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# Parliament discusses the final accounts of the FY 2021/2022 state budget

In a plenary session scheduled for Wednesday, the parliament was set to discuss the final account of the state budget, and several accounts related to the economic authorities and ministries.

[Source Link](Source Link)

# View

The final account is a financial document that reveals the actual expenditures and revenues of the state budget and economic authorities. What makes this document significant is that it comes at a time when the Egyptian economy is vulnerable and exposed to severe pressures due to exacerbated debt burdens, especially the external debt. Inflation has notably reached unprecedented levels, which necessitates revisiting all economic policies, especially fiscal policy, to look for paths toward a better future.

In this context, the ECES commentary covers two main points: The first revolves around the strategic thinking governing fiscal policy. The second includes specific comments about the final FY 2021/2022 accounts:

## I. Strategic thinking governing fiscal policy

- It is not possible to form an accurate and detailed picture of fiscal policy in Egypt with the continued multiplicity of budgets such as the state's general budget, the budgets of about 55 economic public authorities, and the budget of the Military Production Authority. Thus, it is difficult to estimate the real budget deficit as well as government debt, of which only about 56 percent is attributed to the state's general budget deficit compared to 44 percent to extra-budgetary borrowing. Absence of a unified consolidated budget means a failure to recognize the limitations of available resources, which hinders the development of plans to maximize their usage—this has already been commented on in a previous issue.[1]

- The gravity of the situation lies in the fact that independent budgets preclude spending prioritization. Although there may be some

https://eces.org.eg/wp-content/uploads/2023/02/VON-EN-672-30-3-2022.pdf [1] accounting difficulties in consolidating the budgets of the different authorities into the public budget, this is urgently needed, and can be implemented through real institutional reform.

- The issuance of the Unified Public Finance Law no. 6 /2022 has been an important step toward achieving improved governance over the state's public finances. However, issuance of its executive regulations was delayed beyond the year stipulated in the law.

- Despite significance of the primary surplus, we should not lose sight of the fact that this surplus resulted from adopting measures to control public expenditures, specifically energy and wage subsidies, rather than from increasing revenues—hence contraction of economic activity as reflected in the deterioration of the PMI[2].

- The primary surplus and the decline in the overall deficit were accompanied by an unprecedented rise in the level of debt, especially external debt, bringing the total government debt to about EGP 6 trillion in June 2022 (87 percent of GDP). This resulted in nearly half of public expenditure being used in interest payments and purchases of non-financial assets (investments).

- Also, spending on long-term growth engines, such as real spending on education and health, is still low and has not yet reached the percentages specified in the constitution.

- The above challenges all require a serious review of fiscal policy and the strategic thinking behind it.

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[2] IHS Markit, J.P.Morgan Global Manufacturing PMI, various issues.

## I. Specific comments on the final FY 2021/2022 account

- The final account revealed an increase in total public budget expenditures by 3.5 percent, from about EGP 2.46 trillion to about EGP 2.5 trillion, reflecting external developments. Although this increase is logical - strangely - the largest percentage of it was directed to public investments (35 percent) not to the purchase of goods as expected.

- The final account does not provide details about the investment projects financed by loans or grants, and the criteria based on which the feasibility of these projects was studied, especially in light of the continuation of funding projects despite their failure to achieve desirable goals, including the Upper Egypt development project in the governorates of Sohag and Qena.

Finally, the final account was released by the Ministry of Finance in December 2022, meaning that the Plan and Budget Committee took six months to comment on it. While this is the maximum time allowed by law, it is considered relatively long given the exceptional circumstances the Egyptian economy is undergoing, especially that FY 2022/2023 has almost come to an end, and the Ministry of Finance has completed preparing the draft budget for FY 2023/2024. This raises questions about the feasibility of evaluating the final account.