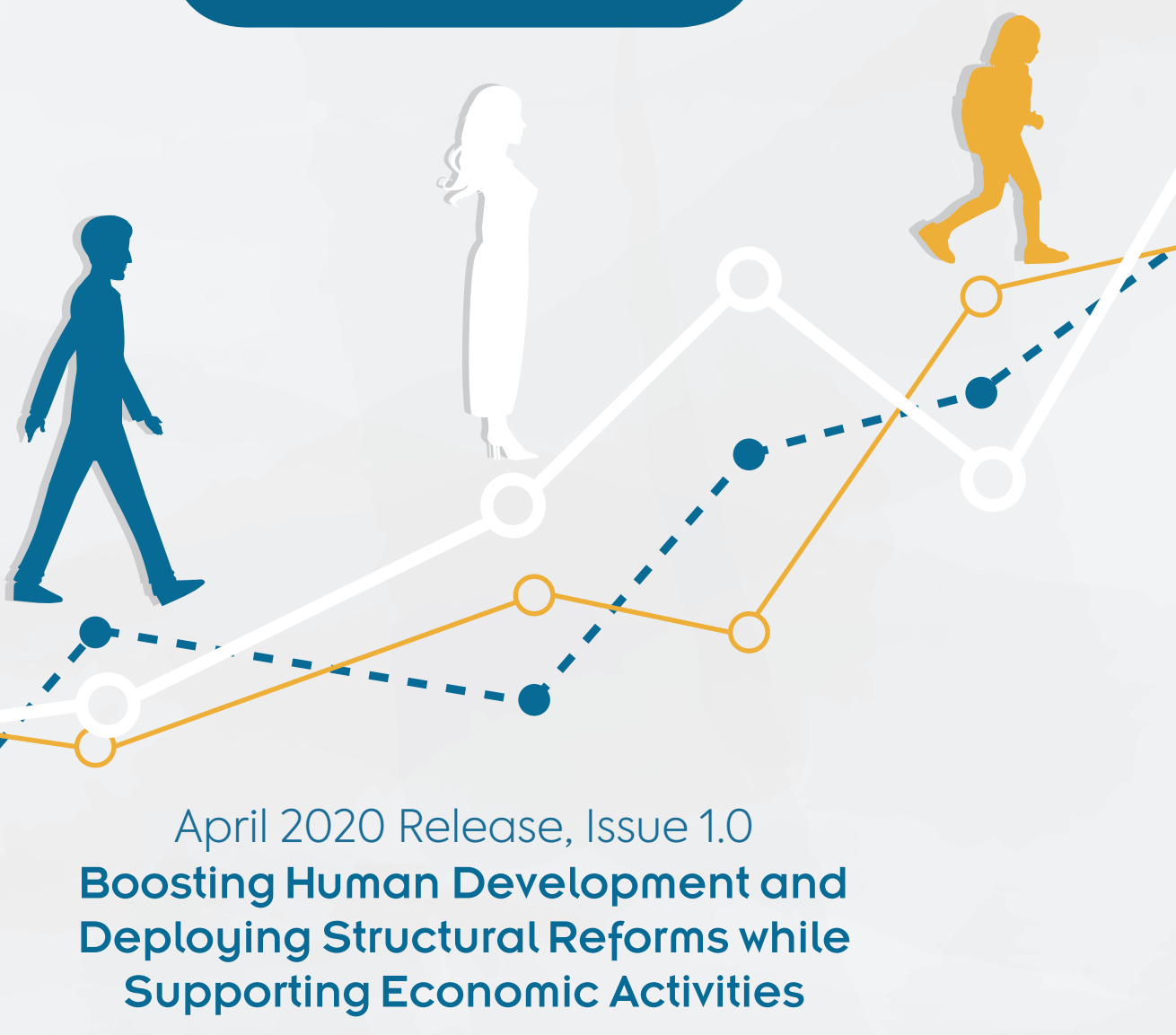




Citizen Version

Pre-Budget Preliminary Statement FY 2020/2021



April 2020 Release, Issue 1.0
**Boosting Human Development and
Deploying Structural Reforms while
Supporting Economic Activities**

The FY2020/2021 draft budget was prepared between the period from November 2019 till end of February 2020 through negotiations with all public budget authorities (approx. 650) as well as State Revenue Authorities in line with the constitutional entitlements and taking into account global economic estimates of relevant international institutions announced in January 2020. Provided estimates will be updated in accordance with further developments.

The Ministry of Finance will maintain existing budget estimates (previously sent to the Parliament on March 31st) and will only be revisited altogether once the economic impact of Covid-19 pandemic becomes clearer.

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Statement Definition



This citizen version is a simplified statement of the pre-budget preliminary statement. It indicates the country's fiscal policy targets for FY 2020/2021 along with the overarching reform measures, public spending priorities and social programs expected to be achieved in the medium term. Moreover, the pre-budget preliminary statement is part of the government's policy to enhance budget preparation processes and a significant step towards fiscal transparency and disclosure.

Statement Time of Publication



The pre-budget is published usually by early April, in a phase preceding the final preparation of financial statement for the budget before sending the executive budget proposal to the Parliament for discussion, in order to engage and empower citizens, through different platforms, to participate and express their opinions.

Main Purpose of Statement Publication



Ministry of Finance is releasing this simplified citizen version to engage and inform different segments of society, among which normal citizens, experts and non-experts about new policies adopted by the Egyptian Government, main fiscal targets and medium term outlook which is an essential part of MOF Public Financial Management (PFM) reform & economic framework. Moreover, publishing this version is another step further towards better transparency and citizen engagement, which will be carried out through different tools on the top of which our interactive website: www.budget.gov.eg as well as Mof website www.mof.gov.eg

Is this the First Release/Issue?



This citizen version is released for the first time as a simplified document from the pre-budget preliminary statement which was released for the fifth time on MoF website. As such, this version serves to inform citizens in a transparent manner of the status quo and means through which citizens can actively engage with MoF goals and the underlying fiscal and global challenges; at the same time the draft budget is being discussed by the Parliament.

What are the Pillars of 2020/2021 Budget, and how is it an added value to achievements?

- Draft budget for FY 2020/2021 is developed in light of the government's strategy , aligning with Egypt's 2030 vision and the United Nations' sustainable development goals (SDGs.)
- Draft budget for FY 2020/2021 builds on the solid grounds established through the economic reform program, including investing in human resources and stabilizing Egyptian economy while ensuring an improved decent quality of life for Egyptian citizens.

What is New in FY 2020/2021 Draft Budget?

«Boosting Human Development and Deploying Structural Reforms while Supporting Economic Activities»

«Support economic activities and most affected sectors by the implications of the spread of the Coronavirus»

«Finance all state's emerging needs as well as the budget apparatus while maintaining fiscal balance»



Increasing financial allocations to support productive sectors; and to empower the private sector to drive sustainable economic growth that generates more jobs.



Prioritizing spending on education and health programs and thus contributing to increased productivity, job opportunities and improved quality of life for Egyptian citizens.



Improve the quality, efficiency and availability of basic public services provided to a broad spectrum of citizens.



Enhancing the efficiency of the Egyptian state administrative apparatus to cope with economic and technological developments.

How Much Does FY 2020/2021 Budget Benefit Egyptian Citizens?

The Egyptian government is keen to equally and justly distribute the yields of the economic reform program and as such the draft budget for FY 2020/2021 includes enhanced financial allocations for expenditures on health, universal health insurance, education and infrastructure, contributing to laying the foundations for human development and empowerment of Egyptian citizens.

Health and Education



- The constitutional budget entitlements for Health, university and pre-university education and scientific research have been met as follows:
- **EGP 254.5 billion** for Health sector, with an annual increase of **EGP 78.9 billion (45 percent)** compared to current fiscal year.
- The continued increased allocations to Education Sector by **EGP 46.9 billion** (14.8 percent) to reach a total of **363.6 billion**, expenditure on scientific research increased by **EGP 7.5 billion** (14.1 percent) to reach a total of **EGP 60.4 billion**.
- Increasing the allocations for Health insurance, medicines and treatment at the state expense, for those who cannot afford, to reach a total of **EGP 10.6 billion**; while continuing the gradual execution of Health Care program to cover more governorates including **EGP 865 million** for the social security pensioners who cannot afford it, and **EGP 3328 million** for the Public Authority of Health Care.
- Funding of some of the Ministry of Health's initiatives to increase the incentives and allowance of doctors and nursing staff in the Health sector, at a value of **EGP 0.5 billion**, in addition to increasing the allowance of members of the medical professions by 75% at an annual total cost of **EGP 2.25 billion**.

The data regarding spending on Education, Health and Scientific Research sectors is aligned with the constitution articles which specifies the allocated percentages on Health 3% of GDP, The Pre-University Education sectors 4% GDP, University Education 2%, and Scientific Research 1%.

It's worthy to note that the above mentioned allocation spending on these sectors that are related to the achievement of those constitutional objectives include the following:

- The spending of Economic authorities and other companies on Education, health and Scientific research.
- Spending from other institutions that doesn't necessarily follow the administrative classification of education, health, and scientific research or even related Ministries such as (Hospitals of Defense and Al Azhar, comprehensive health insurance and its programs, as for the education, it also includes the schools built by the Urban Communities Authority in new cities.
- The share of debt service burden (Chapter three of the budget domestic and foreign interest payments) is added to each sector separately from the total borrowing made by the Ministry of Finance during the previous years of disbursement dedicated to health, education and scientific research sectors.

How Much Does FY 2020/2021 Budget Benefit Egyptian Citizens?

Pensions



- **EGP 170 billion** allocated for the General Authority for Insurance and Pensions, to pay the second annual installment of treasury obligations towards the authority, including the following:
- The differences resulting from the re-settlement of the variable wage pension and the addition of 80% of the complimentary special allowances (the five bonuses) for the basic wage of the pensioners who ended their service from 7/1/2006 to 6/30/2016, at an estimated cost of about **EGP 35 billion** in the FY 2020/2021 and increases thereafter by the annual increase, to improve the living conditions of pensioners and to solve the decades long accumulated problems of the pension system.
- The special allowance to be granted to pensioners at 14%, at an annual cost of approximately **EGP 31 billion**, is to be funded from this installment.
- Note that the public treasury will achieve the target by paying all dues for FY 2019/2020, which is estimated at **EGP 160.5 billion**, as **EGP 137 billion** have already been paid at the end of March 2020 in favour of pension funds.

Social Support



- **EGP 84.5 billion** to support food rations and bread.
- **EGP 19 billion**, total contributions for social support and cash subsidy (including Takafol W Karama), with an increase of 2.7% compared to last year budget.
- **EGP 7 billion** for “Decent Life” initiative in favor of the most disadvantaged villages, which will eventually contribute to providing new jobs.
- **Total of EGP 11 billion** for medicines allocations, with a 20.9% increase, compared to last year budget.
- **Total of EGP 5.3 billion** for school nutrition allocations, with a 17.8% increase, compared to last year budget.
- **Total of EGP 4.7 billion** for transportation allocations, with a 17.5% increase, compared to last year budget.
- **EGP 1.8 billion** to subsidised public transportation.
- **EGP 0.8 billion** to complete the compensation payments for those who live in North Sinai and Nubian inheritors and **EGP 0.3 billion** to support the development of Upper Egypt.
- Extending the suspension of the two-year agricultural land tax to enhance the pillars of the social protection system especially workers in the agricultural sector.

How Much Does FY 2020/2021 Budget Benefit Egyptian Citizens?

Infrastructure & Housing



- **EGP 5.7 billion** of financial allocations available to support social housing.
- **EGP 3.5 billion** as allocations covering the cost of delivering natural gas services for 1.2 million housing units.
- **EGP 3 billion** was provided immediately and incurred by the FY 2019/2020 budget to improve the internal network of roads within governorates.
- Continued increase in allocations for public investments funded by the Treasury in a manner that exceeds any other increases on the side of general expenses to ensure improving the infrastructure and improving the quality of services provided to citizens in all governorates.

Reforming the pay structure through a package of measures that contribute to improving the financial conditions of government employees at a cost of **EGP 34 billion**, where during the next fiscal year:

Wages



<ul style="list-style-type: none"> • An annual increase of 7% of the basic salary will be granted on June 30, 2020 to employees under the Law on Civil Service. 	<i>A minimum of EGP 75 per month, and without a maximum.</i>
<ul style="list-style-type: none"> • 12% of the basic salary will be granted on June 30, 2020 for employees not subject to the Law of Civil Service. 	<i>A minimum of EGP 75 per month, and without a maximum, unlike the usual yearly 10%.</i>
<ul style="list-style-type: none"> • Improved income of employees and civil servants in the State administrative apparatus. 	<i>With an increase ranging between EGP 150 and EGP 375 per month, according to the job level.</i>
<ul style="list-style-type: none"> • Continued improvement of income for teachers and supervisors to kindergarten and first and second grades (incentive for pre-university education improvement), will be continued. 	<i>Total allocated to mentors and classroom teachers of The Ministry of Education and Al-Azhar EGP 1.5 billion</i>
<ul style="list-style-type: none"> • Continued improvement of income for faculty staff to universities, research centres and institutes (quality incentive) as well as other incentives relevant to performance indicators, will be continued. 	<i>A total allocation of EGP 1.6 billion in the current fiscal year 2019/2020</i>
<ul style="list-style-type: none"> • Financing the promotion phase for those who meet the requirements for promotion next July. 	

Egypt's Key Policy Decisions to Combat COVID-19 Pandemic

In light of the recent outbreak of the Covid-19, the government of Egypt has allocated **EGP 100 billion** to support the adopted comprehensive presidential plan aiming to combat coronavirus pandemic.

Fiscal Policies of Direct Impact on Citizens Lives

The Ministry of Finance of Egypt is seeking to reinforce efforts towards achieving tax justice during the coming period by ratifying a new progressive scheme under the **Payroll tax** and improving the tax brackets for the benefit of the largest part of society, and serving the middle class and less fortunate class and addresses the current distortions, as follows:

- Increasing the tax exemption limit from **EGP 8000 annually to EGP 15000** and introducing a new tax bracket of a low value of 2.5% imposed on income earners of less than **EGP 30,000** annually, in addition to **EGP 9000** personal exemption, annually, for employees of third parties, which means that annual income of up to **EGP 24000 is tax-free (up to EGP 2000 per month)**.
- **10%** instead of **15%**, imposed on annual income above **EGP 30,000 to 45,000**.
- **15%** instead of **20%**, imposed on annual income of **EGP 45,000 to 60,000**.
- **20%** instead of **22.5%**, imposed on annual income of **EGP 60,000 to 200,000**.
- **22.5%**, imposed on annual income of **EGP 200,000 to 400,000**.
- **25%**, imposed on annual income of over **EGP 400,000**.

EGP 50 billion for real estate financing initiatives for middle income earners with a maximum of **20 years** through banks at a 10% return rate.

Decisions Relevant to the Industrial Sector (as Part of the Stimulus Package of EGP 100 Billion)



Fixing and reducing the natural gas price for industrial activity to **\$4.5 per each million thermal units**, in line with the global: a) decline of natural gas prices, b) COVID-19 subsequent decreased demand.



Revisiting electricity prices for the industrial sector for the first time since the floating of Egyptian pound, reducing electricity prices for the industries of Extra High Voltage (EHV), High Voltage and Medium Voltage by **10 piasters per kilowatt reaching 1.08 per kilowatt**, while Maintaining electricity prices for other industries at current categories over a period of 3-5 years.



Allocating **EGP 3 billion** to exporters in this fiscal year budget (till end of June 2020) to feed the initiatives of settling the outstanding dues of the Export Development Fund, which includes the payment of an extra 10% to all exporters, with a minimum of **EGP 5 million** for each exporter. In addition to paying the first installment (**20%**) to more than 110 exporters who signed the protocols of the investment initiative that entails these companies to make additional investment expansions in the local market encouraging local industry.



Release from seizure shall take place in case the taxpayer is committed to **pay 1%** of the value of the debt seized if the debt is based on an assessment due to failure to submit any type of appeal, and in case the debt is payable the taxpayer is committed to **pay 5%** of the value of the debt to release the seizure.



With regard to the tourism sector, launching the Non-performing Loans) NPLs) initiative through the replacement and renewal of residence hotels, floating hotels and tourist transportation fleets, while postponing the financial obligations of the companies operating in the tourism sector.



Supporting sectors most affected by COVID-19 outbreak.

Draft Budget Targets for FY 2020/2021

Draft Budget Targets for FY 2020/2021
(at the time of budget preparation)

Growth Rate

Increase of real GDP growth rates to 4.2%

Fiscal Stability

Achieving a primary surplus of 2% of GDP in the state budget, and a targeted level of public debt of 83% of GDP.

Net International reserves

Net international reserves reached \$40 billion at the end of March 2020.

Containing inflation

Reducing the inflation rate to 9% ($\pm 3\%$), as targeted by the Central Bank of Egypt (CBE).

Source: Economic growth data are provided by the Ministry of Planning and Economic Development and it is worth noting that the growth rate for the next fiscal year has been updated to 4.2% instead of 4.5% that was previously sent to the Parliament on March 31st. Inflation rate and net international reserves data are provided by the Egyptian Central Bank.

Draft Budget Assumptions for FY 2020/2021 Budget

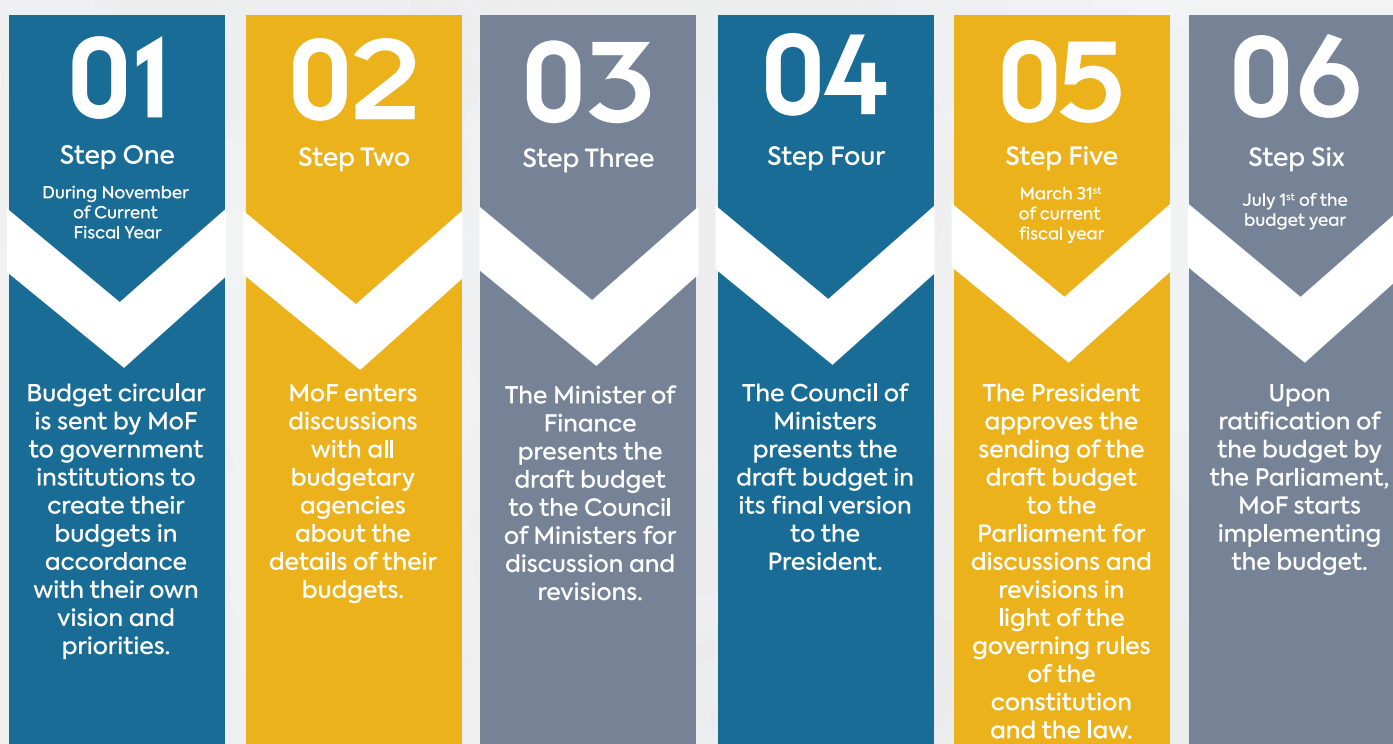
Item	2017/2018 Actual	2018/2019 Actual	2019/2020 Estimate	2020/2021 Pre-Budget
GDP – Billion in EGP/1	4,441	5,256	6,030	6,844
Real GDP Growth Rate (%)/1	5.3	5.6	5.1	4.2
Deflator (inflation rate) (%)	21.6	12.2	8.2	9.1
Average interest rate on Gov't Bills and Bonds	18.5	18.0	15.5	13.5
Average Brent Price (USD/Barrel)/2	64.0	70.0	68.0	61.0
Average US Wheat Price (USD)/3	185.6	178.3	214.0	199.5

1/ Estimates of the Ministry of Planning and Economic Development at the time of publishing this statement.

2/ Estimates of Brent barrel prices in the future have used average price of futures contracts, and the IMF predictions of oil prices in the Global Economic Outlook report published at the end of January 2020. Expectations of large international financial institutions were also used for guidance.

3/ The price of American wheat is predicted using the average price of futures contracts traded on the global stock exchange AHDB, and is also guided by a large number of international financial institutions.

The Budget Cycle



Fiscal Policy Trends in Draft Budget FY 2020/2021

- Reducing the overall deficit to **6.3% of GDP**.
 - Reducing the public debt to **82.8% GDP by end of June 2021**.
 - Achieving a primary surplus of **2.0% GDP**.
 - Increasing Total Revenues to reach **EGP 1288.8 billion** with a growth rate of **13.6%** and increasing the Tax revenue by **approx. 12.6%**.
 - Increasing Total Expenditures to reach **EGP 1713.2 billion**, with a growth rate of **8.8%**.
- **133.3%** increase in allocations for water
 - **46.2%** increase in allocations for social housing project
 - **33.7%** increase in total spending on purchasing of goods and services
 - **26.4%** increase in investments funded by the Public treasury
 - **20.9%** increase in pharmaceuticals allocations
 - **17.8%** increase in food allocation (including school meals)
 - **17.5%** increase in transportation allocations
 - **16.7%** increase in allocations for Export Development Fund
 - **11.3%** increase in wages
 - **3.9%** increase in allocations for health insurance, pharmaceuticals, and treatment at the state's expense, for those unable to afford
 - **2.7%** increase in allocations for cash subsidies (solidarity pension + Takaful and Karama subsidy program)



Summary table for the Performance of the State Budget

(Growth rates as compared to previous year's state budget)

	2016/2017 Actual	2017/2018 Actual	2018/2019 Actual	2019/2020 Budget	2020/2021	
					Growth Rate % vs Previous Year	EGP Billion
Total Revenues	659.2	821.1	941.9	1,134.4	13.6%	1,288.8
Taxes	462.0	629.3	736.1	856.6	12.6%	964.8
Income Tax Revenues	225.7	304.4	351.2	396.3	16.3%	460.9
VAT Revenues	183.5	261.5	309	364.7	10.0%	401.1
International trade tax revenues (Customs)	34.3	37.9	42.0	51.7	-13.9%	44.5
Real estate tax revenues	2.2	3.2	5.0	7.2	3.5%	7.4
Non-tax revenues	197.2	191.8	205.8	277.8	16.6%	324.0
Total Expenditures	1,031.9	1,244.4	1,369.9	1,574.6	8.8%	1,713.2
Net acquisition of financial assets	6.8	9.3	2.0	5.0		7.7
Overall Fiscal deficit/ surplus	-379.6	-432.6	-430	-445.1		-432.1
Overall Fiscal deficit/surplus (% of GDP)	-10.9%	-9.7%	-8.2%	-7.2%		-6.3%
Targeted primary deficit/ surplus	-63	4.9	103.1	124		133.9
Primary deficit/surplus (% of GDP)	-1.8%	0.1%	2.0%	2.0%		2.0%

Reform Policies Priorities on Revenues

Side 2020/2021 Draft Budget



- **Improving tax administration:** Raising the efficiency and capacities of tax administration performance, including modernization and the development of information systems and the link between revenues authorities, examination and electronic collection systems, and automation in order to reduce deemed assessments and tax evasion and helps in the fulfillment of the state's right.

- Ensure the integrity and correct application of the VAT law, while preparing and implementing a law for the electronic invoice, which coincides with the start of the implementation of an electronic system to link the tax authority with all taxpayers that sell goods or services.

- The Ministry of Finance seeks, through the law of medium, small, and micro enterprises, to involve these projects within the «green path» programs, which are being granted many tax incentives and customs facilities to increase their activity.

- Ratifying the “Unified Tax Procedures Law” for the Egyptian Tax Authority.

- Preparing and publishing a medium-term revenue strategy.

- The completion of preparing an electronic collection network: completing the creation and development of the financial network for the Egyptian government, which will provide electronic and non-cash collection methods for tax and customs duties.

- Real Estate Taxes: Continue to develop the real estate tax system for buildings, through raising the efficiency of tax administration, developing information systems, accounting, examination and dealing with Citizens.

- **Maximizing Revenue:**

- Applying VAT on e-commerce transactions according to international best practices.

- Facilitating tax dispute resolution procedures with taxpayers, which contributes to an increased proceeds from tax arrears.

- **Customs:** Complete the customs system reforms, including implementing a new customs law, as well as the re-engineering and automation of customs procedures and the application of a single electronic window system.



Reform Policies Priorities on Expenditures Side in 2020/2021 Draft Budget

- Improving spending directed towards supporting economic activity, which will eventually help in creating real job opportunities especially for youth and women with a continuing commitment to achieving fiscal consolidation and eliminating price distortions to ensure the fiscal sustainability of the sector. Additionally empowering the private sector to encourage competition and raise the efficiency of the energy sector, especially in the field of electricity generation from renewable energy and in the natural gas field.
- Continuing and strengthening efforts to develop a modern and integrated social protection network that guarantees the reaching of support to its beneficiaries, in addition to developing mechanisms to target the most vulnerable groups.
- Expanding investment spending to improve the infrastructure and services provided to citizens.
- Directing allocations to finance the comprehensive social health insurance system.
- Establish a system for monitoring, evaluating and managing fiscal risks, including setting up a modern and developed system for issuing government guarantees, monitoring any potential risk and dealing with it early.

Other major planned reform policies:

Activation of Law No. (182) of 2018 regarding government contracts, which will support the administrative authorities in providing their needs. Moreover, it allows for a balance between the rights and obligations of the contracting parties and directly supports the development of small and medium enterprises.

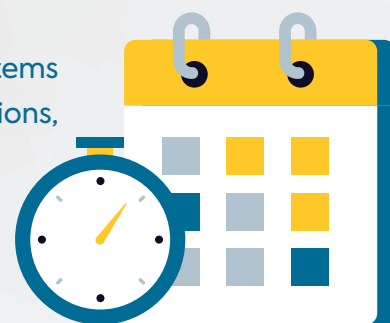
Supporting the education reform program (especially technical education) and implementing the comprehensive health insurance program.

Expansion of project financing in the Public-private partnership (PPP) system while prioritizing sanitation, water desalination, transportation, health and education projects.

Continued implementation of the civil service law effectively while continuing to develop the wages system and planning their growth rates.

Continued efforts to raise the efficiency of public financial systems management, including the automation of all government transactions, on both spending and revenue sides.

Apply the principles of fiscal transparency and public participation.



Social Protection Policy Reforms in Draft Budget FY 2020/2021

initiatives proposed in FY 21/20 Draft Budget for the sectors of health, pre-university and university education, and social solidarity

Initiatives of (Entity Name)	Total Spending (in EGP Billions)
The Ministry of Health and Population, including: (Woman's health, the presidential initiative of pilot hospitals, early detection of hearing impairment for newborns, treatment of kidney failure, prevention of infections from pregnant mothers to fetus, neonatal diseases, preventing children from chronic diseases, provision of serums, vaccines and medicines for public health, treatment at the State expense, mental health and improving the financial conditions of the medical professions members by raising the medical professions allowances by 75% and raising the reward for excellence doctors from EGP 400 pounds to EGP 2200).	16.3
The Ministry of Education The initiative to improve the conditions of teachers and inspectors in kindergarten and first and second grades	1.5
The Ministry of Higher Education The initiative to improve the conditions of the teaching staff in universities, research centers, institutes, and authorities	1.5
The Ministry of Social Solidarity The Takaful and Karama Program (Solidarity and Dignity) and the Social Security Pension Program (for 3.4 million families)	19
Total Initiatives	38.3

Main Targets of Public Debt of 2020/2021 Draft Budget



- The draft budget for FY 2020/2021 (prepared before the current events and global challenges during the period of end of November 2019 to end of February 2020) as per the pre-budget statement which aims to continue **the efforts to decrease public debt at 82.8% to GDP by June 2021** compared to **89.2% in June 2019**.
- It is also targeted to gradually extend the debt maturity to **4.4 years in 2020/2021, as compared to 1.9 years in 2016/2017**.

FY 2020/2021 Budget-Debt Breakdown



- The total debt targeted for FY 2020/2021 is **EGP 5.7 trillion**, of which **EGP 4.8 is domestic debt (representing 70% of GDP)**, and **external debt of EGP 873 billion (representing 12.8% of GDP)**.

FY 2020/2021 Interest Payments Breakdown



- It is expected that the value of total interest payments during 2020/2021 will reach **EGP 566 billion**; divided into: **EGP 517.2 billion** as local interest and **EGP 48.8 billion** as foreign interest.
- Decrease in interest bill by **0.6%**, for the first time in decades.

FY 2020/2021 Funding Sources (external / internal)

The fiscal policy is aiming to diversify sources of financing between internal and external. It is expected that the total financing needs for FY 2020/2021 will reach **EGP 987.7 billion** including:

EGP 432.1 billion
(total deficit)

EGP 555.6 billion
re-payments
of local and
foreign loans

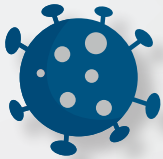
The Government of Egypt is expected to receive a local financing of **EGP 892.1 billion** through issuing:

1 Treasury bills worth of EGP 490.7 billion

2 Treasury bonds worth of EGP 401.5 billion

3 Financing from external sources worth of EGP 95.6 billion

Main Risks Facing Global Economy and of Potential Effect on Egyptian Economy and its Budget Estimates



The outbreak of COVID-19 and its implications of reduced global production and trade chains, increased fears of investors, ultimately leading to consumption and investment hedges. This matter is related to the extent of the success of the international community in containing the virus, the efforts to resume production chains and the improvement of economic activity through the intervention of governments, international institutions and major countries to support their private institutions and companies with direct financial stimulus packages in parallel with expansionary monetary policies.



Escalated geopolitical tensions among major economies, particularly around the global oil market, will affect oil prices and the overall investment climate, weakening the global economic activity.



Customs barriers between the United States of America and China, would negatively affect growth and employment opportunities in a number of developed and developing countries.



Escalated tensions and social unrest in many countries in the Middle East region, may have negative implications on how investors view the region and thus on the movement of trade and financial flows.



Brexit repercussions will influence the flow of trade to and from Europe and is detrimental to the growth rates already achieved in the European Continent, as the main trade and investment partner for Egypt.

Main Risks Facing Global Economy and of Potential Effect on Egyptian Economy and its Budget Estimates

The draft State budget has been prepared for FY 2020/2021 based on assumptions and forecasts for global prices issued by the relevant international institutions at the end of January 2020, provided that these assumptions will be updated at a later time once announced by these entities taking into account the risks witnessed by the global economy, which have already been mentioned and which may affect budget estimates and targets, as follows:

Growth Rates



The initial estimate of the growth rate as per the pre-budget statement is **4.2% down from 5.8%**. Moreover, Ministry of Finance will maintain existing budget estimates (previously sent to the Parliament on March 31st) and will only be revisited all together once the economic impact of Covid-19 pandemic becomes clearer.

World Oil Prices



According to the prevailing economic assumptions by international institutions at the end of January 2020, the Ministry of Finance prepared budget estimates assuming the average price for a barrel of Brent (dollars/barrel) at \$61 per barrel at the time of Budget preparation, which is definitely within safe limits at the time of budget preparation. Fiscal estimates indicate that a rise (decrease) of the world oil price exceeding the expected assumptions by about \$ 1/ barrel is expected to result in a deterioration (improvement) of the net relation with EGPC (the Petroleum Authority) by about EGP 1.5 billion, which represents about **0.03% of GDP**.

World Trade



Projections indicate that international trade growth rates remain stable in the medium term with the presence of risks related to US-China bilateral trade tensions in light of tariff increases between the two countries. This may affect the proceeds of the budget, especially the Suez Canal proceeds, customs taxes and import taxes. The negative fiscal impact of a **1%** world trade decline on the total allocated amount to the public treasury from Suez Canal revenues is estimated to be about **EGP 900 - 950 million**.

Interest Rates



According to Ministry of Finance estimates, if the average interest rate increases (decreases) by **1%** during the year, it will lead to an increase (decrease) of the budget debt service bill by about **EGP 8-10 billion** during the 12 months following the decision to increase (decrease) the interest rate.

In light of the foregoing, budget estimates may vary based on the previously mentioned variables and their impact on economic activity. Also, it is expected that IMF will review and announce a change in estimates during the coming period according to the recent global changes in light of the COVID-19 implications during February and March. It is noteworthy that IMF had announced that the global economy has entered a state of recession as a result of the COVID-19 outbreak, since over 80 countries have requested emergency assistance from IMF.



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<http://budget.gov.eg>

This document was prepared in collaboration between the UNICEF Community Policy and Outreach Unit and the Fiscal Transparency and Public Participation Unit of the Ministry of Finance. It is worth noting that all the information contained in this document is the sole responsibility of the Ministry of Finance of Egypt as it is the main source for all the state budget allocations for the FY 2020-2021.