financial Statement of the State Budget 2024/2025 (page 78)
[3]Financial Statement of the State Budget 2024/2025 (page 44)
[4]OECD Egypt Economic Survey 2024 (pages 30-31)
[5]Financial Statement of the State Budget 2024/2025 (page 77)

2 Macroeconomic Risks Exacerbated by Neighboring Geopolitical Tensions:

In a context of macroeconomic vulnerabilities and shortages in foreign currency reserves, the ongoing war in Gaza has placed pressures on two of Egypt's primary sources of foreign exchange receipts: the Suez Canal and tourism.

The Suez Canal is a core source of government revenue and foreign currency, with receipts contributing to **25% of Egypt's net international reserves in FY 22/23 ($8.8 billion)**[6]. Consequently, trade disruptions caused by the conflict exert pressures on foreign currency liquidity. According to estimates by UNCTAD, trade volumes in the Suez Canal witnessed a **decline of 42% between December 2023 and January 2024**[7]. In addition, between November 2023 and the end of February 2024, trade volumes decreased by more than half [8]. These trade disruptions have had an adverse impact on Suez Canal revenues. After achieving a **growth rate of 25.2% between FY 21/22** and FY 22/23[9], Suez Canal receipts declined by 36.5% in April 2024 compared to April 2023[10].

The tourism industry **recorded a 7.7% contribution to the GDP** and generated **8.5% of total employment in 2022**[11]. Following a recovery from the COVID-19 shock, tourism revenues achieved a **growth rate of 118.4%** between FY 20/21 and FY 21/22[12] and **reached a record of 13.6 billion dollars** during FY 22/23[13]. Contrary to expectations, the Egyptian tourism sector has been resilient in facing the crisis. According to a statement by the Ministry of Tourism, tourist arrivals have increased by 27% in the first four months of 2024 compared to the same period during the previous year[14].

[6] World Bank, "MENA Economic Update 2024" (page 27).
[7] UNCTAD, "Red Sea, Black Sea and Panama Canal: UNCTAD raises alarm on global trade disruptions"
[8] IMF, "Regional Economic Outlook for the Middle East and Central Asia, April 2024: An Uneven Recovery amid High Uncertainty" (page 2) - (From 38 million metric tons to 16 million metric tons).
[9] CBE "External Position Report". Volume No. 82 (page 1)
[10] According to statements by Egypt's Suez Canal Authority. News
[11] UNDP/ESCWA, "Expected socioeconomic impacts of the Gaza war on neighbouring countries in the Arab region" (page 11) and "Potential Socioeconomic Impacts of the Gaza War on Egypt: A rapid assessment" (page 19)
[12] Central Bank of Egypt, "External Position of the Egyptian Economy Fiscal Year 2021/2022" (page 1)
[13] Central Bank of Egypt, "External Position of the Egyptian Economy Fiscal Year 2022/2023" (page 1)
[14] Enterprise May 7 AM Issue

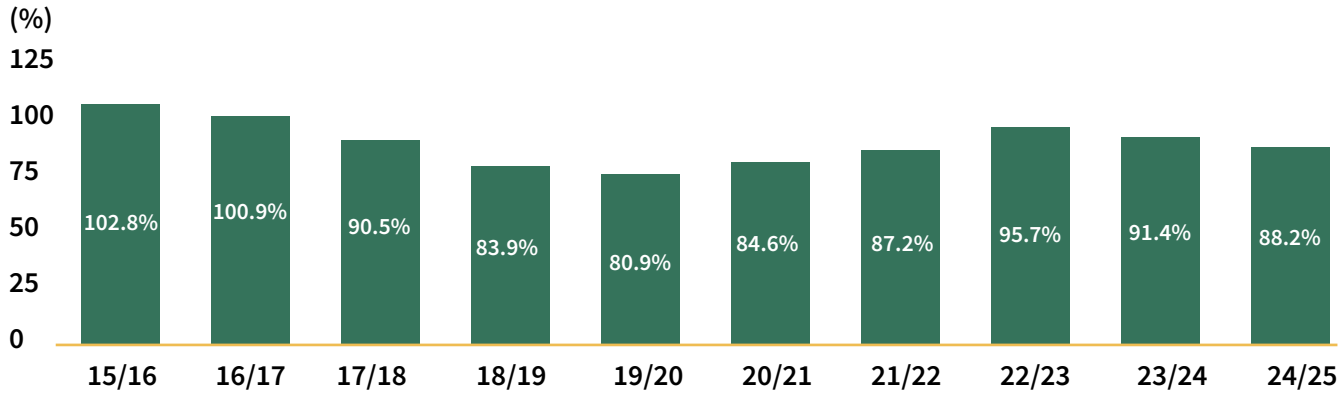
3 Egypt's Commitment to Socio-Economic Development amidst Domestic Challenges:

In a dynamic context of domestic challenges, the GoE is fully committed to adhering to its financial obligations while ensuring socio-economic development through bolstering investment, private sector led-growth[15] and job creation. That is in addition to ensuring fiscal sustainability through rigorous fiscal consolidation. All these measures are being implemented while ensuring that no additional burdens are placed on vulnerable households.

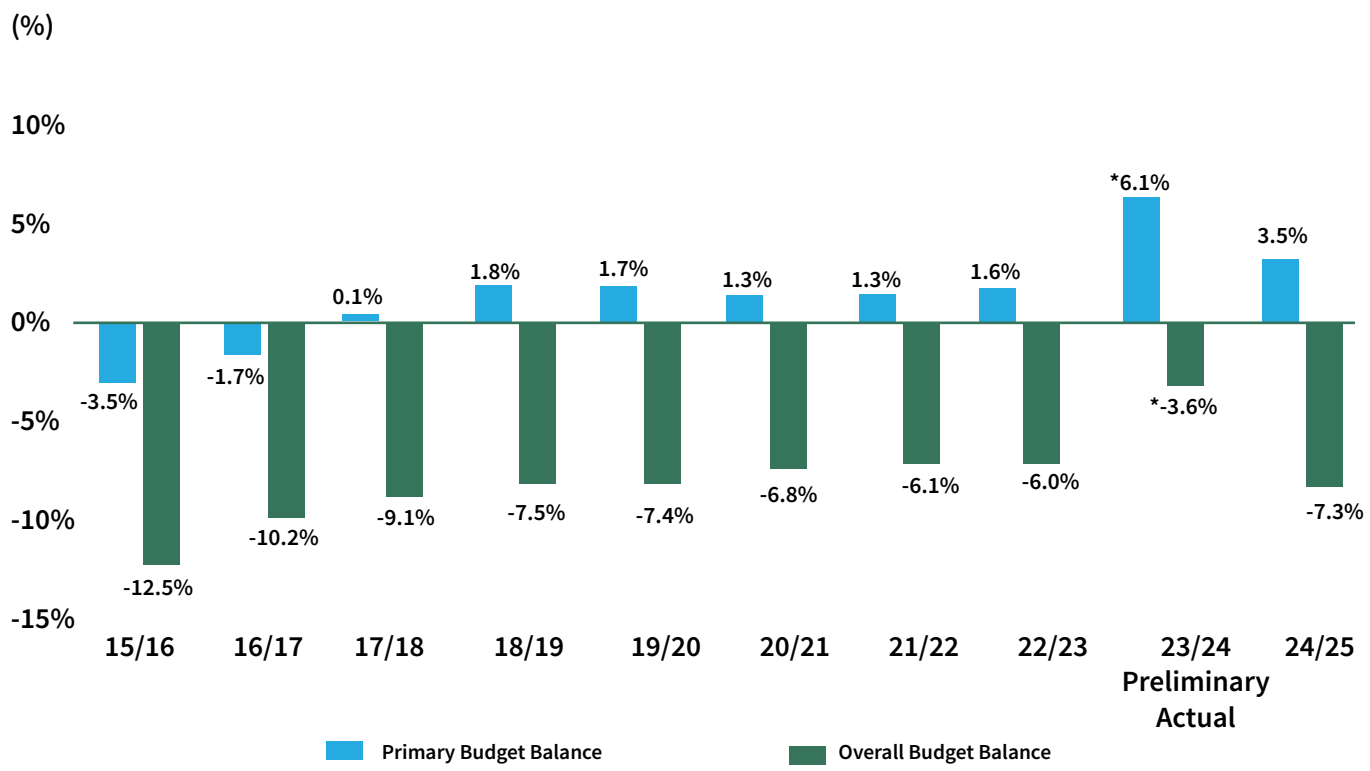
Egypt's Economic Landscape:

Egypt's total government debt as a percentage of GDP amounted to **91.4% in FY 23/24[16].** However, it is expected to fall to 88% of GDP in FY 24/25. This aligns with the Government of Egypt's (GoE) plan to place the debt-to-GDP ratio on a downward path through rigorous fiscal consolidation measures[17]. As depicted by Figure 2, in FY 23/24, the primary surplus reached a **record of 6.1% of GDP,** while the budget deficit represented **3.6% of GDP**[18]. The FY 24/25 budget anticipates a **primary surplus of 3.5% of GDP and a budget deficit of 7.3% of GDP.**

Figures 1 and 2: Evolution of Government Debt, Overall Budget Balance, and Primary Budget Balance (as a Percentage of GDP):



[15] Measures are detailed in Annex 2.
[16] Preliminary actual.
[17] Further elaborated in the following sections.
[18] Preliminary actuals.



Source: Financial Statement for the State Budget 2024/2025.
* Including proceeds from Ras El Hikma deal.

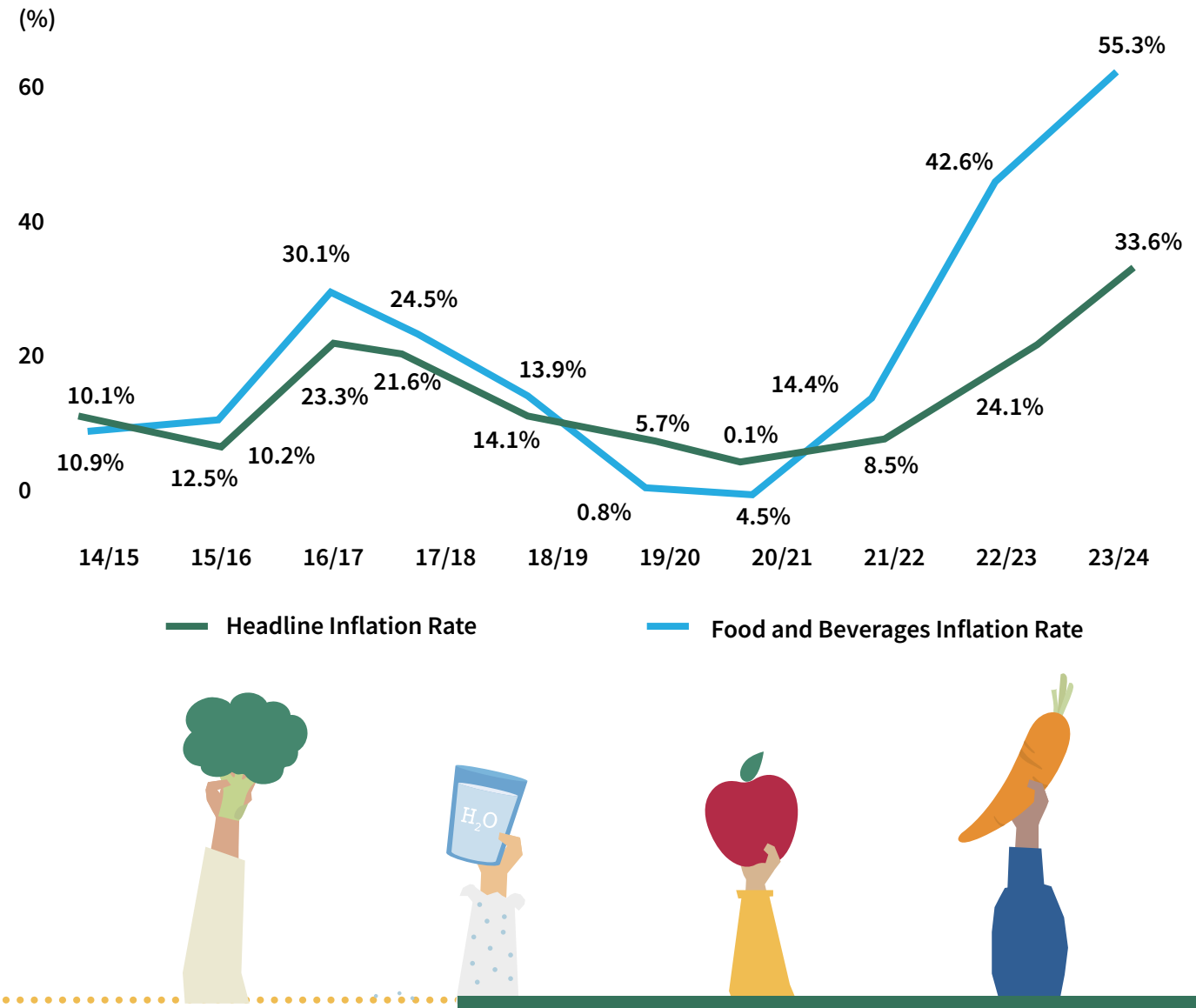
Egypt's current account deficit **declined by 71.5% between FY 21/22 and FY 22/23.** This was driven by an increase in the Suez Canal and tourism revenues and a **decline in the trade deficit by 28.2%**[19] due to a reduction in non-petroleum imports[20]. However, the current account deficit rose sharply between July and March of FY 23/24[21/22].

As shown in Figure 3, Egypt has been under increasing inflationary pressures where the headline **inflation [23] rate increased from 8.5% to 24.1%** between FY 21/22 and FY 22/23. It reached **33.6% in FY 23/24**. Additionally, domestic food inflation **reached 42.6% in FY 22/23.** While it **reached 55.27% in FY 23/24,** it is noteworthy that food inflation has been on a downward trajectory since the second quarter of FY 23/24.

A focus on food inflation trends is particularly relevant when analyzing child malnutrition and food insecurity[24] where **food accounts for 44.6% of the annual total expenditure** of the poorest 10% (HEICS 2019/2020)[25]. To address these challenges, the GoE has implemented multiple stimulus packages targeting vulnerable households[26]. Additionally, the Central Bank of Egypt (CBE) has set an **inflation target of 7% (±2%)** by the end of FY 24/25[27].

[19] CBE, "Press Release Balance of Payments Performance of FY 2022/2023"
[20] OECD, Egypt Economic Survey (page 30)
[21] CBE, "Press Release Balance of Payments (BOP) Performance in July/March of FY 2023/2024"
[22] Compared to the same period during the previous fiscal year. (July to March of FY 22/23)
[23] Headline inflation: total inflation in the economy including food and energy prices.
[24] Gadallah and Mamdouh (2023), "The Socioeconomic Impact of the Russia-Ukraine Crisis on Vulnerable Families and Children in Egypt: Mitigating Food Security and Nutrition Concerns"
[25] Household Expenditure, Income, and Consumption Survey 2019/2020 (page 62)
[26] Detailed in the sections that follow.
[27] Budget Statement of the State Budget 2024/2025 (page 20)

Figure 3: Annual Headline and Food & Beverages Inflation Rates:



Source: Calculations derived from the Central Bank of Egypt's Monthly Inflation Developments Documents

4 Fiscal Discipline at the Crux of Egypt's Medium-Term Fiscal Policy:

Egypt's Medium-Term Debt Management Strategy 2024-2027 aims at enhancing debt sustainability. Its primary target is reducing the **debt-to-GDP ratio to less than 80%** by the end of FY 26/27. In light of this objective, several measures have been announced.

A) Revenue-Based:
Tax Administration Enhancement Measures[28]:

- The current fiscal policy targets an increase in total revenues to reach **LE 2.6 LE billion (15.4% of GDP)**. It foresees **a growth rate of 30.4% in tax revenues in FY 24/25.** To meet these targets without imposing any additional burdens on citizens and investors, several measures aimed at increasing the efficiency of the tax collection system are envisioned. The latter include: the unification of tax procedures across all tax departments, the establishment of specialized tax collection offices to deal with large and small taxpayers separately, the implementation of a simplified tax system for micro and small companies encouraging their integration in the formal sector, and the automation of tax payment and collection processes as well as the enhancement of their utilization.

B) Expenditure-Based:
B.1) Public Investment Rationalization:

- Setting a total public investment ceiling of **EGP 1 trillion for FY 24/25,** as per the Prime Minister's decision No. 739 of 2024.
- The prioritization of **public investment projects with a completion rate of at least 70%,** as per the Prime Minister's decision No. 241 of 2024.
- The postponement of new public investment projects that have not yet commenced implementation and that involve payments in foreign currency, as per the Prime Minister's decision No. 4499 of 2023.

B.2) Program and Performance-Based Budgeting:

- Aiming to ensure that "no one is left behind", program and performance-based budgeting (PBB) has been introduced alongside existing line-item budgeting. PBB is designed to link programmes and their associated budget allocations, with clearly defined goals and objectives. Subsequently, PBB contributes to raising the efficiency of public spending and monitoring the effectiveness of programs' performance. Additionally, the GoE undertook several steps towards gender-responsive budgeting. PBB incorporates a number of programs that seek to meet the needs of Egypt's most vulnerable segments, namely women and children.
- Efforts include the implementation of gender-responsive budgeting which entails a budget that is concerned with the concepts of equal opportunities and equality. It signifies the importance of accurately measuring gender gaps and subsequently designing and implementing programs aiming to reduce them.
- Gender-responsive budgeting comes within the framework of the Ministry of Finance's keenness to develop the process of preparing the state's budget, and to integrate gender in order to achieve equal opportunities, equality, and fair distribution of budget allocations among all segments of society, taking into account the requirements of economic growth that is inclusive of all society's sectors, categories, and its geographical regions.

[28] Financial Statement of the State Budget 2024/2025 (pages 25-29-30-38-51-52-68)

Among the most important measures taken to implement gender-responsive budgeting:

- In September 2024, a procedural guide for program budgets responsive to equal opportunities and gender equality was issued in cooperation with relevant authorities.
- Several training courses were also organized, tackling the preparation of gender-responsive budgets. The training plan will be completed with all relevant authorities to include programs aimed at achieving social justice in the budgets of line ministries and budgetary bodies.

C). Debt Reduction Measures:

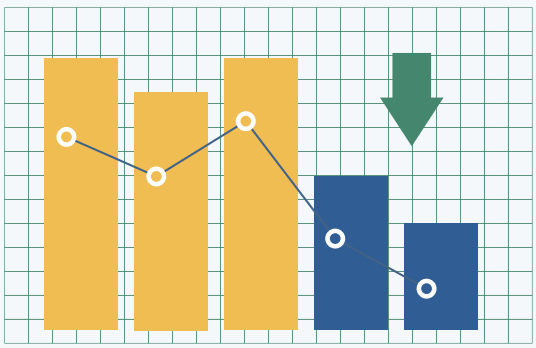
- **The primary surplus and 50% of the revenues** generated from the Initial Public Offering (IPO) program[29] will be employed to reduce government debt and debt service burdens.
- Increasing the diversification between domestic and foreign financing instruments. That is to alleviate the impact of global and domestic monetary tightening on debt service payments.
- As per the amendments to the Unified Public Finance Law issued by Law No. 18 of 2024, debt capping is to be implemented. A maximum limit is to be set on the government's general debt, with increases subject to presidential and cabinet approval.

Against this backdrop, the Ministry of Finance is working on restructuring public finances by introducing the concept of the public government budget, which includes the revenues and expenditures of all 59 economic bodies, as well as the budgets of the state administrative apparatus, local authorities, public service entities, the National Investment Bank, and the Government Social Insurance Fund. It also establishes a binding legal ceiling for the "public government" debt.

The introduction of the concept of public government budget, replacing the traditional state budget, aims to improve public financial management systems through amendments to the Unified Public Finance Law No. (6) of 2022 and issuing Law No. (18) of 2024. This change seeks to provide a more comprehensive and objective analysis, enhancing transparency regarding the activities of economic bodies. It will be a valuable step in strengthening the capacity to monitor their fiscal performance as well as the scale of public investment where:

- The preparation of the state budget is conducted in accordance with a medium-term economic and fiscal framework which promotes fiscal sustainability.
- It entails a gradual shift from a cash basis to an accrual basis in managing the state budget, reinforcing the concepts of accountability and transparency.
- Additionally, there is a move towards updating accounting and recording systems to implement the GFSM 2014 standards.

Total public government budget revenues are estimated to **reach 5.2 trillion EGP, and total expenditures are expected to amount to 6.6 trillion EGP**.



[29] Announced in February 2023, Egypt's Initial Public Offering (IPO) program targets offering 35 State-Owned Enterprises (SOEs) to strategic investors by the end of FY 23/24. (Source: State Information Service)

5 Budget 2024/2025: Responding to Global and Domestic Challenges:

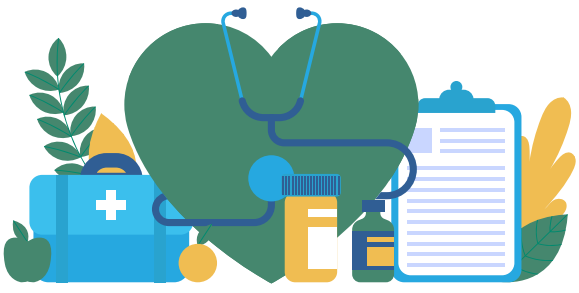
In light of the strategic structural and macroeconomic policies and reforms which aim to bolster social protection for vulnerable households, implement fiscal austerity measures, and catalyze private sector-led economic growth, a **growth rate of 4.2% is projected for Egypt in FY 24/25.** This is **up by 1.3 percentage points from 2.9%** in FY 23/24.

The state budget for FY 24/25 has been designed to respond to external shocks and inflationary pressures. It aims to alleviate the impact of these dynamics on vulnerable households and to achieve structural reforms that boost economic activity.

With revenues and expenditures **amounting to EGP 2,625.2 billion and EGP 3,870.2 billion respectively,** Egypt's budget for FY 24/25 foresees a **primary surplus of 3.5% of GDP and a fiscal deficit of 7.. of GDP.**

Notably, the GoE targets achieving an annual increase in tax revenues from non-sovereign authorities by 0.5%. Additionally, the 24/25 budget entails important increases in social sector spending compared to FY 23/24.

Subsidies, grants, and social benefits expenditures witness a growth rate of **20.1%** from EGP 529.7 million to **EGP 635.9 million**[30].



Health expenditures increase by **24.9%** from EGP 397 million to **EGP 496 million** (As per constitutional requirements).

Education expenditures grow by **44.3%** increasing from EGP 691.5 million to **EGP 998.1 million** (As per constitutional requirements)[31].

[30] Compared to budget figures for the fiscal year 2023/2024.
[31] Financial Statement of the State Budget 2024/2025 (pages 93-94-125)

Table 1: Budget Summary (in EGP Billion)[32]:

Category	2022/2023 Actuals	2023/2024 Preliminary Actuals	2024/2025 Budget
Total Expenditures	**2,184.6**	**3,002.8**	**3,870.2**
% of GDP	21.6%	21.4%	22.6%
Wages and Compensation of Employees	412.5	513.3	575
Purchases of Goods and Services	127.8	139.5	166.7
Subsidies, Grants, and Social Benefits	454.1	550.4	635.9
Interest Payments	774.2	1,362.1	1,834.5
Other Expenditures	127.1	144.0	162.2
Purchase of Non-Financial Assets (Investments)	289.0	293.5	495.8
Total Revenues	**1,563.9**	**2,492.2**	**2,625.2**
% of GDP	15.5%	17.8%	15.4%
Taxes	1,258.6	1,634.2	2,022
Grants	5.4	5.5	3.6
Other Revenues	299.9	852.6	599.6
Overall Balance	**-609.9**	**-504.6**	**-1.243.0**
% of GDP	-6.0%	-3.6%	-7.3%
Primary Surplus	**164.3**	**857.5**	**591.4**
% of GDP	1.6%	6.1%	3.5%
Debt to GDP Ratio	**95.7%**	**91.4%**	**88.0%**

Source: Financial Statement for the State Budget 2024/2025.

[32] Financial Statement of the State Budget 2024/2025 (page 94)

6 Prioritizing Social Protection: Egypt's Fiscal Stimulus Packages:

An overview of the fiscal stimulus packages implemented since April 2022 strongly demonstrates the GoE's commitment towards guaranteeing the resilience of the most vulnerable households to macroeconomic shocks directly impacting their livelihood.

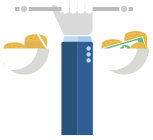
1. COVID-19 **(100 billion EGP)**

2. April 2022 Package **(78 billion EGP)**

3. September/November 2022 Package **(67 billion EGP)**

4.April 2023 Package **(150 billion EGP)**

5.October 2023 Package **(60 billion EGP)**



6.March 2023 Package **(180 billion EGP)**

Table 2: Social Protection Packages and Measures Implemented During FY 23/24 and FY 24/25: [33]

Package	October 2023 Package	March 2024 Package
Amount	This package amounted to EGP 60 billion (0.6% of GDP of FY 22/23).	Amounting to EGP 180 billion (1.3% of GDP of FY 23/24), this is the biggest social protection package yet implemented.
Child-Sensitive Social Protection Measures		
Takaful and Karama[34] Program (TKP)	Increasing the number of beneficiaries of the TKP to more than 5 million families and implementing a 25% increase in TKP benefits, at an annual cost of EGP 4.5 billion for the incurred increase.	Implementing a 15% increase in TKP benefits, whose beneficiaries amount to 22 million, at a total cost of EGP 5.5 billion for the incurred increase. This brings the increase within a year to 55% of the value of the benefits.
Health and Education		• Allocating EGP 6.6 billion to appoint 120,000 medical professionals, teachers, and employees of other administrative bodies. • Allocating EGP 15 billion in additional raises for doctors, nurses, teachers and university faculty members. The amount is divided into EGP 8.1 billion in additional wage increases for teachers in pre-university education, EGP 1.6 billion in additional wage increases for faculty members and teaching assistants in universities, institutes and research centers, and EGP 4.5 billion in additional wage increases for members of the medical profession and the nursing corps.

[33] Financial Statement of the State Budget 2024/2025 (pages 21-22-23)
[34] It is worthy to note that budget allocations for social assistance benefits including the Takaful and Karama program reached 40 billion during FY 24/25.

Other Social Protection Measures		
Minimum Wage[35]	Raising the minimum wage to reach EGP 4,000 from EGP 3,500 per month.	Raising the minimum wage by 50%, to reach EGP 6,000 from EGP 4,000 per month.
Income Increases and Incentives	• Increasing the wages of all higher grade state and economic bodies employees by a minimum of EGP 500. • Increasing the exceptional cost-of-living allowance approved in November 2022 from EGP 300 to EGP 600 for all employees in the state administrative apparatus, at a total annual cost of EGP 16.4 billion. • This benefits around 4.5 million employees. The increase also applies to employees of economic bodies (about 336,400 employees), at a total annual cost of about EGP 1.2 billion.	• Increasing the wages of state and economic bodies employees by a minimum amount ranging from EGP 1,000 to 1,200 per month, depending on their respective job grade. • Implementing periodic raises for those subject to the Civil Service Law at 10% of the wage and 15% of the basic wage for those not subject to the Civil Service Law, with a minimum of EGP 150, at a total cost of EGP 11 billion. • Implementing an additional incentive that starts at EGP 500 for the sixth grade and increases by EGP 50 for each grade to reach EGP 900 for the premium grade, at a total cost of EGP 37.5 billion.
Pensions	Doubling the monthly exceptional grant to EGP 600 instead of EGP 300 for about 11 million pensioners, at a total annual cost of EGP 32 billion.	Implementing a 15% increase in pensions for 13 million citizens, at a total cost of EGP 74 billion.
Tax Exemption Limit [36]	Raising the tax exemption limit for all state budget, economic and public sector organizations, and public business sectors employees by 25% from EGP 36,000 to EGP 45,000, at a total annual cost of EGP 4.5 billion.	Raising the tax exemption limit for all government, public and private sector workers by 33%, from EGP 45,000 to EGP 60,000, at a total annual cost of EGP 5 billion.

[35] Between the April 2022 Package and the March 2024 Package, a total increase in the minimum wage by 150% (from 2,400 to 6,000 EGP) has been implemented. In fact, the latest increase of 50% was the largest, against previous increases that ranged from 11% to 17%.
[36] Between the April 2022 Package and the February 2024 Package, a total increase in the tax exemption limit by 150% from 24,000 EGP to 60,000 EGP has been implemented. Similarly, the latest increase of 33% constitutes the largest one, against previous increases which ranged from 20% to 25%.

7 Macroeconomic Reforms: Driving an Influx of Liquidity and Growing Investor Appetite:

- The implementation of macroeconomic reforms has led to the augmentation of the arrangement under the Extended Fund Facility (EFF) with the International Monetary Fund (IMF) after its first and second review.
- That is in addition to the recent influx of capital presenting a promising opportunity for a recovery of the Egyptian economy. These capital inflows primarily emanate from the major Ras El Hikma investment deal with the United Arab Emirates (UAE) along with several other multilateral and bilateral funds.
- Moody's has revised its outlook to positive from negative, while maintaining Egypt's rating at Caa1 in March 2024.
- Standard & Poor's (S&P) has revised Egypt's future outlook from stable to positive.
- The reduction in external financing gaps, along with the adoption of a flexible exchange rate regime, have increased foreign investor confidence in the domestic debt market. Non-resident holdings of local debt have jumped from $16.16 billion at the end of 2023 to $35.3 billion in March 2024[37].
- Inflows into the local fixed income market between March and May 2024 amounted to $13.8bn into bills and bonds via the secondary market[38].

[37] Fitch Ratings, 'Fitch Revises Egypt's Outlook to Positive; Affirms at 'B-'
[38] UBS Global Research and Evidence Lab, "FI/FX Strategy Egypt: Is carry still in play?"

Annex I. Overview of Recent Financial Inflows:

Financial Inflow	Details
Ras El Hikma Investment Deal	Referred to as the biggest foreign direct investment (FDI) deal in Egypt's history, the $35 billion Ras El Hikma investment by the Abu Dhabi Development Holding Company (ADQ), a UAE sovereign wealth fund, was announced in February 2024. The deal, which aims to develop the 170 million square meters city into a global tourism and financial hub, entails:[39] • The provision of $24 billion (6.9% of GDP)[40] in direct liquidity for the acquisition of development rights of Ras El Hikma. In addition, $11 billion of UAE's foreign deposits at the Central Bank of Egypt will be converted into investments in real estate projects across Egypt (denominated in local currency). • 35% of the project's revenues will go to Egypt to ensure the continued attraction of FDI throughout the project. A total investment amount of more than $150 billion by the UAE throughout the project. The investment represents an opportunity both in terms of: 1. The mitigation of existing macroeconomic vulnerabilities through the inflow of foreign currency, alleviating foreign exchange shortages as well as the reduction of Egypt's debt burden through the conversion of UAE deposits. 2. Boosting Egypt's real economic growth through job creation and the provision of business opportunities for Egyptian real estate, contracting, and logistics companies and factories. Notably, the project will boost tourism, a key strategic sector in the Egyptian economy, where the project is expected to attract 8 million tourists to Egypt.
International Monetary Fund Extended Fund Facility Agreement	In recognition of domestic macroeconomic imbalances and the external pressures induced by the ongoing war, the IMF decided in March 2024 to expand the 46-month $3 billion Extended Fund Facility (EFF) arrangement approved in December 2022. The expansion increased the arrangement by $5 billion, bringing the total to $8 billion. • Extending through 2026, policy reforms within the program are composed of six core pillars: 1. A permanent shift to a flexible exchange rate regime. 2. Increased monetary tightening to curb inflationary pressures. 3. Increased fiscal consolidation to enhance debt sustainability. 4. Limited public investment. 5. Increased social spending targeted at the protection of vulnerable households. 6. Enhancing the private sector's role in driving economic growth. • Egypt could apply to the IMF's Resilience and Sustainability Trust (RST) for a loan amounting to $1.2 billion. Subsequently, the total amount borrowed from the IMF could reach $9 billion[41].

[39] State Information Service, PM: "Ras El Hikma" project biggest investment deal in Egypt's history
[40] IMF Country Report No. 24/98, ARAB REPUBLIC OF EGYPT (page 7)
[41] State Information Service, Egypt, IMF sign agreement to extend present loan deal to $8 billion

European Union Package	Covering the period 2024 to 2027, an aid package amounting to €7.4 billion ($8.06) billion was announced by the European Union (EU) and the GoE[42]. • The package is divided into €5 billion in the form of concessional loans directed at macroeconomic stabilization, €1.8 billion in the form of private sector investments, and €600 million in the form of grants, of which €200 million are allocated to migration management. • This financial package lies within the framework of the Strategic and Comprehensive partnership between Egypt and the EU launched in March 2024. The partnership entails the following cooperation themes: human capital development, macroeconomic stability, migration, security, political relations, sustainable investment and trade, including energy, water, food security and climate change[43].
World Bank Package	Under the Egypt Country Partnership Framework for the Period FY 2023-2027 launched in May 2023, the World Bank is to offer Egypt $6 billion over the next three years[44]. • The amount is divided into $3 billion allocated to the support of government programs, with a significant amount going into budget support. The remaining $3 billion will be in the form of equity and loans provided by the International Finance Corporation (IFC) and other investors. This amount is to be allocated to private sector development[45]. • Programs are to be primarily focused on enhancing and strengthening the private sector's participation in the Egyptian economy, governance for state-owned enterprises, public resource management, social protection, and the green transition. • In addition, a $700 million Development Policy Financing (DPF) loan has been approved. The DPF targets increased business competitiveness, enhanced macroeconomic resilience, and the green economy transition.
Budget Support from Japan and the United Kingdom	• Within the framework of their cooperation, an agreement has been reached with the Government of Japan to receive a $230 million grant in support of the state budget[46]. • Additionally, Egypt is to receive financial support amounting to a $400 million loan over the next two years from the United Kingdom[47].

In light of these developments:

- Egypt's net international reserves reached a record high of $46,597.3 million at the end of August 2024[48].

[42] European Commission website
[43] European Commission website, "Joint Declaration on the Strategic and Comprehensive Partnership between The Arab Republic Of Egypt and the European Union"
[44] World Bank Group Statement of Support to Egypt's Development and Reform Efforts
[45] Reuters, "World Bank to provide Egypt with $6 bln over three years
[46] State Information Service, Egypt secures $230 million in budget support from Japan
[47] Enterprise April 22 PM Edition
[48] Central Bank of Egypt

Annex II. Leveling the Playing Field for the Private Sector:[49]

As outlined in Egypt's Economic Strategy for 2024-2030[50], the GoE aims to increase the private sector's contribution to the economy from 60% in 2024 to 90% by 2030 and to raise the private sector's share of total investments to 65% by 2030. Thus, several structural policies and reforms aiming to boost the private sector's role in the economy have been formulated by the GoE:

- The State-Ownership Policy (SOP), announced in December 2022, aims to bolster the participation of the private sector in the economy. It entails:

1. A privatization program aiming to crowd-in private investment through the divestment of State-Owned Enterprises (SOEs) operating in non-strategic sectors. That is primarily through the aforementioned IPO program[51].
2. The elimination of preferential treatment of SOEs over private sector firms. This is exemplified by the Prime Minister's Decision No. 242 of 2024 regarding the implementation of the provisions of Law No. 159 of 2023 which eliminates preferential tax treatment and exemptions for SOEs and public investment activities[52].

3. Anti-corruption measures aiming to improve the governance of SOEs and the transparency of their activities. Such measures include the regular online publication of information on Egypt's SOEs portfolio as well as information on instances in which the largest 50 SOEs have either sought or have been granted procurement contracts or awards.

- Decree No. 1120 of 2024 amending the Executive Regulations of the Competition Law[53] aims to strengthen the independence of the Egyptian Competition Authority. This would enhance its efforts in preventing anti-competitive practices and especially in ensuring competitive neutrality. The latter is a "regulatory framework within which public and private enterprises face the same set of rules and where no contact with the state brings competitive advantage to any market participant[54]"

[49] IMF Country Report No. 23/2 (page 16 to 17) and IMF Country Report No. 24/98 (page 20-21)
[50] State Information Service, Factbox: Egypt's economic strategy for 2024-2030
[51] Ministry of Planning and Economic Development website: Minister of Planning and Economic Development Participates in Special Meeting of World Economic Forum in Riyadh
[52] State Information Service
[53] Financial Statement of the State Budget 2024/2025 (page 35)
[54] OECD (2009), Policy roundtables, state owned enterprises and the principle of competitive neutrality. (page 11)

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