

American University in Cairo

AUC Knowledge Fountain

Theses and Dissertations

Student Research

Fall 1-31-2025

Assessing Egypt's Readiness to Introduce Program and Performance-Based Budgeting

Eman Negm

eman.negm@aucegypt.edu

Follow this and additional works at: <https://fount.aucegypt.edu/etds>



Part of the [Economic Policy Commons](#), [Policy Design, Analysis, and Evaluation Commons](#), [Policy History, Theory, and Methods Commons](#), [Public Administration Commons](#), [Public Affairs Commons](#), and the [Public Policy Commons](#)

Recommended Citation

APA Citation

Negm, E. (2025). *Assessing Egypt's Readiness to Introduce Program and Performance-Based Budgeting* [Master's Thesis, the American University in Cairo]. AUC Knowledge Fountain.

<https://fount.aucegypt.edu/etds/2413>

MLA Citation

Negm, Eman. *Assessing Egypt's Readiness to Introduce Program and Performance-Based Budgeting*. 2025. American University in Cairo, Master's Thesis. *AUC Knowledge Fountain*.

<https://fount.aucegypt.edu/etds/2413>

This Master's Thesis is brought to you for free and open access by the Student Research at AUC Knowledge Fountain. It has been accepted for inclusion in Theses and Dissertations by an authorized administrator of AUC Knowledge Fountain. For more information, please contact thesisadmin@aucegypt.edu.

The American University in Cairo

School of Global Affairs and Public Policy

**ASSESSING EGYPT'S READINESS TO INTRODUCE PROGRAM
AND PERFORMANCE-BASED BUDGETING**

A Thesis Submitted to the

Public Policy and Administration Department

**in partial fulfillment of the requirements for the degree of
Master of Public Policy**

By

Eman Negm

Supervised by: Dr. Laila El Baradei

Fall 24

Abstract

Program and performance-based budgeting is one of the recent and most controversial developments in the Egyptian budgetary system. As a results-based budgeting methodology, it can potentially support the government's endeavors to enhance the efficiency and effectiveness of public expenditures and improve the overall levels of transparency and accountability. As per the new Unified Finance Law, Egypt is preparing for the full implementation of the program and performance budgeting reform to start in FY 2027-2028. The main objective of this study is to assess the readiness of Egypt to introduce program and performance-based budgeting based on six main assessment pillars which are: 1) Data Availability and Reliability, 2) Capacity Building and Organizational Culture, 3) Stakeholder Engagement and Political Will, 4) Institutional Reform, 5) Defining Performance (Effectiveness of Service Delivery): Monitoring and Evaluation Mechanisms, and 6) Accountability System and Incentives Schemes. The results of the conducted qualitative research showed that Egypt still has a long road to hit to become ready for the results-based budgetary reform. On the one hand, some important implementation prerequisites are mostly fulfilled, such as the development of the legislative framework and building the personnel capacities on basic program and performance budgeting principles. On the other hand, missing sectoral strategies, unreliable data sources, and misalignment with the organizational structures and restructuring efforts receive alarmingly less attention. The analysis showed that there are two main characteristics behind the current readiness situation of Egypt which are the cultural resistance to program and performance-based budgeting and the missing supporting structural set-up.

Acknowledgments

I would like to express my deepest gratitude to my supervisor, Dr. Laila El Baradei, for her invaluable advice and guidance throughout the process of developing this research. I would also like to thank Dr. Khaled Zakaria Amin for stirring my interest in this subject and for his continuous support.

To the AUC School of GAPP professors, in particular, Ambassador. Aly Erfan, Dr. Noura Wahby, Ambassador. Hazim Fahmy, and Dr. Hisham Wahby, thank you for always inspiring me and for the wealth of knowledge I found in your classes.

To my mother and my sister, this would have not been possible without you. Thank you for all the support, love, and encouragement, and for being an integral part of every endeavor in my life, this one included. It goes out to you.

To the rest of my family and friends, thank you for being the incredible support system that you are and for being a constant source of motivation. I'm forever grateful.

To my dear friend, Nashwa Shaban, thank you for being a part of this, and for all the fun and memories we had earning this degree.

I also extend my heartfelt appreciation to all the interviewees who took part in this research for their time and candid insights. Your genuine assistance and openness were truly enabling throughout this journey.

Lastly, I dedicate this work to every policymaker out there who is still, against all the odds, trying to use power to bring about real change and create a more just world.

Contents

Abstract	ii
Acknowledgments	iii
List of Figures	vi
List of Tables	vi
List of Abbreviations	vii
Chapter 1	1
Introduction	1
1.1 Research Problem.....	3
1.2 Research Objective	4
1.3 Thesis Composition	5
Chapter 2	7
Conceptual Framework.....	7
2.1 Establishing the Definitions (Program vs. Performance-based Budgeting)	7
2.2 Prerequisites for Implementation	9
2.2.1 Data Availability and Reliability	10
2.2.2 Capacity Building and Organizational Culture.....	11
2.2.3 Stakeholder Engagement and Political Will.....	13
2.2.4 Institutional Reform (adapting existing organizational structures)	13
2.2.5 Defining Performance (Effectiveness of Service Delivery): Monitoring and Evaluation Mechanisms	15
2.2.6 Accountability System and Incentives Schemes.....	16
Chapter 3	19
Literature Review.....	19
3.1 Potential Benefits of the Introduction of Program and Performance-based Budgeting ..	19
3.2 Critical Preconditions and Prerequisites for Successful Implementation.....	21
3.3 The Transition from Line-item to Program-based Budgeting	25
3.4 The Transition Path from Program to Performance-based Budgeting.....	28
3.5 Examples of Measuring Program and Performance Budgeting Effectiveness.....	30
Chapter 4	34
Contextual Framework	34

4.1 Historical Context: Egypt’s Previous Implementation of PPBB.....	34
4.1.1 Assessing Egypt’s Readiness to Shift to Program and Performance-Based Budgeting	35
4.1.2 The Implementation of Program and Performance-Based Budgeting in Egypt (2001 – 2004)	37
4.1.3 Lessons Learned	39
4.1.4 Program and Performance-Based Budgeting in Egypt (2004 – 2019).....	42
4.2 Examining the Recent Policy Context	43
4.2.1 The Egyptian Program and Performance-Based Budgeting in Action.....	50
Chapter 5.....	55
Methodology.....	55
5.1 Selected Methodology and Research Design	55
5.2 Data Collection Process	56
5.3 Sampling.....	59
5.4 Data Analysis.....	60
5.5 Limitations	61
5.6 Ethical Considerations.....	61
Chapter 6.....	63
Results and Analysis.....	63
6.1 Understanding Program and Performance-Based Budgeting Objectives	63
6.2 Running Program and Performance-Based in Parallel to Line-Item Budgeting.....	64
6.3 Data Availability and Reliability	66
6.4 Capacity Building and Organizational Culture.....	68
6.5 Political Will & Stakeholders Engagement.....	72
6.6 Institutional Reform (adapting existing organizational structures)	74
6.7 Defining Performance (Effectiveness of Service Delivery): Monitoring and Evaluation Mechanisms	77
6.8 Accountability Mechanism & Incentives Scheme	79
Chapter 7.....	85
Conclusion and Policy Recommendations	85
7.1 Recommendations to Enhance Egypt’s Readiness for Program and Performance-based Budgeting	87
References	95
Appendix 1: Additional PPBB Data	103
Appendix 2: Interview Guide	104

List of Figures

Figure 1: Conceptual Framework of PPBB Readiness	10
Figure 2: Path from PPB to PPBB.....	29
Figure 3: Program and Performance-Based Budgeting Structure.....	53

List of Tables

Table 1: Breakdown of National Programs	51
Table 2: Breakdown of National Budget Across Strategic Objectives	52
Table 3: List of Interviewees	56
Table 4: Sample of Program Budgets for Ministries.....	103
Table 5: Summary of Readiness Assessment Results.....	81
Table 6: Readiness Assessment and Policy Recommendations.....	87

List of Abbreviations

ADB	Asian Development Bank
AUC	The American University in Cairo
CAPMAS	Central Agency for Public Mobilization and Statistics
CAOA	Central Agency for Organization and Administration
EGP	Egyptian Pound
ESSR	Egyptian Economic and Social Review
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FY	Fiscal Year
GFMIS	Governmental Financial Management Information System
GDP	Gross Domestic Product
IDSC	Information and Decision Support Center
IMF	International Monetary Fund
IRB	Institutional Review Board
M&E	Monitoring and Evaluation
MESR	Macroeconomic Stabilization and Reform Program
MENA	Middle East and North Africa
MoETE	Ministry of Education and Technical Education
MoF	Ministry of Finance
MoPED	Ministry of Planning and Economic Development (The new name starting July 3rd, 2024, is Ministry of Planning, Economic Development and International Cooperation)
MOIC	Ministry of International Cooperation (was merged with MoPED on July 3rd, 2024)
MTEF	Medium-Term Expenditures Framework

OECD	Organization for Economic Co-operation and Development
PETS	Public Expenditures Tracking Survey
PFM	Public Financial Management
PPB	Program-Based Budgeting
PPBB	Program and Performance-Based Budgeting
SDGs	Sustainable Development Goals
ToT	Training of Trainers
UNESCO	United Nations Educational, Scientific and Cultural Organization
UN	United Nations
USAID	United States Agency for International Development
WB	World Bank

Chapter 1

Introduction

Results-based budgeting methodologies such as program and performance budgeting are known for better linkages between the state mega projects, national orientations, long-term strategies and objectives on the one hand, and the allocations of budget and state resources on the other (World Bank, 2022). Putting more emphasis on the results achieved through public spending rather than on inputs and processes, results-based budgeting is an output-oriented budgeting system that promises the government the flexibility needed to navigate through critical situations and crises and to adapt quickly to changing circumstances, unlike other input-oriented budgeting approaches. It is essentially a reform in developing a state's budget to shift its focus from the control of its inputs (mostly through line-item budgeting) to tying the budgetary processes with measurable results/outputs allowing the government to plan its spending in accordance with the objectives, national strategies, and the programs it adopts (World Bank, 2022).

Program and performance-based budgeting are among the most important instruments of results-based budgeting. Program budgeting is mainly characterized by designing the budget around programs that are serving the government's main objective and strategies. The programs are divided into sub-programs, outcomes, outputs, and activities to which financial allocations are assigned and monitored regularly. Performance budgeting is the evolution of program budgeting. It advances through making a systematic use of the collected performance information and ensuring the linkages between the allocated funds and the achieved results of the designed programs (Robinson & Last,

2009).

Introducing both program and performance-based budgeting is one of the recent and most controversial developments in the Egyptian budgetary system. The recent Unified Finance Law, which was issued on the 8th of February 2022, stipulated that the general budget of Egypt will start the gradual implementation of the program and performance budgeting approach in preparation for its full implementation by the fiscal year 2025-2026 (MoF Unified Finance Law, 2022) as per the initial version of the law, and by fiscal year 2027-2028 as per the 2024 law amendment. The government foresees this budgetary development to improve both the effectiveness and efficiency of public expenditures and financial allocations as well as to enhance the provision of different public services to the citizens (MoF PPBB Manual, 2022).

While so far, the new results-based budgeting method (PPBB) is foreseen to remain running in parallel to the input-based budgeting and reporting systems (line-item system), reaching the destination of a fully-fledged and implemented program and performance budgeting system remains a challenging task. The literature shows, on the one hand, the opportunities which come with the PPBB implementation such as increasing efficiency and avoiding duplications in allocating resources (Marsus, 2020). On the other hand, it shows a considerable number of challenges which faced other countries in similar contexts while introducing program and performance budgeting such as increasing the administrative and transactional workload of the public sector, as well as adopting inadequate reporting and recording practices (World Bank, 2022). Therefore, the government's readiness to start implementing this budgetary reform is crucial to investigate and assess as previous country experiences showed that there are key preparation pillars and corresponding measures on which the government should be working during its transition/preparation phase. Egypt is currently at a critical point in time, being in the middle of this preparation phase, working towards setting the stage for the

new budgetary system before the full implementation starts.

1.1 Research Problem

Assessing the readiness of any budgetary system to make a transition should be a key element that the policymakers consider when designing a reform. Program and performance-based budgeting is a budgetary transformation in and of itself given how it changes the nature of the budget design and how it requires amending the internal processes, procedures, and organizational structures in the different governmental institutions to align with the new system. It also requires a different set of capabilities and human competence compared to the classical input-based budgeting system. Credible data structures are also another key factor which informs the solidity of any program and performance budgeting implementation, and so is the availability of a robust monitoring and evaluation system to enable proper assessment of performance. Other implementation prerequisites such as a transparent accountability system should also be an integral part of the budgetary reform.

Therefore, the readiness assessment of the Egyptian government to implement the program and performance budgeting is deemed necessary at this point in time, almost mid-way through the preparation phase. While there is a growing global body of literature on the topic of program and performance budgeting, (OECD, 2023; Marsus, 2020; Friyani & Hernando, 2019; ADB, 2017; Dugdale, 2016; Schick, 2014; World Bank, 2013; Quah, 2010; Eden, 2009; IMF, 2005), there is a gap in the literature on its recent endorsement in Egypt. Given the relatively recent ratification of the Unified Finance Law in Egypt, which stipulated the PPBB implementation, little research has been conducted on its feasibility, requirements, and needed preparations and pre-implementation adjustments in the Egyptian set-up, especially in light of the recent economic and socio-political developments in Egypt and across the globe. Accordingly, the analysis of the readiness for the PPBB

introduction to the budgetary system in Egypt is notably timely (Robinson & Last, 2009).

1.2 Research Objective

The main research objective of this study is to assess the readiness of the Egyptian government to introduce program and performance-based budgeting. While the literature shows that there are few distinctions between the two concepts of program and performance budgeting (UNESCO, 2006 & AIB, 2017), the Egyptian government is looking forward to fully implementing both program and performance-based budgeting by 2028. Little differentiation between the two concepts is made especially regarding the implementation mechanisms and supporting structures. Alternatively, program and performance-based budgeting is often referred to in the Egyptian context as one term indicating the new results-oriented budgeting system. Therefore, this study focuses on assessing the readiness of Egypt to introduce both concepts, program and performance budgeting.

The assessment encompasses both the previous efforts the government had already invested in the reform, current preparations, and the defined future preparation plans. The main research question is: how ready is Egypt for the introduction of program and performance-based budgeting? To define “ready” and based on the available literature on the prerequisites to introducing program and performance-based budgeting as well as the evaluations of implementations in different countries such as the United States of America, Australia, Singapore, and the Maldives, this review of the literature has resulted in six main parameters, around which the readiness assessment of this study, as well as its conceptual framework, are designed:

- 1) Data Availability and Reliability
- 2) Capacity Building and Organizational Culture
- 3) Stakeholder Engagement and Political Will

- 4) Institutional Reform (adapting existing organizational structures)
- 5) Defining Performance (Effectiveness of Service Delivery): Monitoring and Evaluation Mechanisms
- 6) Accountability System and Incentives Schemes

In each of the six pillars, the study investigates the current status quo, the PPBB-related challenges, the efforts invested to introduce/adjust a PPBB-friendly set-up, and the plans underway, to holistically examine the current and foreseen levels of readiness versus the required level of readiness - as drawn from the literature and international experiences. Accordingly, some policy recommendations are made towards the end.

1.3 Thesis Composition

This study is organized into 7 main chapters which are divided as follows:

Chapter One introduces the topic and its importance, the research problem, and the associated literature gap to which the findings will be contributing. It also defines the research objectives and scope.

Chapter Two draws the conceptual framework based on which the assessment of the study is conducted. It establishes the definitions of program and performance budgeting and then delves deeper into each of the six aforementioned study pillars and examines their conceptual importance to the overall research objective.

Chapter Three examines the available literature on program and performance budgeting, ranging from analyzing its importance to discussing the critical implementation prerequisites and success factors, all while drawing on international experiences.

Chapter Four gives the contextual framework for program and performance-based budgeting in

Egypt including analyzing the existing legislative framework and the most up-to-date activation measures of the reform.

Chapter Five defines the research methodology and research design. It also describes the data collection, sampling, and data analysis instruments and processes. Lastly, it highlights the study's main limitations and ethical considerations.

Chapter Six analyzes the key findings and results from the conducted interviews and gives thematic insights on each of the six study pillars.

Chapter Seven concludes and proposes a set of policy recommendations.

Chapter 2

Conceptual Framework

This section draws a comprehensive conceptual framework for defining, developing, and managing a program and performance budgeting system. Program and performance-based Budgeting identifies as a budgetary method where the budget development process is interlinked with set-up programs with clear policy goals and objectives. Accordingly, it has been increasingly viewed as a new perception of the term “budget” since, unlike other input-oriented budgetary approaches, PPBB allows the development of national budgets to serve the government strategies and priorities through the program-based allocation of resources so that they better serve the citizens’ needs (Fuior & Gutan, 2015). PPBB also has ties with the installed democratic structures as both (PPBB and democracy) advocate for principles such as performance measurement, accountability, transparency, and citizens’ access to information (Robinson & Last, 2009; Singer, 1996). After establishing the definitions of results-based budgeting, program-based budgeting, and performance-based budgeting, this section will present the six main prerequisites for implementation which form the conceptual framework of this study.

2.1 Establishing the Definitions (Program vs. Performance-based Budgeting)

Results-based budgeting can be defined as a budgeting methodology that focuses on budgeting for specific results and objectives to be achieved through specified amounts of public expenditures, instead of budgeting for the inputs of the different operational processes. That is, results-based budgeting – as a subset of results-based management – works on tying public expenditures

through the budgeting process to the intended goals and objectives of the national government (Edwards, 2017).

Program-based budgeting is one of the most widespread instruments of results-based budgeting. It is mainly characterized by developing the budget around programs which are then typically organized into sub-programs, outcomes, outputs, and activities to which the budget funds are allocated based on their varying levels of priority (UNESCO, 2006). Indicators measuring the progress of those different layers are developed as part of developing the programs and continuous monitoring and evaluation of the results is conducted. One of the main characteristics of program-based budgets is that the line-item controls over the budget, such as limitations imposed by the central government on the line ministries regarding spending funds on certain inputs such as hiring personnel or purchasing certain equipment, are typically toned down – although not completely removed (World Bank, 2013). Another key characteristic of program budgets is that adequate performance information on the program gets collected as part of monitoring the progress of the program’s implementation (World Bank, 2013).

Fuor and Gutan (2015) discuss the three main hierarchical set-ups of a program, which should be mirrored in a program budget and those are 1) programs (on the top of the hierarchy) identifying the strategic goals and orientations usually representing a public area of intervention or a government function, 2) sub-programs which are groups of interconnected activities clustered in logic groups and serve similar objectives, and lastly 3) activities which represent the individual implementation activity that make up the sub-programs and programs (Fuor & Gutan, 2015).

Performance-based budgeting is the evolution of program budgeting. Performance-based budgeting puts particular emphasis on utilizing the performance information collected in the classical program-budgeting cycle to develop data on the achieved outcomes so that it becomes the basis for

formulating and justifying proposed future budgets (Urban Institute, 2006). While program budgeting puts more emphasis on the budget organization into programs, sub-programs, and activities, performance-based budgeting gives more attention to requiring that the outputs of those programs are explicitly defined in terms of results areas and performance indicators based on which programs are monitored and evaluated and future budgets are designed and negotiated.

How can the three layers be interlinked, The UNESCO report titled: “Results-based budgeting (RBB) and results-based management (RBM): Concepts, Origins and Overview.” describes a *result-based budgeting* system as *program-budgeting* in which 1) program formulation is based on a set of defined objectives and results, 2) expected results justify the resource requirements and allocations, and 3) *Performance-evaluation* is taking place through objective performance indicators (UNESCO, 2006). The Asian Development Bank report titled: “Implementing Results-Based Budget Management Frameworks: An Assessment of Progress in Selected Countries” confirms this layering of the three concepts by suggesting that implementing program budgeting is a prerequisite for implementing performance budgeting. And implementing performance budgeting is a precursor to the introduction of the overarching concept of results-based budgeting or what the report calls “Output Budgeting” (AIB, 2017).

2.2 Prerequisites for Implementation

For a successful program and performance-based budgeting transition to be carried out, there are several prerequisites for implementation which ensure the country’s readiness for the transition or – more relevantly in the Egyptian case – the introduction of a parallel budgeting system to the input-based budgeting. The prerequisites outlined in this section are derived from the literature on assessing the readiness to introduce program and performance-based budgeting as well as the evaluations of

previous implementations in different countries. The framework is devised into 6 main pillars which together constitute a guideline to assess to what extent the government is on the right track preparing for the PPBB introduction.

Implementing Program and Performance-Based Budgeting

Prerequisites for Successful Implementation

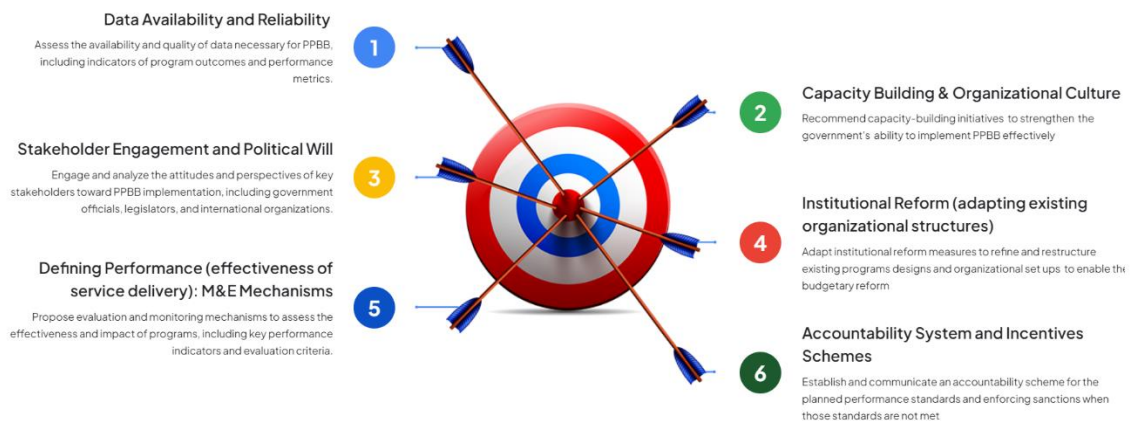


Figure 1: Conceptual Framework of PPBB Readiness (source: author based on the literature)

2.2.1 Data Availability and Reliability

Good data is a key prerequisite for a successful PPBB introduction. The literature shows that the countries that had successful PPBB experiences are those countries that were able to establish robust data systems before the full PPBB shift. The importance of data for PPBB is multilayered as reliable data sources constitute an essential component of the program design process – particularly in setting objectives and targets - as well as the program monitoring and evaluation processes (Schick, 2014). Examples of the data structures that are important for a successful PPBB introduction include

- Financial data on public expenditures and revenues

- Socioeconomic data such as poverty rates, education levels, health indicators, housing data, employment data, income levels, access to services, etc.
- Performance data on monitoring the achievement of the different output and outcomes indicators of the different programs
- Demographic data on population characteristics

Generally, developing countries are still facing serious challenges in developing their data infrastructure and establishing robust data systems which go back to the low quality of available data sources and the poor use of data and performance information in the process of decision-making and resource allocation (Joyce, 2011). On the other hand, more mature PPBB experiences such as that of the United States of America and Australia show us how developing the existing data systems, specifically, the data on performance measurement is critical to the success of any PPBB initiative. Both countries have heavily invested over the past few decades in advancing their data infrastructure and ensuring the validity of their data systems which has contributed significantly to the soundness of their PPBB experiences (Australian Government, 2014; Joyce, 2011).

2.2.2 Capacity Building and Organizational Culture

Another key prerequisite to implementation is the development of the organizational capacities to meet the demands of the new budgeting system. The implementation of the program and performance-based budgeting requires significant investments in building the public sector employees' competence to enable a real shift in the organizational budgetary performance and real contribution to the PPBB transition. Most of the public sector staff who are involved in the process of program and performance budgeting would have more solid background experiences in classical input-based budgeting which they would typically and comfortably be working on for years. Unlike

input-based budgeting, program and performance budgeting requires the responsible staff to be skilled in areas such as needs analysis, program design, performance measurement, monitoring and evaluation, and budget formulation (Curristine, 2005). The responsible staff also need to be aware of their line ministries' policy objectives and implementation strategies and to engage in discussions with other relevant ministries and governmental agencies in a way that classical input-based budgeting arguably never required (IMF, 2009).

Additionally, the implementation of program and performance-based budgeting requires significant investments in building the public sector employees' skills to enable a real shift in the organizational culture and prevent possible cultural resistance to the budgetary system change. Cultural resistance is one of the most common challenges facing many countries in their PPBB transitions since the alternative input-based budgeting methodology is older and thus more convenient and more strongly rooted in the mindsets of the public sector employees who are responsible for their organizations' budgeting processes. The transition to program and performance-based budgeting, accordingly, forms a source of extra work for the staff and then is likely to be resisted. Additionally, the introduction of program and performance budgeting arguably poses a threat to the senior management of the poorly functioning organizational departments because it is typically associated with higher accountability and linkages to measuring performance and work results and not just budget spending. Thus, establishing a real "climate of performance" in the government is a key component of any program and performance-based budgeting transition. In Egypt, the earlier introduction of the program and performance-based budgeting in 2001-2004 showed that the cultural resistance towards establishing this climate of performance was one of the main challenges which some of the pilot organizations faced and thus was a main factor behind hindering the roll-out of the PPBB methodology to take a whole-of-government approach (Abdelhamid, 2015). This experienced cultural resistance

made it clear that developing an understanding of the importance of program and performance-based budgeting as a method, its basic concept, and its benefits to the organizations and eventually to the staff members is key before initiating the exercise.

2.2.3 Stakeholder Engagement and Political Will

To ensure a sufficiently strong degree of political will and stakeholder engagement is another key pillar for the success of the program and performance-based budgeting initiatives. Political leaders need to be in favor of the budgetary reform and thus be ready to commit to the initiative and avail the required level of support and resources. Additionally, mobilizing the other different groups of stakeholders in the budgetary reform process is equally important to ensure a stronger buy-in from the community and reduce the likelihood of organizational and societal resistance. Those groups include the different line ministries, other governmental agencies, international organizations, donors, the parliament, civil society organizations, middle management and administrators of the different governmental organizations, media outlets, and lastly – yet most importantly – the citizens (Bouckaert & Halligan, 2008). Engaging those groups can be achieved through different methods such as building partnerships and coalitions, initiating open dialogue with the public, establishing feedback mechanisms on the budgeting processes and challenges, and availing open exchange formats on possible budgetary reforms.

2.2.4 Institutional Reform (adapting existing organizational structures)

The institutional reform, especially of existing organizational structures, is another key element of the conceptual framework of this study as the introduction of program and performance-based

budgeting often requires the adaptation of those structures to meet the requirements of the new budgetary system. Most of the government agencies are not typically structured to be results-based (Robinson, n.d). That is, a governmental organizational unit – especially under the classical input-based budgeting - doesn't typically correspond to an output, a service or group of services that are delivered to the public, or a product line; rather, it corresponds to managing certain operational streams whether they are technical or administrative. This structure does make sense under an input-based budgeting method; however, would struggle to survive a PPBB budgeting transition. The difference between the program structure (being based on outputs and outcomes) and organizational structure can cause serious interruptions, inconsistencies, and sometimes duplications in the workflows inside the different governmental organizations. For one thing, the basis on which the budget is planned (programs) on the one hand and implemented (input-based) on the other would remain uncoordinated (Robinson, n.d).

Ideally, units' structures should correspond to the new program nature of the budget. That is, every organizational unit's set of responsibilities should be defined by the program(s), the results of which the unit will be held accountable for. The unit then becomes responsible for managing the budget and executing the program(s) and the corresponding operations. This arrangement achieves operational and financial flexibility to the different organizational units in the government as it puts less emphasis on the internal processes management and higher weight on the achieved outputs and outcomes (OECD, 2023).

The adaptation of the organizational structure can involve the creation of new units or departments; for example, establishing units to be responsible for programs' monitoring and evaluation and performance measurement; or the cancellation or restructuring of existing ones to better align with the programmatic nature of the budget. However, this organizational restructuring would

have to be gradual, and the government needs to ensure that it is not imposing too much change on the organizations at the same time as introducing the program and performance budgeting. That is why some might argue that in some circumstances, where the organizational restructuring requirements are arguably too revamping, that it might be a wise decision to leave it at a later stage of the Public Financial Management (PFM) reform (Robinson, n.d).

The institutional reform accompanying the introduction of program and performance-based budgeting, however, is not only defined by the organizational restructuring. Other institutional reform interventions such as revisiting the legislative frameworks to ensure the availability of a sound legislative basis for the introduction of the new budgetary system are equally important.

2.2.5 Defining Performance (Effectiveness of Service Delivery): Monitoring and Evaluation Mechanisms

Establishing a sound monitoring and evaluation system with a clear set of regulations and standards is crucial to ensure the introduction of the program and performance-based budgeting meets its intended outcomes. As one of those main outcomes is enhancing public expenditures' effectiveness and efficiency, defining the definitions and standards based on which those two parameters (effectiveness and efficiency) are being monitored and evaluated throughout the life cycle of the budget is essential. Both parameters are part of the more overarching concept of "performance measurement" which has critically been a perpetual challenge of the public sector in the past few decades yet becomes essential to tackle before the introduction of performance-based budgeting (Ömurgonulen, 2002). While measuring efficiency is arguably more straightforward, being directly connected with lower economic cost, defining and measuring performance is more challenging when it comes to the effectiveness of service delivery and the quality of services being delivered, given the

political nature of the public services and the difficulty of capturing the accurate levels of citizens' satisfaction associated with their provision (Ömurgonulen, 2002).

Given the complexity of measuring performance and in particular the effectiveness of service delivery, a robust monitoring and evaluation system becomes indispensable for a successful program and performance-based budgeting implementation. A results-based M&E for a program-based budgeting system should have the following layers of definitions:

- Inputs: of available resources (whether human or materials).
- Activities: Measures undertaken to transform inputs into outputs.
- Outputs: the direct products/services resulting from activities.
- Outcomes: the changes on the institutional and behavioral levels as a result – intermediate effect.
- Impact: the change in people's lives as a result – long-term effect (FAO, n.d).

The Ministry of Finance in Maldives puts out some guidelines for the development of sound indicators of the monitoring and evaluation system, based on its experience in introducing program and performance-based budgeting. For example, the information collected through the indicator must directly assist the government in its resource-allocation questions and/or be of direct use to assess the extent of success of the program. Additionally, program indicators should follow the SMART criteria (Specific, Measurable, Achievable, Relevant, Time-bound) (Ministry of Finance, Maldives, 2022).

2.2.6 Accountability System and Incentives Schemes

The adoption of a robust accountability system is an integral part of preparing for any program and performance-based budgeting transition. The importance of the accountability system comes as it holds the governmental agencies responsible for the implementation of their assigned programs and

ensures that performance is being tracked, monitored, and evaluated. Aligning the accountability system with the national strategies, goals, and objectives is key for its successful implementation. An adequate accountability system should entail:

- Clear objectives and goals
- Distinct lines of roles and responsibilities,
- Regular performance reporting mechanisms, and
- Available mechanisms for corrective actions (Moynihan, 2008).

Those components should help the public sector employees gain clarity over what is expected from them and how are they being evaluated vs. their peers. Such a system fosters a culture of transparency in the government and thus contributes to enhanced levels of trust, performance, and productivity.

One other integral component of any accountability system is the incentives scheme which should be an instrument through which the good work is recognized and rewarded, and underperformance is tracked and penalized. The importance of availing a transparent incentives scheme is that it enhances the motivation of employees and institutional departments to work and increases their level of engagement. An effective incentives scheme is also a powerful instrument to combat high turnover rates in governmental agencies. An adequate incentives scheme should entail performance agreements outlining individual employee as well as department/institution-based targets and incentives which are aligning with the overall organizational goals, the corresponding financial rewards such as bonuses and salary increases which are associated with achieving the agreed-upon targets, and non-financial rewards such as capacity building measures and career advancement opportunities (Quah, 2010 & Mathur, 2023).

In this regard, the Singaporean experience is particularly interesting in establishing an incentive scheme for public sector employees to enable talent retention and enhance the average level of productivity. Accordingly, the government benchmarked its salaries scale against the private sector salaries and reduced the basic salary to become only one of the three components of the public sector salary structure, the other two components of which became performance-based remunerations (Quah, 2010).

The framework presented in this section is comprised of 6 main pillars which together constitute a readiness assessment framework for introducing program and performance-based budgeting. The pillars cover the different aspects of the PPBB reform. Available and reliable data systems are deemed necessary and would enable the development of a robust M&E system. Building the human capacities is equally critical as it addresses the potential line-item budgeting bias and so does the buy-in from the different groups of stakeholders whose buy-in and engagement in the process shall be ensured. Availing strong legislative frameworks and adapting the organizational structures are core to ensuring the soundness of the institutional structures prior to introducing the budgetary reform. Lastly, the analysis also shows that the success of the PPBB reform is greatly contingent on the introduction of a robust accountability system and incentive scheme which enable a proper performance management system. Building on the existing literature and implementation experiences, the framework – based on which the analysis of the findings is conducted - essentially provides the criteria for evaluating the PPBB readiness situation and would therefore be instrumental in pinpointing the variant successes and fallouts and, hence, in proposing policy recommendations.

Chapter 3

Literature Review

This section presents and analyzes the literature on program and performance-based budgeting from a budgeting reform perspective. The first subsection outlines some of the potential benefits accompanying the introduction of program and performance-based budgeting. The second subsection investigates the critical preconditions and implementation success factors. The third and fourth subsections draw paths of transition from line-item to program-based to performance-based budgeting. The last subsection presents some international experiences from Turkey and Indonesia in measuring their PPBB effectiveness.

3.1 Potential Benefits of the Introduction of Program and Performance-based Budgeting

Once fully implemented, program and performance-based budgeting can have positive effects on the efficiency of the budgetary process, public expenditures and the soundness of the national fiscal policy for it has a wide range of potential benefits outlined below:

Better use of resources: program and performance-based budgeting strength lies in its efficient use of resources. While PPBB exercises might initially turn into the line ministries submitting their shopping wish list of resources, the exercise slowly, but surely, goes back to its original essence – shifting towards prioritizing policy objectives and strategies focusing on services to be delivered and thus optimizing the resource allocation process and improving prioritization of expenditures (Ministry of Finance, Maldives, 2022 & Dugdale, 2016). In Mauritius for example, the evolvement of the PPBB system helped the government in prioritizing its expenditure requirements and therefore has resulted

in an overall decreasing number of ad-hoc projects during the in-year budget implementation (CABRI, 2010).

More Flexibility: secondly, program and performance-based budgeting makes the government more resilient to maneuver critical times and crises that other input-based models fail to achieve. Being output-focused, program and performance-based systems allow the government to adapt their inputs in the different fields and sectors to accommodate their changing circumstances, as long as they are able to report on the indicators and ensure proper service delivery (Robinson, n.d). This flexibility, however, is debatable as it remains conditional on certain aspects such as the autonomy in budget management and the reduced excessive level of detail to enable a more flexible management of resources (Hartanto et al., 2018).

Enhancing ministries' ownership: Additionally, it can enhance the ownership of the line ministries over the budget preparation process and thus would improve the communication between the Ministry of Finance and the line ministries as they are now more involved in the budgeting process details, unlike the situation with the line-item budget (CABRI, 2010).

Higher accountability: The introduction of program and performance-based budgeting can potentially increase accountability as it raises awareness about the importance of results and performance monitoring and the need to deliver what was promised during the planning phase through meeting the different program indicators and achievement targets (Dugdale, 2016).

Enhancing data availability: evidence has shown that generally the PPBB introduction is accompanied by an enhanced level of information and data availability which avails evidence for policymakers to discuss achievements and outputs delivery rather than discussing the allocations of line items and losing sight of the overall targets and strategic policy objectives (CABRI, 2010).

For Egypt, some additional benefits are expected to be brought about through the introduction

of the PPBB system. The program and performance-based budgeting manual (drafted jointly by the MoF and the USAID Macroeconomic Stabilization and Reform Program (MESR) and currently under further development by the MoF jointly with the OECD adds to the aforementioned list of benefits:

Enabling better sectoral resource allocation and alignment in key sectors where the responsibility for the performance indicators doesn't fall under the mandate of one entity. Cross-ministerial coordination can be challenging under classical line-item budgeting but becomes more straightforward when it is based on programs and activities in which the responsibilities are defined and clear (MoF PPBB Manual, 2020).

3.2 Critical Preconditions and Prerequisites for Successful Implementation

Several preconditions apply to any program and performance-based budgeting reform. For example, the government needs to have an initial understanding of the shortcomings of the current budgetary method and related processes as a baseline for any budgetary reform, including the introduction of PPBB. It is also key to conduct sort of a stress test to measure the extent to which the different functions, roles, and responsibilities of the different actors will be affected as a consequence of reforming the budgetary system. Those two preconditions shall also come together with an adequate preparation by the responsible ministry that includes an agreed-upon budget format and methodology before proceeding to introduce the PPBB methods to line ministries (CABRI, 2010). Other preconditions of program and performance-based budgeting include the existence of sound macro-fiscal policy management and strong fiscal governance, efficient mechanisms and policy instruments that enable the enforcement of the execution of budgets as planned, and mechanisms for government-wide policy prioritization.

Diamond (2003) discusses, more specifically, the introduction of program and performance-based budgeting to emerging economies worldwide. While the PPBB approach has been increasingly adopted by industrial countries, more emerging economies have been trying to improve their budgetary systems by introducing this new budgetary practice. However, the PPBB formula is significantly different for an emerging economy than it is for an industrial-developed economy. Diamond (2003) presents the 4 main reform elements that shall accompany the introduction of PPBB in emerging economies. First is **adapting any existing program set-up** to meet with the requirements of strategic budgetary planning and medium-term budget framework. Second is the **refinement and redesigning of existing program structures** (Diamond, 2003). Clark and Stewart (2017) would also agree that the introduction of PPBB is usually accompanied by a broader program of governmental reform and restructuring. Thirdly is **enhancing costing systems** and building the human capacities for the associated skills. Lastly, and arguably the most challenging, is the introduction of an innovative **accountability system** and a budget incentive scheme to enable the successful design and carrying out of a PPBB system (Diamond, 2003). The latter element has also been endorsed by Tat-Kei Ho (2018) as one of the primary strategies to cope with challenges at the organizational level that come with the PPBB introduction.

As for the implementation, there are several important aspects related to the implementation strategy of the program and performance-based budgeting which are key to a successful budgetary transformation. The CABRI report titled “Program-based Budgeting: Experiences and Lessons from Mauritius” covers several of those points. While the report specifically focuses on the experience of Mauritius in its gradual-yet-fast introduction of the PPBB reform within the context of the Medium-term Expenditures Framework, it addresses general preconditions and implementation aspects that remain essential for any PPBB transformation.

Several key aspects shall be incorporated into the PPBB strategy for implementation. Firstly, the government shall be aware that the **sensitization and buy-in of all stakeholders** are essential for a successful PPBB reform. Arranging sensitization sessions for ministers, members of Parliament, permanent secretaries, and senior management is useful in ensuring a common understanding and acceptance of the reform and securing ownership (CABRI, 2010). More specifically, the resistance of some the government administrators can be resolved by securing the buy-in from the line ministries to which they are affiliated and through ensuring that they don't perceive the PPBB reform as a threat to their organizations or as the kind of reform imposed by the ministry of finance, but which remains unreasonable to many of them. This is where the sensitization sessions with the different entities can come in handy.

Another worthy-to-note implementation factor is **allowing time**. Allowing time for designing and strategizing the reform. Allowing time for planning the implementation and mapping out the required training and other capacity-building measures. Allowing time for the gradual introduction of the reform and abstaining from introducing a sophisticated model at the very beginning. Allowing time for the people to change their mindsets. For example, in Mauritius, the government decided to first introduce an "indicative PBB", in parallel with the line-item budget to allow time for changing the line ministries' perception of the PBB shift (CABRI, 2010). At the end of the day, a well-informed and structured reform strategy can minimize the risk of the transition from line-item to program-based budgeting only if it is introduced at a steady pace.

Grizzle and Pettijohn (2002) also focus on the implementation phase and the main factors that determine the PPBB success for any economy, taking Florida's experience with PPBB as a case study. Grizzle and Pettijohn (2002) present the Edward model as a framework for evaluating public policy in general and more specifically for budget reforms. The model addresses four main success factors

of the PPBB implementation. First is the communication factor, which has to do with establishing and communicating an **accountability scheme** for the planned performance standards and enforcing sanctions when those standards are not met. Second is the resources factor which implies allocating sufficient financial and **human resources** to the design, implementation, and monitoring of the budget reform. The third factor is dispositions which refer to the likelihood of the responsible **public agencies to favor the PPBB** implementation and make efforts to ensure the success of the reform. The fourth factor is the **bureaucratic structures** factor which addresses two main challenges: organizational fragmentation and standard operating procedures or budget routines, both of which can hinder the coordination necessary to properly carry out the PPBB implementation (Grizzle and Pettijohn, 2002).

Expanding on the earlier point of **human capacity building**, the government should ensure availing the required training modules and training materials and conduct intensive training of governmental officials so that they have a proper understanding of the concept and their roles by the time the PPBB transition is executed (CABRI, 2010). Training modules should cover both theoretical and conceptual aspects as well as practical implications of the day-to-day work relevant to the line ministry involved. In the capacity building area, there is no “one size fits all” sort of strategy. Training modules and materials shall be tailor-made to the specific country context and, in some cases, to the line ministry-context, if fundamental variations exist between line ministries in the same country.

Tat-Kei Ho (2018) enriches the conceptual analysis of the foundations of the PPBB system through his discussion of the different budgetary models that have emerged since the 1960s and how performance budgeting would fit in the different budgeting conceptualizations and models. More importantly, Tat-Kei Ho (2018) examines the decades-long implementations of program and performance budgeting in different set-ups and lays out their associated challenges and recommended strategies, largely from a conceptual point of view. One of his recommended strategies to deal with

PPBB-related challenges of political and economic institutions is to **engage key stakeholders** in the prioritization of objectives and the setting of performance goals (Tat-Kei Ho, 2018). Another insightful strategy was his recommendation to focus on **capacity building of personnel** in the different departments and governmental entities on topics such as project and financial management and data analytics to enable them to carry out the performance-based budgetary shift properly (Tat-Kei Ho, 2018).

3.3 The Transition from Line-item to Program-based Budgeting

The World Bank report titled “From Line-item to Program Budgeting” presents a road map for a practical introduction of the program budgeting system. **The first step is the establishment of a task force in the ministry responsible for budgeting planning and the design of an overall multi-organizational program framework.** The task force would have 2 main tasks. The first main mandate would be to analyze the existing nature of government functions and the meaningfulness of operational coverage to be able to decide on and set up the required cross-organizational classifications. Under this process, a function or a sub-function can be broken down into one or more programs. On the other hand, it might also be necessary to combine more than one function or sub-function under the same program. The number of the resulting programs shouldn’t really be the concern, rather it should be the firm data based on which the cross-organizational classification is built and the corresponding initial expenditures projections. The second mandate of the task force is to select one or two spending agencies as a pilot. Some programs, such as education, might be managed by more than one spending agency, while other programs - such as defense – would be the mandate of one line ministry. In all cases, it is recommended that a small spending agency is selected for the piloting phase and to examine the agency’s recurrent and investment budgets (World Bank, 2007).

The second step is to design an organizational program structure for the pilot spending agency (for example, line ministry) and define program objectives and descriptions. The second step is similarly double-layered; the first sub-step of the organizational program structure design can be challenging at first, especially since the pilot ministry's mission statement, current organizational structure, ongoing programs and projects, and the corresponding recurrent expenditures and investment projects related to each program shall be thoroughly analyzed. The step can particularly be challenging because many of the spending agencies do not lend themselves to a program structure; additionally, those agencies might not necessarily be ready for re-organization. To maneuver through this challenge in the early phase of PPBB introduction, some general programs might be designed to encompass costs such as common staff and other inputs shared by several programs within the organization. Those general/standardized programs shall remain distinguished from other operational and technical programs (World Bank, 2007).

The second sub-step is the definition of program objectives and descriptions. The first text that shall be developed after the structural re-organization is completed outlines in detail concrete and measurable objectives and indicators for the program that are to be achieved in one year or over a more extended period, depending on the program design. It shall also outline the relationship between the program, other sub-programs, and the main program. The second text, namely the project description, presents the program's main operations including recurrent activities and investment projects that would translate into cost centers under a program to which inputs would be allocated.

The third step is to identify recurrent activities and investment projects under each program. While the identification of investment projects as cost centers has been practiced for decades in all countries, and would generally be a straightforward task, the design of recurrent activities may be a challenge. The challenge lies in the consideration not to create activities that are

too small to identify corresponding required inputs and similarly to identify those activities that have mixed inputs with other activities. As mentioned above, the separation of the staff or manpower cost among the different programs and program activities is one way through which we can see the difficulty of recurrent activities design. That is why and where the organizational classification comes in handy alongside with the creation of standardized programs, as highlighted earlier, that brings together some of the shared costs (World Bank, 2007). However, an important limitation and critique of this proposition is that, with the creation of those general/standardized programs, the program budget would no longer be an entirely accurate representation of the program's costs and expenditures since some of the program costs would be encompassed by the general programs. This limitation would hinder an accurate evaluation of the program's scope, progress, and monitoring in the design and implementation phases.

The fourth step is to identify inputs and calculate the respective cost for each recurrent activity and investment project. There can be several costing methods for calculating the expenditures of a costing center, which are the recurrent activities or investment projects in a program-based budget. Examples of those methods are adding to the cost of a baseline scenario or assuming a ratio of the GDP and, more commonly, a percentage of the total government outlays. The report argues that the most feasible method of costing is to assume an interest rate for debt service or for implementing a law determining social payments and entitlements (World Bank, 2007). However, on the side of operations-based programs and their associated activities and projects, the inputs' costing is more accurate and remains a fundamental cornerstone for government accounting and reporting.

The Fifth, and last, step is to provide non-financial input data and output performance indicators for programs' recurrent activities and investment projects. This information shall include required staffing numbers, overlaps and relations with other activities within the same project

or with other projects, and most importantly performance targets and indicators to enable a smooth monitoring and evaluation process (World Bank, 2007). Dahari (2024) emphasizes the importance of striking a good balance between the quality and quantity of the developed performance indicators. Too many indicators can easily overwhelm the governmental department and the public equally. The reason the objectives and descriptions – step 2 – are conceptualized at the program level while the performance indicators and measurement – at this step – remain at the activity level is that the objectives and description are usually broad and tightly linked to overall strategic orientations and goals - that is the outcome/impact level - while the outputs should be related to the same level at that of the inputs allocated – which is at the activity level.

3.4 The Transition Path from Program to Performance-based Budgeting

After examining the literature on transitioning from traditional line-item budgeting to program-based budgeting, we move to analyze the literature on the move from program to performance-based budgeting. The International Monetary Fund report titled: “Moving from Program to Performance Budgeting” outlines this path of transitioning, greatly building on the United States of America’s experience with program and performance-based budgeting since the 1950s. The report argues that the momentum of program budgeting and the budgeting system reform at large can easily get lost if the government organizations don’t take it to the next step and try to identify standards of service delivery and possible ways to improve those standards, referring the importance of performance budgeting as an instrument of measuring the effectiveness of service delivery (IMF, 2006).

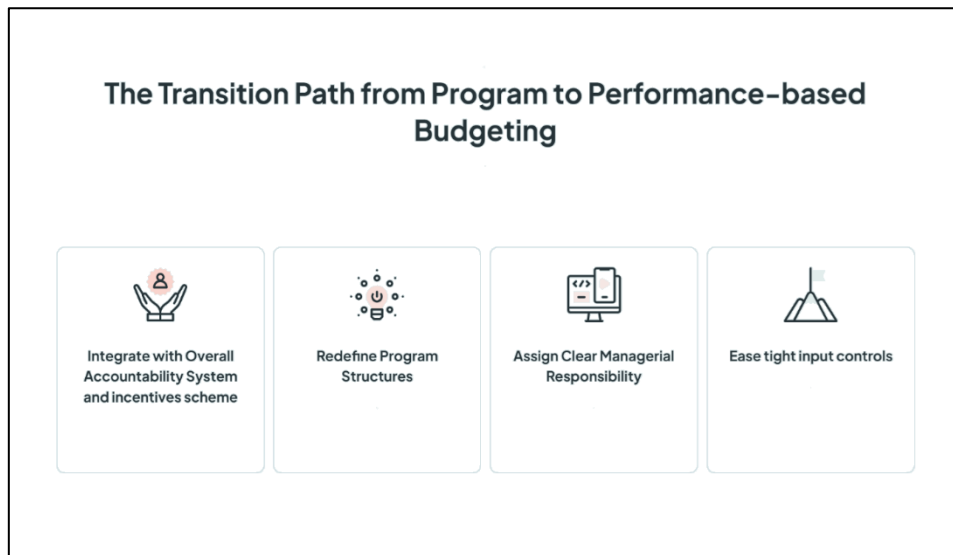


Figure 2: Path from PPB to PPBB (source: author based on the literature (IMF, 2006))

The first step, as illustrated in Figure 2 above, is to establish the key understanding that transforming to performance-based budgeting is more than merely introducing performance information and indicators into the budgeting process, also as highlighted earlier in the performance-based budgeting definition. For real performance budgeting to materialize, the budgeting system and its management should be integrated with an overall accountability system so that good performance is recognized and rewarded, and poor performance is penalized. Therefore, the development of an incentives/sanctions scheme and/or the adjustment of the existing one(s) is deemed necessary in light of the transition towards performance budgeting (IMF, 2006).

Secondly, revisiting the developed program structures, from a performance point of view, is another necessary step towards the transition. Performance needs to be defined and reported in a sufficiently operational way for the budget managers to work with. Clear policy statements and statements of intended results which accurately mirror the objectives of the programs are key to enable proper assessment and evaluation of the results (IMF, 2006).

Thirdly, to enable the activation of an accountability mechanism associated with performance

budgeting, clear managerial responsibility shall be assigned for the programs, usually within a single organizational department which designs and “owns” the program, and which is not the Ministry of Finance or the national budgeting office (MoF, 2006).

Lastly, a good performance-friendly program structure alone won't be enough to ensure the success of the transition; higher implementation flexibility shall be granted to the government units so that they can freely identify the most efficient and effective use of their resource to achieve the intended results. Therefore, fourthly, tight input controls shall also be eased (IMF, 2006).

3.5 Examples of Measuring Program and Performance Budgeting Effectiveness

Implementing PPBB can have various benefits to any country's budgetary system; however, it can also have some drawbacks and cause various problems which make the measurement of its effectiveness rather challenging (Marsus, 2020). This sub-section is analyzing a couple of studies conducted in a couple of developing countries, which aimed at measuring the effectiveness of their PPBB initiatives. While other developed countries have also run similar studies and evaluation exercises, they own relatively more sophisticated PPBB systems, performance measurement mechanisms, and information systems than those owned by developing countries. Moreover, introducing and implementing those advanced “cutting edge” mechanisms and systems like those run by the USA and UK for example might be not feasible for developing countries to initiate, especially in their early phases of PPBB (Robinson & Last, 2009). Therefore, since the experience of developing countries in introducing and measuring the effectiveness of their program and performance-based budgeting systems is arguably closer and more relevant for Egypt to look at during its early phases of PPBB implementation, this sub-section is selectively presenting and analyzing a sample of the studies

conducted in a couple of developing countries, namely Indonesia and Turkey, to provide a benchmark for similar evaluations in the Egyptian context.

In Indonesia, a couple of studies have been conducted to measure the effectiveness of implementing PPBB since the enactment of the Law of the Republic of Indonesia no. 17 of 2003. The law has mandated the government to prepare its budget as per its work plan and link it to the objectives and foreseen results of the governmental strategies; in other words, prepare program and performance-based budgets. The first study ran a qualitative analysis of the effectiveness of the budgetary shift by conducting surveys of the perceptions of 89 public officials in ministries and governmental agencies who were part of the compilation of the central government budget. The survey questions were mainly inspired by The American Association for Budget and Program Analysis surveys and the study used a purposive random sampling method, based on pre-defined criteria (Marsus, 2020). Survey questions included perceptions of the essential elements of an effective budgeting system and required interventions from the government to improve the process. Results showed that some of the main direct positive impacts of implementing PPBB are to increase the overall effectiveness of governmental programs and reduce duplications in planning activities; however, PPBB implementation showed to be rather challenging due to the difficulty of formulating performance measures (Marsus, 2020).

The second study utilizes a quantitative approach to evaluate the effectiveness of PPBB implementation. The study covers an Indonesian city called Jambi and tries to examine the effect of three main factors, namely local government employees' understanding of the budgeting process, trainings provided to the government employees to engage in budgetary exercises, and external pressure from different organizations either formally or informally on the implementation of PPBB in Jambi city (Friyani & Hernando, 2019). The study similarly uses surveys to collect data and samples

using the purposive sampling technique using pre-defined criteria including that respondents are directly involved in PPBB and budget execution practices. After analyzing the data collected from the 60 respondents, results showed that the 3 factors of understanding, training, and external pressure have a positive effect on the effectiveness of PPBB implementation (Friyani & Hernando, 2019).

In Turkey, a quantitative analysis was conducted to measure the effectiveness of PPBB implementation. The analysis used revenue resources as output data and the different types of expenses as input data and ran a two-stage analysis with the Turkish Ministry of Health and seven of its sub-units using the Data Envelopment Analysis (DEA) method which utilizes a mathematical programming technique without relying on typical parametric estimates (Cansel et al. 2016). The results show that the arguably insufficient funds allocated by the Turkish government to the ministry undermined the efficiency of PPBB implementation and that - to achieve better efficiency - staff expenses must be cut down further. Lastly, the results endorsed the idea of running local independent audits as to prevent corruption and discourage conflict of interests (Cansel et al. 2016).

The literature review analyzed the potential benefits of introducing program and performance-based budgeting including increasing the efficiency of resource utilization, increasing levels of implementation flexibility, and higher ownership and accountability levels, among other benefits. However, building a robust PPBB system is a challenging task that requires several preconditions such as adapting the program set-up, ensuring the stakeholders' buy-in, and enhancing the costing and accountability systems, the literature showed. Those preconditions would be crucial to set the stage for the transition paths from line-item budgeting to program-based budgeting to performance-based budgeting, in which other important considerations such as paying extra attention to the know-how of designing the program budgets, assigning clear managerial responsibilities, and easing tight input

controls become integral factors in the success of any PPBB reform. The next section continues to investigate the literature with a particular focus on the Egyptian context and its related PPBB developments.

Chapter 4

Contextual Framework

This section investigates the contextual framework of the study and is divided into two main parts. The first part analyzes the previous implementation experience Egypt had with program and performance budgeting in 2001-2004 and part two examines the more recent context, in particular the current legislative framework of program and performance budgeting and its implementation set-up.

4.1 Historical Context: Egypt's Previous Implementation of PPBB

The efforts to introduce program and performance-based budgeting to the Egyptian budgetary system in light of the 2022 Unified Finance Law are not the first in Egyptian history. In the early 2000s, the Ministry of Finance at the time, pioneered the introduction of a program and performance-based budgeting system to Egypt for the first time. Although there had been a few previous attempts to endorse the PPBB introduction in the mid-1960s and then in the 1970s for the second time, none had materialized until the consultations with the World Bank took place and the pilot started in 2001 (Younes, 2020). Together with a group of major stakeholders, the Ministry of Finance orchestrated PPBB policy and program design and led the implementation in some pilot organizations in the Egyptian government. However, the pilot of PPBB hasn't realized its final terminal, which is the rolling out of program and performance-based budgeting using a whole-of-government approach. This section will analyze Egypt's previous experience with PPBB, including looking at the success factors as well as reasons for its discontinuation, and arguably ultimate failure, besides drawing out some lessons learned for the current newly born PPBB system in Egypt.

The earlier introduction of program and performance-based budgeting in Egypt came in light of the Egyptian government's efforts to enhance the effectiveness and efficiency of public expenditures and to strengthen the results orientation of the public expenditures, said the former Minister of Finance who was in office during the pilot phase and a Distinguished Professor at the American University in Cairo. It was initiated at the request of the government to the World Bank to review the budget process, as a result of which the WB issued an Egyptian Economic and Social Review (ESSR) in June 2001. The ESSR had mentioned a few areas of development for the budgetary process such as global integration opportunities, macroeconomic development and growth, employment and welfare, and lastly – yet most importantly – institutionalization of results-oriented processes (such as budgeting). Along with those areas, ESSR proposed a few measures to facilitate the transformation towards results-oriented budgeting such as the Medium-Term Expenditures Framework (MTEF) with overall binding sectoral budget ceilings, introduction of Public Expenditures Tracking Survey (PETS), and launching pilots in selective governmental agencies (Abdelhamid, 2015).

4.1.1 Assessing Egypt’s Readiness to Shift to Program and Performance-Based Budgeting

In the same month of the ESSR, the Government of Egypt collaborated with the World Bank to send a “diagnostic mission” to study how ready the setup in Egypt was when it came to introducing the program and performance-based budgeting (Kholaf, 2021). The mission reviewed a variety of documents and met with government officials, international donors, and academics to assess how can a shift to PPBB strengthen the public financial management system in Egypt.

The mission had assessed Egypt’s readiness for the shift back then, according to a number of factors outlined below:

- Leadership buy-in:

The mission noted a remarkable interest in developing a culture of performance on the part of the senior management of the government, including the president.

- Reform drivers:

The mission also acknowledged the remarkable weight that certain reform drivers gave to the shift toward program and performance budgeting and results-oriented monitoring at large. Those reform drivers include the Egyptian European Partnership Agreement which was designed to enhance the competitiveness of Egyptian industries, and the presidential decree corporatizing economic authorities as part of a privatization strategy aimed to enhance the performance of the public economic authorities.

- Clear authorities:

One of the other main findings of the mission was that many governmental institutions which would be targeted by the shift towards PPBB lacked clear institutional objectives and defined mandates within their structures, which would be a key barrier in front of developing sound logical frameworks for the programs and thus for PPBB.

- A well-defined strategy:

By the time the mission had arrived, the MoF had put some thought into strategizing the move toward program and performance budgeting, which included studying the successful international experiences and mapping potential pilot institutions. Having a clear strategy for the transformation was flagged by the mission as an essential prerequisite.

- Implementation of the strategy:

An interest from the line ministries in establishing and implementing a strong monitoring and evaluation system based on the defined strategy was also one of the mission's findings.

- Evidence-based decision-making:

The mission found strong statistical databases available as well as strong research capacities. However, it reported a lack of evidence of an evaluation of organizational performance (Ouda, 2011).

- Linkage to resource allocation decisions:

The mission reported an alarming poor linkage between the different budget planning and development processes such as the MoF's budget controls, and monitoring processes. Even the People's Assembly approval was much more focused on outputs, rather than on the outcomes and impacts of public expenditures (Kholaf, 2021). _

- Donor sponsored activities:

There was also a clear interest from the donors' side to support the transformation to program and performance-based budgeting and results-oriented monitoring (World Bank, 2001).

4.1.2 The Implementation of Program and Performance-Based Budgeting in Egypt (2001 - 2004)

Based on the results of the diagnostic mission of the World Bank in June 2001, the Ministry of Finance announced the launch of the program and performance-based budgeting monitoring and evaluation program at an international conference in September 2001. The pilot of the PPBB program included five pilot ministries, besides the Ministry of Finance, which are the following:

- Ministry of Planning
- Ministry of Electricity
- Ministry of Industry and Technological Development

- Ministry of Communication and Information Technology
- Ministry of Higher Education and Scientific Research

Under each of the pilot ministries, some subliminal pilots were identified, and this number was incrementally increasing as the project progressed. By 2004, six pilot ministries with a total of 13 subliminal pilots were on board of the PPBB project. The pilot of PPBB in Egypt was initiated in close cooperation with the technical assistance program from the World Bank which was commissioned preciously “to institutionalize and build capacity in the area of monitoring and evaluation and performance budgeting in five pilot ministries” which would arguably lead to fiscal reform and enhanced public service delivery (Abdelhamid, 2015). The project’s support to the pilot could be summarized, through its action plan matrix, into the following six main areas:

1. Creating awareness of the principles of PPBB/M&E
2. Assessing and developing the capacities of the pilot unit(s)
3. Institutionalization of the performance pilot unit(s)
4. Identification and testing of preliminary performance indicators
5. Preparation of a performance-based budget for the pilot unit(s)
6. Preparation of a final report on all performance pilots.

The work commenced under the WB project with the different pilot ministries and subliminal pilots under the leadership of the Ministry of Finance by the end of 2002 for an initial project duration of 18 months.

A midterm assessment of the pilot project has been conducted by the World Bank as well as the Egyptian government to evaluate the progress of their joint work in December 2003, after one year of implementation. The results showed that the project had been arguably successful in raising awareness among the pilot organizations and their teams about the basic concepts of program and

performance-based budgeting. However, the Egyptian government progress review reported an experienced cultural resistance to the transformation towards PPBB in some of the pilot ministries. The Egyptian review also pointed to the lack of a performance cost-accounting system which hindered the pilot organizations and ministries from accurately linking costs to program objectives and activities. The World Bank review, on the other hand, showed that while good progress was made during the first pilot year, a lot more needs to be done particularly concerning enhancing the design of Key Performance Indicators and information databases, finding a sustainable method of building the capacities of the pilot agencies, the utilization of the Management Information System – the development of which had commenced during the pilot implementation, and lastly strengthening linkages between the micro-level performance measures and the meso-level objectives of the line ministries, and the macro-level national objectives of the Government of Egypt (Kholaf, 2021).

Despite having many challenges ahead, the program and performance-based budgeting pilot was largely perceived as successful, and this was shown by the increasing demand by the ministries to roll out the implementation to include their organizations. Until July 2004, applications from 22 ministries and 49 subliminal pilots were submitted. Accordingly, the Egyptian government and the World Bank had agreed to extend the project for another year to enable the cautious replication of the experience to as many government agencies as possible, following the World Bank's advice not to spread too thin at the early stage of the pilot.

4.1.3 Lessons Learned

The earlier Egyptian experience of introducing program and performance-based budgeting has several lessons to be learned in reviving the initiative. Despite the 20 years gap between the two initiatives, and despite being led by different governments and under different regimes, many of the

contextual factors and the integral prerequisites for the PPBB reform remain the same and accordingly, the knowledge about the 2001-2004 PPBB introduction is essential to be transferred to the key actors and decision-makers who are currently steering the setting and implementation of the reform in Egypt.

Selection of pilots

The selection of the pilots in the earlier introduction of program and performance-based budgeting in 2001-2004 was mainly based on the “enlightenment” – as the former Minister of Finance and distinguished AUC professor puts it – of the ministers, their interest in becoming part of the initiative, and faith in its importance and potential success. These criteria had ensured the leadership buy-in and the political commitment on the line ministries’ part; however, they lacked proper assessment of readiness or suitability in the selection process. The choice of the Ministry of Finance and Ministry of Planning to be among the pilot ministries while being the two ministries responsible for the national (recurrent and investment) budgets showcases this lack of pilot selection planning.

Stakeholders’ mobilization

The 2001-2004 PPBB introduction had created sufficiently strong momentum among the key stakeholders through conducting consultations with the different groups of international organizations, the Prime Minister, the different Parliamentary entities and committees, the ministers of the pilot ministries, their teams, and different media outlets (Abdelhamid, 2015).

Incentives schemes

During the 2001-2004 pilot of the program and performance-based budgeting in Egypt, the government realized the importance of tying the new system to a strong incentives scheme. Accordingly, the government had started working on creating platforms that avail learning opportunities to reward top achievers and incentivize the underachievers as highlighted by the former Minister of Finance and distinguished AUC professor. Little-to-no evidence of the work progress or

outputs of this incentives scheme was found in the literature.

Data availability and reliability

The availability of national statistics and solid databases at the macro and micro levels which are validated and reliable enough to become the base for program design, implementation, and evaluation was one key constraint that hindered the rolling out of program and performance-based budgeting to take a whole-of-government approach (Kholiaif, 2021).

Cultural resistance

Despite the Ministry of Finance's efforts to mobilize stakeholders and ensure the buy-in from the participating line ministries, there was an evident cultural resistance experienced in some of the pilot organizations. The long-term attachment to the classical input-based budgeting and the convenience that the bureaucrats and middle management levels experienced with it explained this resistance which was mainly through avoidance or non-compliance (Ouda, 2011). The Former Minister of Finance during the PPBB pilot explained that to address this notion of cultural resistance, the ministry had started to give incentives to those who are taking part in the program and performance-based budgeting pilot. The incentives were sometimes financial, some other times in the form of trainings and capacity-building measures, or – most interestingly - in the form of job promotions. As part of the latter, some employees in the Ministry of Finance and other ministries were appointed to the position of ministerial undersecretaries (*Wakeel Wezara*) as an acknowledgment and recognition for their work on the PPBB transition, he elaborated. This has availed strong incentives which had started to mitigate the cultural resistance witnessed in some pilot ministries.

Assigning project managers

Another important recommendation that came out from the 2001-2004 pilot was to assign one local project manager in each pilot organization who gets intensive capacity-building measures,

including Training of Trainers (ToTs), on program and performance-based budgeting. The project manager then becomes the leader – or the ambassador – for the pilot in his/her own organization, coordinating all the necessary work arrangements with the Ministry of Finance and disseminating the knowledge to the other teams inside the organization (Abdelhamid, 2015).

Measuring effectiveness

One main challenge that the earlier PPBB pilot had continued to struggle with until its end in 2004 was establishing standards for measuring effectiveness (Ouda, 2011). One of the most controversial issues in front of any program and performance-based budgeting introduction is measuring the effectiveness of public expenditures, argued the Former Minister of Finance during the earlier PPBB pilot. While measuring efficiency is arguably more straightforward, being directly connected with lower economic cost, measuring effectiveness is more challengingly connected to the quality of public service delivery and the public satisfaction with it, the standards for which the World Bank had not established back in 2001, he elaborated.

4.1.4 Program and Performance-Based Budgeting in Egypt (2004 – 2019)

The pilot of PPBB in Egypt ended in 2004, arguably due to the cabinet reshuffle in which several ministers who led the pilot in their ministries left their positions, including - and most critically – Dr. Medhat Hassanein, the Minister of Finance who was on top on the PPBB transformation. The work with PPBB had been largely discontinued under Dr. Hassanein’s successor, Dr. Youssef Boutros Ghali, who stayed in office until 2011, although there was a PPBB-supporting legislation issued in 2005 (law no. 87 for 2005). The law stipulated the PPBB introduction in 5 years so that it gets rolled out by 2010; however, it was not implemented (Younes, 2020) – arguably due to the lack of buy-in from Dr. Ghali.

After the Revolution of 2011, Egypt witnessed a lot of economic and sociopolitical turbulence which stalled many reform plans and prioritized others. Most relevantly, the 2014 constitution stipulated that the state commits to spending certain budget allocations to certain priority sectors such as health, pre-university education, higher education, and scientific research which were allocated the percentages of 3%, 4%, 2%, 1%, respectively, of the Gross National Product (UNDP Egypt Human Development Report, 2021).

In FY 2015-2016, resuming the work with the PPBB system was announced and a few pilot ministries were selected to start working out their budgets as PPBB (Younes, 2020). Yet, while the budget documents in the subsequent few years had mentions of the program and performance-based budgeting pilot, the actual PPBB exercises which the pilot ministries conducted were cosmetic exercises to turn their line-item budgets into program budget, as the Head of the Macroeconomic Policies Center at the National Planning Institute puts it. No further legislative endorsement or real activation of PPBB had surfaced until the Prime Ministerial Decree no. 1167 came out in 2019, stipulating the establishment of the PPBB Units in the MoF and the MoPED. The next section examines the PPBB policy context in Egypt starting in 2019.

4.2 Examining the Recent Policy Context

In 2024, Egypt, with a population of over a hundred million people and a labor force that constitutes 33.4 million people, is considered one of the biggest economies in the MENA region. Economic growth rate, measured by GDP growth rate (in constant prices), in Egypt surged in 2021-2022 to reach 6.6%, compared to 3.3% in 2020-2021, and to 3.8% in 2022-2023, as per MoPED's Economic and Social Performance Monitoring Report (2023). High government debt (reported by the total central government budget sector debt stood at 91.4% of GDP in June 2024) and the associated

interest payments put more tight pressure on the public expenditures' priorities (MoF, 2024). According to the Egyptian Ministry of Finance, the government budget deficit is forecasted to remain at 6% of the national GDP in FY 2024-2025 which amounts to a total of 1243 billion EGP (MoF, 2024). Total government expenditures on the different sectors are persistently growing reaching almost 3000 billion EGP in 2023-2024 after standing at 1578.7 billion EGP in 2021 (MoF, 2023). Due to the recent Central Bank of Egypt policy to allow the Egyptian pound to depreciate a few times throughout the past couple of years, the inflation rate increased to 33.8% in 2023 after standing at 13.8% in 2022, which was also reflecting the Ukrainian war repercussions (World Bank, 2024).

On the budgeting process in Egypt, the Ministry of Finance and Ministry of Planning and Economic Development (Ministry of Planning, Economic Development and International Cooperation effective July 3rd, 2024) are both leading the budgeting process in Egypt; the MoPED is responsible for developing the investment budget, whereas MoF is responsible for developing the recurrent budget. Both ministries are also responsible for negotiating the proposed budgets (recurrent and investment) with the different budgetary authorities. The recurrent and investment budgets get consolidated to make up the expenditures side of the state budget (Amin & El Hussieny, 2022).

The government has been adopting the traditional input-based line-item budgeting which is mainly based on administrative, economic, and functional classifications. Recently, multiple sectors have started adopting certain reform and development strategies to come in line with Egypt's 2030 vision and Medium-Term Expenditures Framework (MTEF). However, the linkages between the national strategies and reform plans on the one hand and the budgeting process on the other remain weak. Even though the Egyptian government has been working on enhancing its budget transparency, it has arguably remained challenging without linking the budgeting methodology and process with the objectives and goals of the national plans and strategies (Zaki & El Khishin, 2016). Extrabudgetary

funds which have their financial resources and expenditures remain a prominent challenge in front of the Egyptian budget comprehensiveness as they comprise the government's ability to prioritize its spending and therefore undermine budget effectiveness (Amin & El Hussieny, 2022).

This section is going to look into the contextual factors of the budgeting system in Egypt in light of the introduction of program and performance-based budgeting. Those factors are mainly the legislative frameworks that would be significant and influential in steering the Egyptian budgeting reform journey, including the Prime Ministerial decree no. 1167 establishing the PPBB units and a joint committee, the Unified Finance Law (also known as the PFM law), its bylaws, and the issued program and performance-based budgeting manual. Additionally, this section is going to examine the recent program and performance-based budgeting test runs that the Egyptian government has initiated so far.

Prime Ministerial decree no. 1167 for 2019 preceded the issuance of the Unified Finance Law and its bylaws. The decree came in as an earlier step to introduce program and performance budgeting to the Egyptian system through the establishment of the PPBB Units in both the Ministry of Finance and the Ministry of Planning and Economic Development (which was called the Ministry of Planning, Monitoring, and Administrative Reform back then). Considered the earliest legal foundation for program and performance budgeting in its recent uprise, the decree stipulated each unit's formation and mandate. The same decree also stipulated the establishment of a joint committee, headed by the Prime Minister, and comprised of the Minister of Finance, Minister of Planning and Economic Development, and the Head of the Central Agency for Organization and Administration (CAOA) as a platform which enables the joint steering of the new program and performance-based budgeting implementation (IDSC, 2019). The decree also mandated the Central Agency for

Organization and Administration (CAOA) to look into the organizational structure requirements to facilitate - what was called in the decree – “the gradual transformation” towards program and performance budgeting.

The Unified Finance Law (law no.6 for 2022) stipulates the mandatory gradual implementation of the Egyptian budget to the program and performance-based budgeting to bridge this gap between budgeting and the implementation of governmental medium- and long-term plans and reforms (MoF, 2022). The law defines program and performance-based budgeting as: “a system which enhances the efficiency and effectiveness of public expenditures through tying the assigned funds to a set of intended results”. It is important to note here that the law doesn’t draw a distinction between program and performance budgeting and only mentions them together with no differentiation of definitions or stipulations of implementation graduality.

The law also defines a Medium-Term Expenditures Framework as: “a statement of revenues and expenditures for 3 consecutive years following the budget year so that each fiscal year’s estimates are stated separately”. (MoF, 2022). Article 2 of the law stipulates the full implementation of program and performance budgeting in 4 years from the issuance of the law (by FY 26/27) to run in parallel to the line-item budgeting system.

Article 8 specifies that the national budget, prepared according to the programs and performance method, gets line-itemized according to the classical economic, functional, and administrative budget classifications under input-based budgeting. The economic classification of the budget is classifying revenues and expenditures based on chapters and line items, while the functional classification budget focuses on the functions and economic/social goals which the government will be spending on. Egypt’s Functional budget is made up of 10 functions including health, education,

and social protection. The administrative classification reports expenditures by government departments or units such as ministries and local administrative units (UNICEF, 2022).

Ministry of Planning and Economic Development (Ministry of Planning, Economic Development and International Cooperation effective July 3rd, 2024), in the light of the law, becomes responsible for preparing the general socio-economic development plan and the national strategic objectives, based on which the Ministry of Finance develops the national fiscal policy which would include certain objectives for the different sectors and the corresponding budget ceilings (another budgetary reform which is endorsed by the law's article no.17). Based on the communicated budget ceiling, each ministry and independent entity prepares its own MTEF for 3 years and submits it along with the budget proposal. And then based on the consolidated MTEFs, the Ministry of Finance prepares the national-level MTEF with a national public expenditure ceiling disaggregated across the different entities (article 20).

The law also grants some program and performance budgeting-related flexibilities such as:

- Allowing for flexible remuneration of a maximum of 5% of the total funds to certain government entities without restricting them to corresponding line-item spending
- Under some conditions, allowing for the reallocation of the assigned funds within the lines of the same program or from one program to another in the same entity or across different entities in the government.

On the subject of reporting and accountability, article no. 64 of the law stipulates that each administrative entity (line ministries and other budgetary authorities) is obliged to submit an annual performance report to the Ministry of Finance and Ministry of Planning (for investment-related reports), and the Central Auditing Agency which includes the achievement percentage of the planned results and strategic objectives which were laid out in the MTEF, outlining and justifying deviations

from the planned targets, if any. The Central Auditing Organization takes it forward to the parliament by submitting an annual performance evaluation report assessing the financials and closing accounts versus the achievements of the national socio-economic plan. However, when it comes to internal auditing within the different line departments, the law (article no. 54) leaves its mechanisms and regulations up to the departments and line ministries to set based on its internal rules and regulations. Other legislations such as Prime Ministerial decree no. 1146 for 2018 endorses the establishment of the Internal Control and Governance Units (ICGUs) within the different governmental entities and line ministries as an instrument to ensure proper internal auditing and control mechanisms (Manshurat Qanunya, 2018).

On the 30th of March, 2024, the Unified Finance Law was amended (through law no. 18 for the year 2024) to extend the timeframe of program and performance-based budgeting full implementation from 4 years to 6 years. That is, full implementation is currently planned to start in FY 2027/2028 and stipulated putting emphasis on the required organizational and administrative structural development and adjustments and establishing auditing mechanisms which serve the purposes of the introduced reform (State Information Service, 2024). Additional interesting add-ons of the law amendment was the inclusion of the economic authorities' budgets in the definition of the general government budget, giving more authority to the Ministry of Finance over their budgets. Economic authorities should also prepare their budgets based on the program and performance-based methodology, as per the law. A general government debt ceiling was also defined as part of the law amendment.

The bylaws of the Unified Finance Law (MoF ministerial decree no. 73 for 2024) were issued on the 24th of February 2024. The bylaws provide some more clarifications of the implementation of the law's different articles. For example, they outline in more detail the roles of the

line ministries in the process of formulating program and performance budgets including:

- The distribution of the assigned budget ceiling across the affiliated organizations,
- The development of program costing units and the required databases to support the development of a solid costing system,
- The development of financial and technical performance indicators for the activities and the programs, and
- The preparation of financial and technical progress reports on the programs.

The bylaws also mention the organizational structure requirements for the program and performance budgeting such as the establishment of 1) a program and performance budgeting unit, and 2) a cost management department in each ministry or independent entity (MoF, 2024). Lastly, and most relevantly for program and performance budgeting, the bylaws also outline the process of amending the assigned budget ceilings through the approval of the cabinet and Ministry of Planning, in certain cases. The bylaws, to a greater extent, still arguably leave room for implementation improvisation as many of it leaves many of the law articles insufficiently addressed or elaborated. In many instances, it gives little clarity on the “how” of implementing the law, especially as far as program and performance-based budgeting is concerned. One, but not the only, example is the 4th clause in article no. 35 of the bylaws where it says: “adjusting the operational procedures inside the administrative units to align with the nature of implementing program and performance budget” (MoF, 2024). While it is a favorable objective giving legitimacy to reforming internal processes to serve program and performance budgeting, it gives little clarity on the implementation instruments which can cause confusion and internal conflicts between departments. Overall, in many of the sections, the bylaws added little clarity to what the law had to say.

4.2.1 The Egyptian Program and Performance-Based Budgeting in Action

While the talk about program and performance-based budgeting has long remained in the Ministry of Finance corridors, probably since the earlier pilot of 2001-2004, it only began re-materializing effectively in the past few years, thanks to the aforementioned endorsing legislations. The efforts to turn those legislations into action have already started as the Ministry has published a full program-based budget for the fiscal year 2022-2023. Previous closing budget accounts (*Khetami El Mowazana*) of Fiscal Years 2020-2021 and 2021 and 2022 were also run according to the program and performance methods and published on the MoF website. However, 2022-2023 was the first year in which a full program-based budget and its corresponding closing accounts were published on the MoF website. The budget documents outline the 5 main strategic objectives of the government program for that year which are served through the budget, and which are:

1. Protecting National Security and Egypt's Foreign Policy
2. Building the Egyptian Citizen
3. Economic Development and Improving Government Performance Efficiency
4. Enhancing Employment Levels
5. Improving the Living Standards of the Egyptian People (MoF, 2023)

Amendments to the abovementioned strategic objectives were made in the recent version of the government program. The current government program's strategic objectives are:

1. Protecting National Security and Egypt's Foreign Policy
2. Building the Egyptian Individual and Enhancing Their Well-Being
3. Building an Investment-Attractive Competitive Economy
4. Achieving Political Stability and National Cohesion (Egyptian Cabinet, 2024)

While the budget documents mention there are other sources behind the budget such as Egypt Vision 2030 and the SDGs, the design and formulation of the budget are mainly built around the 5 objectives of the government program which is justified because those objectives are arguably inspired from the different pillars of Egypt Vision 2030 and the SDGs. The program-based budget is comprised of an exercise to break down each of the 5 strategic objectives into several main programs, and then each of the main programs into several sub-programs. Further reporting of sub-programs into work packages was not reported, nor published on the Ministry of Finance website. The government had a total of 25 main programs in 2022-2023, out of which 163 sub-programs were designed in the different sectors. Table 1 shows the breakdown of the programs across the 5 strategic objectives.

Strategic Objectives	Main programs	Sub-programs
Protecting National Security and Egypt's Foreign Policy	4	30
Building the Egyptian Citizen	4	32
Economic Development and Improving Government Performance Efficiency	7	45
Enhancing Employment Levels	3	13
Improving the Living Standards of the Egyptian People	7	43
5 strategic objectives	25	163

Table 1: Breakdown of National Programs (Source: MoF 22-23 PPBB Documents)

As shown, a strong emphasis - reflected by the highest number of programs - was put in that version of the government program on the 3rd and 5th strategic objectives tackling the subjects of economic development and improving the national living standards, while the 4th objective focusing on enhancing the employment levels received the lowest program assignments.

Corresponding to those programs, the MoF prepared the corresponding budgets. Table 2 below shows the assigned aggregated budgets for each of the 5 strategic objectives as per the 2022-2023 PPBB documents. Like the parameter of the number of programs, objectives 3 and 5 received the highest budget in FY 22-23, while objective 4 received the lowest budget at 0.21% of the total national budget, showing a correlation between the number of assigned programs and assigned budgets.

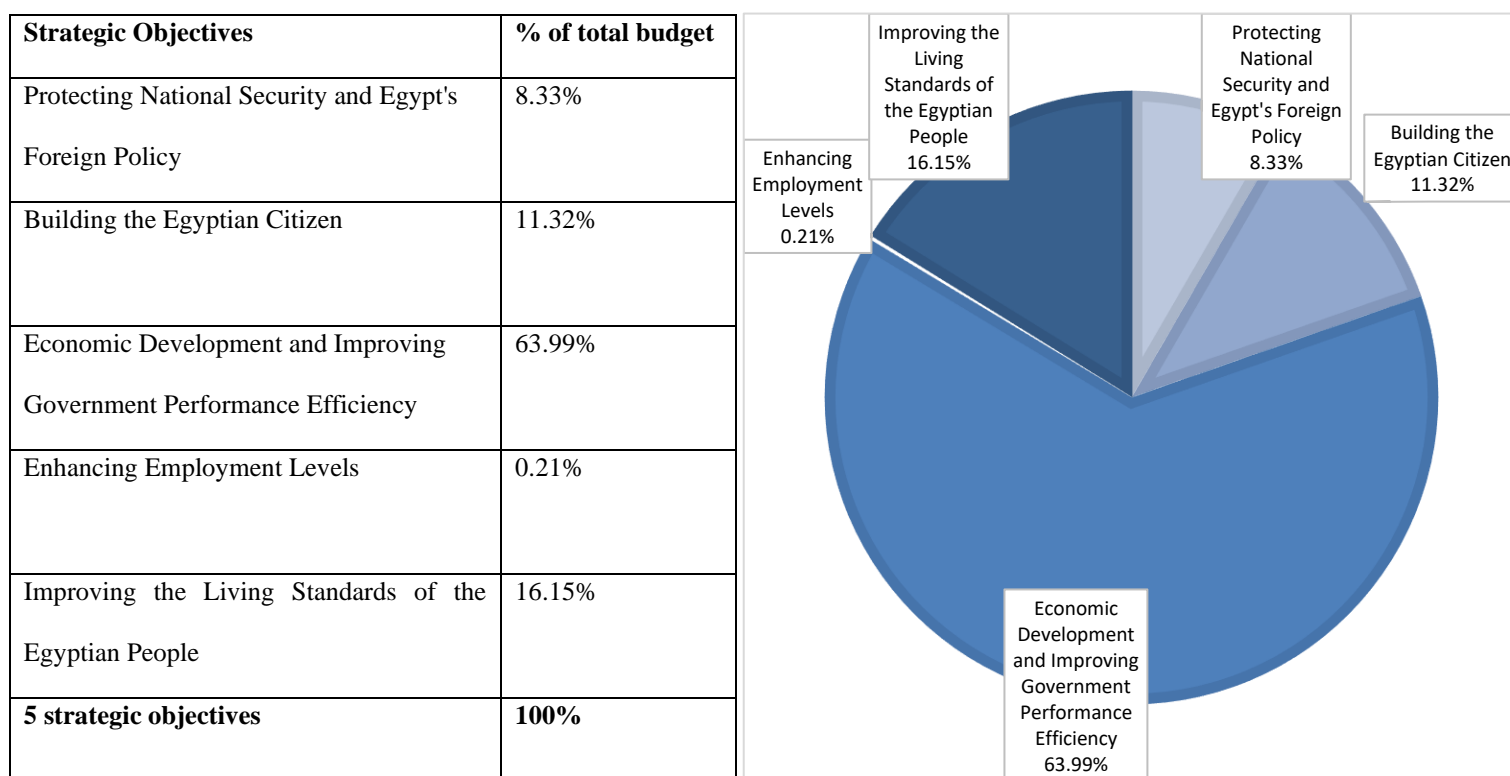


Table 2: Breakdown of National Budget Across Strategic Objectives (Source: MoF 22-23 PPBB Documents)

As mentioned earlier, table 2 is an aggregate of all programs (main and sub) associated to each of the strategic objectives in the government plan. Further budgeting of each of the programs is also available and published as part of the program and performance-based budget documents. Table 4 (Annexed) shows examples of the available budget details of the main and sub-programs for line ministries. A similar classification is also available for the programs assigned to economic authorities.

The sub-program - which as Table 4 shows gets assigned to a certain organization – becomes the key objective of this focal organization. Accordingly, each entity starts building its own main programs, sub-programs, and activities to serve this national objective (formulated as a national sub-program).

Figure 3 below illustrates this structure, as explained in the PPBB manual.

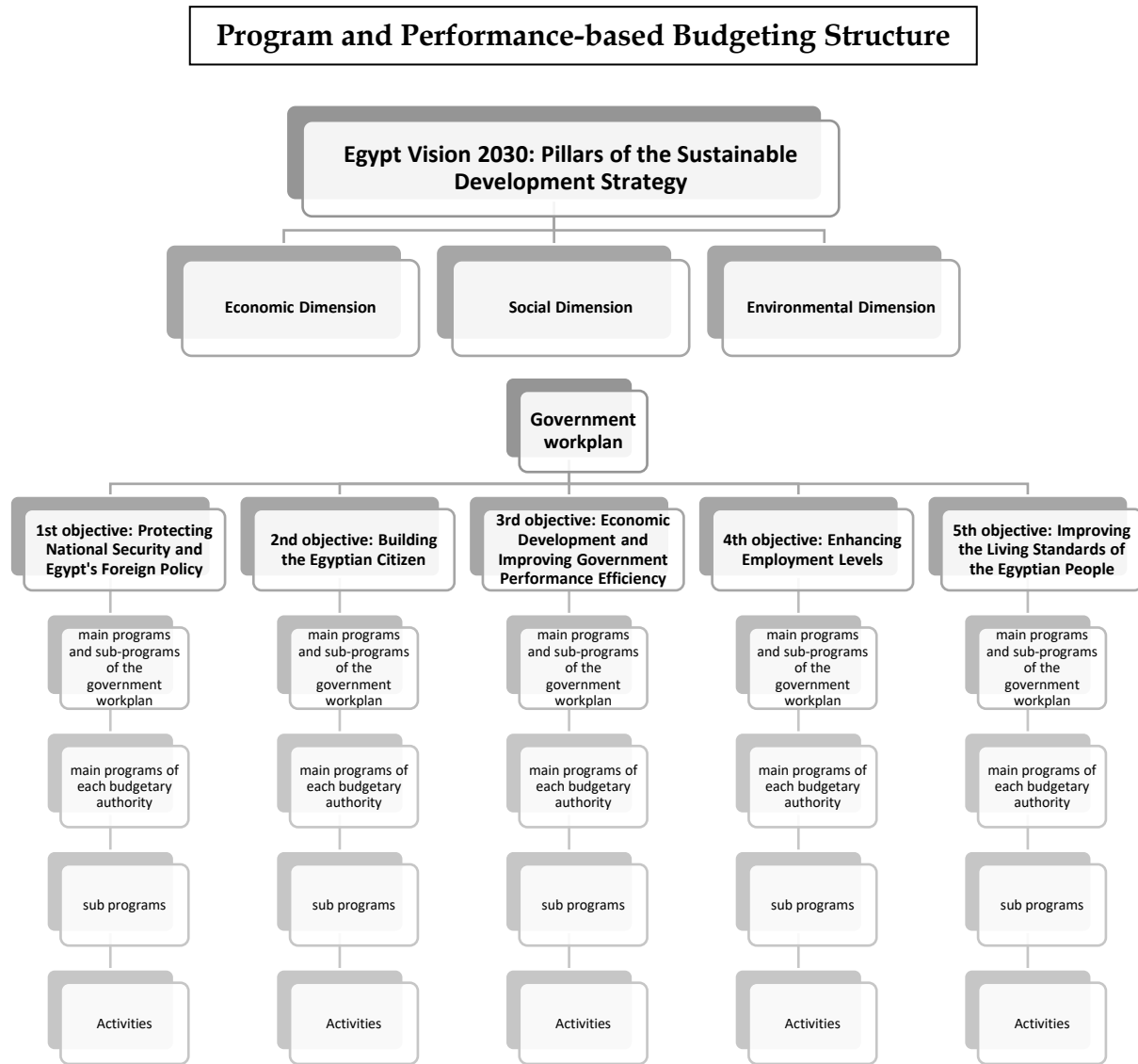


Figure 3: Program and Performance-Based Budgeting Structure (Source: MoF PPBB Manual)

More classifications of the budget are also integrated into the overall national program budget such as the gender-based budget which consolidates all programs which are targeting women. Other

group-specific budget consolidations were also conducted such as the child-oriented budget, the disabled-oriented budget, and the elderly-oriented budget.

Most of the published work about the program and performance-based budgeting remains on the “program” side only and little on the “performance”. The available PPBB-related documents are mostly all related to the presentation of the current national budget in program formats to accordingly consolidate the budget aggregates. However, little-to-no publications are yet available on measuring the performance of the budget based on the planned programs, which is evident from the “budget performance monitoring” section on the MoF website which is entirely PPBB-free. Moreover, the most recent reporting of the financial and economic performance, including the budgetary performance, followed a line-item reporting of expenditures (MoF, 2024), showing a lag in activating the performance measurement.

There is an evidently strong legislative foundation for the implementation of program and performance-based budgeting in Egypt, being endorsed by the Unified Finance Law, its bylaws, and PM decree no. 1167. While this section showed some policies and procedures clarities might still be required as they remain undefined by the different legislations, they still serve as a legal basis to endorse the PPBB implementation standpoint. An analysis of the current implementation status of the program and performance budgeting shows available program structures that are tied to the national aspirations and government work plan. It also shows the corresponding assignments of budgets; however, the implementation still lacks the performance-budgeting side of the equation.

Chapter 5

Methodology

The methodology section is going to explain the research design and process that this study has undertaken. Firstly, it will discuss the selected research methodology and design and their rationale, then it will explain the data collection process, sampling, and data analysis methods. Lastly, it will present the main limitations and ethical considerations of this research.

5.1 Selected Methodology and Research Design

This study is conducting qualitative research to examine and assess the readiness of the Egyptian government to introduce program and performance-based budgeting. While the topic is not new to the Egyptian budgetary ecosystem, as presented in the earlier sections, there remains a gap in the available qualitative data examining the different readiness parameters and the different stakeholders' insights, perspectives, and experiences with their developments. On the other hand, there is a lack of quantitative indicators measuring budget transformation readiness which could have enabled a quantitative analysis. Therefore, the research follows an inductive reasoning approach which enables the diversification of the data collected and enriches the conducted analysis.

As a research strategy, the research mainly utilized in-depth elite interviews with key stakeholders and experts leading the PPBB reform in Egypt. The questions of the in-depth interviews were mainly inspired by this study's conceptual framework which is mainly driven by the growing body of literature on program and performance budgeting, its key success factors, potential implementation bottlenecks, required preparation measures from the governments, and the challenges

other countries faced during their implementation experiences. The interviews were semi-structured, and the questions were entirely open-ended questions allowing the interviewees to elaborate on their experiences and give examples, where applicable. All responses of the interviewees are held confidential and records (written and/or recorded) of the collected data will be permanently deleted after the conclusion of the study in compliance with the AUC IRB regulations. The study also utilized document analysis as a research strategy to examine and analyze the available laws, bylaws, decrees, government plans, etc.

5.2 Data Collection Process

Semi-structured interviews were conducted with a total of 12 interviewees throughout April to July 2024. To ensure the triangulation of data is achieved, interviews with experts from the relevant public sector, international organizations, and academic institutions were conducted. More data about the conducted interviews is presented below:

<i>No.</i>	<i>Affiliation</i>	<i>Organization</i>	<i>Position/Relevance</i>
1.	Public sector	Ministry of Finance	Program and Performance-based Budgeting Unit Head
2.	Public sector	Ministry of Finance	Program and Performance-based Budgeting Unit member
3.	Public sector	Ministry of Finance	Program and Performance-based Budgeting Unit member

4.	Public sector	Ministry of Finance	Economist at the Macro Fiscal Policy Unit
5.	Public sector	Ministry of Planning and Economic Development	Program and Performance- based Budgeting Unit Head
6.	Public sector	Ministry of Education and Technical Education	Ex-Head of Central Department of Strategic Management and Responsible for MoETE's Budgets, including PPBB
7.	Public sector	Ministry of Agriculture and Land Reclamation	Focal point for PPBB in the ministry
8.	Public sector	Line Ministry	Focal point for PPBB in the ministry
9.	Public sector/academic institutions/International organizations	National Planning Institute/Professor at Cairo University Faculty of Economics and Political Science	Advisor to the Minister of Planning and Economic Development, lead advisor to the USAID Economic Governance Activity, Head of the Macroeconomic Policies Center, the National Planning Institute

10.	International organizations	Organization for Economic Co-operation and Development (OECD)	Resident advisor managing the Public Financial Management component
11.	International organizations/academic institutions	United States Agency for International Development (USAID)	Economics Professor at FEPS, and ex-Senior Advisor at USAID Macroeconomic Stabilization and Reform Program (MESR)
12.	Academic institutions/public sector	The American University in Cairo (AUC)/ Ministry of Finance	Distinguished University Professor and Former-Minister of Finance

Table 3: List of Interviewees

Seven out of the twelve interviews were conducted in person. In most cases, interviews were held in the interviewees' workplaces which was beneficial in conveying a real feel of their experiences and work surroundings which affect and are affected by the research subject, especially with interviewees from the public sector. Some interviewees took the researcher on a tour of their workplaces to elaborate on a certain insight/argument, such as the limited number of staff available in a certain unit or department. Some others showed the researcher some documents and reports that were not published. For confidentiality reasons, it won't be feasible to refer to or cite those documents. Still, they helped the researcher get an understanding of the situation at the organization and of the specific experience the interview was trying to explain. The remaining 5 interviews were conducted virtually through different platforms to accommodate the availability and convenience of the interviewees. Each interview lasted between an hour and an hour and a half, depending on the level of detail in the

respondent's answers. Notes were taken at all interviews. Most of the interviews (8 out of the 12) were audio-recorded after obtaining the consent of the interviewees. The remaining 4 interviewees declined the recording request. Only 2 interviewees requested that they review the questions beforehand to prepare for the interview. Only 1 interviewee requested the anonymity of their organization name and requested that only the organization category (line ministry) be disclosed.

To ensure the validity and reliability of the interview questions, interviews were piloted with two interviewees from different groups of stakeholders (public sector and academic institutions), and the way the questions were introduced and phrased to the remaining interviewees was amended based on the pilot interviewees' feedback. At the beginning of every interview and following Marshall and Rossman's (2014) recommendations for semi-structured interviews, the researcher established the understanding that the interview is more of a discussion and that the interviewee can at any point go back and forth in the questions. Moreover, because the interview questions were built around the conceptual framework pillars, it was clarified that the questions are only guiding the conversation and that our discussion doesn't have to stick to those pillars to enable better and more comprehensive experience sharing. This was helpful as it brought about additional insights on top of the study's main areas of focus.

5.3 Sampling

The sampling methods used in this study are purposeful and snowballing non-random sampling. Purposeful sampling is defined as an intentional selection of the participants in the study based on their characteristics and how relevant they are to the research topic. Snowballing sampling is defined as the identification of study participants through other participants (Miles and Huberman, 1994). The researcher started to contact potential interviewees through mutual personal connections

and LinkedIn. Generally, LinkedIn was not very useful as not a single potential interviewee responded; however, they would respond after contacting them via WhatsApp, for example, and a mutual connection introduction. Personal connections were the most helpful in getting the interviewing process to start. After that, the snowballing process started, all the interviewees from all groups were very helpful in onboarding other interviewees who would be interested in setting for the interview and of relevance (purposeful). All 12 interviewees, in their different organizational types and capacities, either were or are still involved in the process of introducing and implementing program and performance budgeting in Egypt, had or continue or have direct contribution and influence over its process. The sample size (12) was determined by the saturation point, the last couple of interviewees had started repeating insights and arguments which have already been made in earlier interviews.

5.4 Data Analysis

Data coding was used as the main instrument of data analysis. The pre-set structure of the interviews into thematic areas which was based on the conceptual framework made it easier to classify the findings into those 6 main themes. Under each of the themes, several sub-themes were identified based on the cross-cutting and most significant and relevant findings. Two additional themes, besides the 6 main conceptual framework themes, have emerged as a result of the research (Understanding the Program and Performance-Based Budgeting Objectives and Running Program and Performance-Based in Parallel to Line-Item Budgeting) besides the findings' contributions to the policy recommendations section.

5.5 Limitations

The relatively recent ratification of the law poses a substantial limitation to the outputs of this research as it translates into limited data available, a limited pool of local experts on the subject matter, and absent feedback on the implementation. Another limitation is the sensitivity of the topic to some of the interviewees' categories that are affiliated with the government; public officials – who made up the majority of the study sample - were likely to be less open to voicing out their concerns about the content of the law or its ratification process, especially if they have themselves been involved in its development. This is a crucial limitation since it might lead to biased answers and compromise the overall research results. A third important limitation is the lack of universal quantitative indicators that measure the effectiveness of budgetary systems; hence, limiting the methodology of the research to the qualitative approach. One last limitation is that the details of the sub-programs of the line ministries and other budgetary authorities, their respective outcomes, outputs, and activities are not yet published which limits the empirical analysis of the programs, their level of detail, and comprehensiveness.

5.6 Ethical Considerations

According to the American University in Cairo's IRB rules and guidelines and based on the granted IRB approval for this research obtained on the 26th of October 2024, all corresponding ethical considerations were accounted for. The information provided by the interviewees will remain confidential. The anonymity of the participants in this research is protected across all data transcripts and analyses. All data records collected during the research process will be permanently deleted within 6 months. Before the interviews, all participants were informed of the contents of the consent form and agreements were secured. Physical signatures were not always possible because of the virtual

setting of some interviews. During the interviews, the participation in the study remained voluntary and only upon securing the participants' consent. Lastly, there were no associated losses or penalties associated with refusal to participate.

Chapter 6

Results and Analysis

This section is going to present and analyze the key results and findings of the 12 conducted interviews categorized by the six pillars of the conceptual framework. As mentioned in the methodology section, interviews with experts from the public sector, international organizations, and academic institutions were conducted to gather their insights on subjects pertaining to the importance of introducing program and performance-based budgeting to the Egyptian system at this timely point, their views on the readiness (defined by the conceptual framework pillars) of Egypt for this new budgetary system, and their recommendations to enhance and accelerate the preparations until 2027-2028. The next two sub-sections present overarching findings related to 1) understanding the objectives behind the program and performance budgeting implementation, and 2) running program and performance-based in parallel to line-item budgeting. The remaining sub-sections would address the thematic findings of the conceptual framework's different pillars.

6.1 Understanding Program and Performance-Based Budgeting Objectives

Generally, the results show a present understanding of the reason and importance of program and performance-based budgeting performance by the different interviewed organizations. “Enhancing the effectiveness and efficiency of public expenditures” was the most repeated answer which quite accurately captures its purpose. Other objectives such as enhancing the coordination among line ministries, having a better view of the impact of the government’s spending, and enhancing the government’s ability to track and monitor the performance of public organizations based on plans

and indicators were also referred to. Some more interesting insights came in as some interviewees expressed their criticism to the current budget allocation method and how it endorses the idea of "use-it-or-lose-it" budgeting. That is, ministries and other budgetary authorities make sure to exhaust all their assigned budgetary resources before the end of the fiscal year so that they can negotiate an incremental increase the year after. This mindset of resource allocation is largely tied to input-based budgeting and away from any efficiency and effectiveness tracking, highlighted a couple of interviewees from the Ministry of Finance and another line ministry. All in all, the results showed that the interviewed organizations had a good view of how the implementation of program and performance-based budgeting can be of value to the Egyptian budgetary system and address its main challenges.

6.2 Running Program and Performance-Based in Parallel to Line-Item Budgeting

Despite some of the legislative documents, such as the Prime Ministerial decree no. 1167 for 2019 clearly mentioning the word “transformation to program and performance-based budgeting”, other sources like article no. 2 of the Unified Finance Law (law no. 6 for 2022) mention that both systems will be implemented together. One main finding from the research is the conclusion that Egypt will implement program and performance-based budgeting in parallel to running the current input-based budgeting (also known as economic classification budgeting). Currently, there is no clear vision of terminating the work with the input-based methodology in preparation for a transformation to the output-based methodology, confirmed the Head of the PPBB Unit at the Ministry of Finance, calling the parallel implementation:

“Choosing the more difficult pathway”.

The obvious and communicated reason for this choice of parallel implementation is the

constitution, which stipulates that the budget is discussed and ratified chapter by chapter (referring to the input-based economic classification of the current budget), clarified the Public Financial Management Resident Advisor in the Support to Enhanced Administrative and Public Economic Governance in Egypt EU-OECD project. Another arguably less influential factor is from within the Ministry of Finance, as the Program and Performance-based Budgeting Unit sets outside the Budgeting Department (which is mainly mandated with preparing the budget and negotiating it with the different ministries) which further endorses this parallel mindset, in structural terms.

But what does running both systems in parallel mean to the introduction of program and performance-based budgeting? The findings show there are few repercussions to that. Overwhelming the institutions with extra budgeting work that they have to do with the same human resources is one critical consequence that could possibly lead to the interesting phenomenon of “packaging” classical line-item budgets as program and performance budgets as the ex-Head of Central Department of Strategic Management and Responsible for PPBB, at the Ministry of Education and Technical Education puts it. The Head of the Macroeconomic Policies Center at the National Planning Institute argues that so far, we have not yet implemented PPBB; we have only presented line-item budgets as program and performance budgets. This insight was also confirmed by an Economist at the Macro Fiscal Policy Unit at the Ministry of Finance who explained that the ministries' perception of PPBB is merely a different layout of their classical input-based budgeting, but not a real transformation in resource allocation and monitoring. Eventually, program and performance-based budgets are less likely to be empowered if they remain an annex to the actual “real” line-item budgets. Running both budgets in parallel does jeopardize the potential of the program and performance budgeting reform, reduces its chances of making a real difference in enhancing the effectiveness and efficiency of public expenditures, and increases its chances of being culturally resisted. While gradual implementation of

program and performance budgeting and phasing out of line-item budgeting would be understandable - or even necessary – the absence of a clear plan in that regard remains alarming.

The next six sub-sections will follow the structure of the conceptual framework pillars, present, and analyze the findings in each of them.

6.3 Data Availability and Reliability

Egypt seems to still be facing structural challenges with its data structures and sources. While this pillar of the conceptual framework had started as investigating the issue of “Data Availability”, the findings showed that the real issue the Egyptian public sector is facing is more with data credibility, rather than availability, in particular on the two parameters of data validity and reliability. The findings also show that little investments or preparatory measures have been introduced so far to ensure a smooth introduction of an implementation setup that is equipped with sound data systems and databases. The sub-section is going to analyze in detail the challenges with the data systems in Egypt and the impact they might have on the introduction of program and performance-based budgeting.

One of the main issues highlighted was data reliability and credibility. Data validity refers to the accuracy and meaningfulness of the collected data. That is, the data is accurately representing what it is supposed to measure. Data reliability refers to the dependability and consistency of data collected over time. That is, it indicates whether the same method of collecting the data will result in the same findings if the process is repeated under consistent conditions (Heale & Twycross, 2015).

“In Egypt, we have issues with both data validity and reliability... The government is aware of that and has highlighted it as one of the main issues it needs to work on” - the Head of the Macroeconomic Policies Center at the National Planning Institute.

The problem with data seems to be more organizationally rooted though. Different organizations report on the same indicators using different definitions, standards, and data collection methods which leads to a serious issue with data reliability, argued a member of the Technical Office of the Head of the Economic Affairs Sector and the Responsible for PPBB at the Ministry of Agriculture and Land Reclamation or what the focal point for PPBB in another line ministry called the issue of “data contradiction”.

Alongside the issues of data reliability and validity, comes the issue of poor utilization of existing data structures in the Egyptian ecosystem.

“CAPMAS (the Central Agency for Public Mobilization and Statistics) has a lot of data, but who uses it?” - The head of the PPBB unit at the Ministry of Planning and Economic Development.

Line-item budgeting, being mostly dependent on incremental increases of previous budget exercises, didn’t require the robust data systems for budget planning or necessitate the ministries to have the solid databases that program and performance-based budgeting will now require, he elaborated. While the ministries do acquire a lot of data on their operations, staff distribution, budgets, disbursements, costs, beneficiaries, and demographic distribution of beneficiaries, there remains a missing link to be able to utilize this data and transform it into programs and later program-based budgets, argued the Head of the Macroeconomic Policies Center at the National Planning Institute. The poor utilization of existing data is, therefore, likely going to be an inherited problem from the classical input-based line-item budgeting.

Unreliable data in the Egyptian governmental organizations would therefore critically affect the success potential of program and performance-based budgeting implementation. Each sector, led by a ministry, needs to have its own strategy. Strategies are fundamentally built on solid data. Having proper data sources to inform the development of those sector strategies is essential for them to be capturing of the realities and real ambitions of their sectors. While some ministries started developing

their strategies, many are still missing, and the absence of good reliable data systems is a big part of the reason. Those sector strategies are the foundation for programs' design and monitoring, and therefore, for program and performance-based budgeting.

6.4 Capacity Building and Organizational Culture

By far, among the six factors examined in this study, capacity building is the factor receiving the highest attention from the Egyptian government and the support of international organizations in the preparation journey for program and performance-based budgeting. Unlike the findings on data, the findings here show that the government invested, and continues to invest, substantial amounts of its in-house resources with the external support of donors and international organizations such as the United States Agency for International Development (USAID), UNWomen, Organization for Economic Co-operation and Development (OECD), the World Bank, and the International Monetary Fund (IMF) in building the capacities of its staff to prepare for the introduction of the new budgeting system. Despite the heightened attention the capacity building topic has been getting, cultural resistance in the different organizations has also started being witnessed, similar to the experience of Egypt's earlier introduction of program and performance budgeting in 2001-2004. This subsection is going to investigate the main issues with the current capacity-building methodology which has been followed with the different governmental agencies and analyze the findings on the potential implementation bottlenecks.

All conducted interviews confirmed that there is a variety of training packages which has been offered by the Ministry of Finance and the Ministry of Planning and Economic Development (Ministry of Planning, Economic Development and International Cooperation effective July 3rd, 2024) in collaboration with different international organizations to support building the program and

performance-based budgeting competence of the public sector staff. For example, the Head of the Program and Performance-based Budgeting Unit at the Ministry of Finance emphasized that the staff in the different line ministries received fundamental trainings on the principles and concepts of program and performance budgeting, to enable establishing a program and performance-based budgeting mindset. They also received trainings on how to build a program budget and put its framework, he added. The staff was trained in special topics such as cost analysis, identification of priorities, gender budgeting, monitoring, and evaluation, confirmed the Head of the Macroeconomic Policies Center at the National Planning Institute. The focal point for PPBB in one of the line ministries also added that trainings and workshops were conducted for their staff at the central level, to the staff of their affiliated organizations, and all the 27 directorates. Trainings with the directorates were also conducted with other ministers, like the Ministry of Youth, added the Head of the PPBB unit at the Ministry of Finance.

“Despite the large investments in personnel trainings, ministries are not sufficiently informed of the reform”- argued the PFM Resident Advisor at OECD.

There are arguably two deeper-rooted issues with this limited awareness that the increasing number of trainings doesn't seem to be addressing; first is the cultural resistance towards program and performance-based budgeting. Similar to what Egypt experienced in its earlier PPBB experience in 2001-2004, cultural resistance of public sector organizations and staff reappears as one of the most remarkable challenges facing the introduction of the new budgetary system.

“There is a lot of resistance inside the ministry (MoF), people believe in the reform, but it is like an independent initiative...program and performance-based budgeting continue to be perceived as an additional burden on the personnel just for the sake of getting the PPBB-related paperwork sorted”, continued the OECD Advisor.

“Up until now, all the MoF is working on one island, and the Program and Performance-based Budgeting unit is working on another”, confirmed a member of the Ministry of Finance Program

and Performance-Based Budgeting Unit, referring to the resistance witnessed against the reform inside the ministry.

The reason behind the resistance, as explained by the Head of the Macroeconomic Policies Center at the National Planning Institute, is that the personnel are much more familiar and comfortable with classical input-based budgeting. Moreover, they don't really see the need for program and performance-based budgeting and look at it as a burden even since they have to do both exercises in parallel. They are also reluctant to change and learn given that they are typically close to the retirement age.

The second aspect of the experienced lack of sufficient PPBB knowledge and competence among the public sector staff is the high turnover rates. An ex-Senior Advisor of the USAID Macroeconomic Stabilization and Reform Program argues that addressing the issue of high turnover of employees is the most important prerequisite of PPBB introduction. Trained personnel leave. This was a recurring finding from multiple interviews. They either leave once their temporary contracts end or to move to another department within the same organization, as suggested by the Head of the Macroeconomic Policies Center at the National Planning Institute. The issue of high turnover in trained personnel seems to be obstructing the government's plan to build its PPBB human resources. The Ministry of Finance finds it challenging that people leave after having invested in them through trainings and coaching and elaborates on the necessity that resigning personnel must commit to training the new hires before they leave, suggested a member of the PPBB unit at the Ministry of Finance. However, the process of capacity building has so far been centralized at and through the two ministries of Finance and Planning and Economic Development, which puts a higher burden on the two ministries and their PPBB-related departments to train all budgeting-related personnel in government, even when supported by international organizations. The high workload associated with the program and performance-based budgeting was also highlighted by the members of the PPBB unit

at the Ministry of Finance.

“We are 4 people in the unit, handling more than 2800 budgetary units in around 700 budgetary authorities” – PPBB Unit member, Ministry of Finance.

The insufficient human resources allocated to the main unit responsible for the introduction, rolling out, monitoring, and reporting on the implementation jeopardize the sustainability of the entire initiative.

The findings also showed that some measures can possibly mitigate the current implementation bottlenecks with capacity building and organizational culture. One measure is to start introducing Training of Trainers (ToT) packages for the trained staff in the ministries so that they can start training the personnel at their organizations and not depend fully on the two aforementioned ministries in the training delivery. The second is to conduct more advanced on-the-job training besides the “low-mid level” trainings which the personnel have been getting so far, argued the Head of the Macroeconomic Policies Center at the National Planning Institute. More technical and advanced trainings would strengthen the technical know-how of personnel to be able to conduct complex tasks such as transforming strategies into programs and running proper program costing exercises, two areas the technical know-how for which is still missing. Lastly, focusing on raising awareness among the political leadership is critical to ensure their buy-in to the budgeting reform process so that they understand the concepts of program and performance-based budgeting and its main benefits, suggested a member of the Technical Office of the Head of the Economic Affairs Sector and the Responsible for PPBB at the Ministry of Agriculture and Land Reclamation. Ensuring the buy-in from the political leadership would also increase their levels of ownership over the process and facilitate their participation in a transition. The last point and suggested measure will be further expanded on in the next sub-section.

6.5 Political Will & Stakeholders Engagement

Stakeholders' engagement and ensuring a sustained political will are equally critical subjects for the success of Egypt's program and performance budgeting experience. The budgeting process in Egypt includes a wide range of stakeholders with whom it becomes a challenging task to align on its reform, given the different influences, agendas, backgrounds, and outlooks. The study examined the extent to which a set of stakeholders have been involved in the process of designing the new policy of program (and later performance) budgeting, how much influence they had over the process, and to what extent they granted a level of autonomy in the implementation. This set includes international organizations, parliament, line ministries, and local implementors (the directorates and affiliated organizations).

The decision to introduce program and performance-based budgeting in Egypt was a top-down decision, influenced by the different international organizations such as the World Bank, the IMF, and the United Nations, argued the Head of the Macroeconomic Policies Center at the National Planning Institute.

“It was not our decision, it is the decision of the IMF as part of its economic and structural reform program, but it was not participatory...But they (MoF and MoPED) are quite flexible and give us autonomy in the implementation”, confirmed a member of the Technical Office of the Head of the Economic Affairs Sector and Responsible for PPBB at the Ministry of Agriculture and Land Reclamation.

The USAID and OECD were also involved in the process, added the head of the PPBB unit at the Ministry of Finance. USAID, through its Macroeconomic Stabilization and Reform Program, had supported the Ministry of Finance in the design phase of the reform by supporting in drafting of the Unified Finance Law, issuing the bylaws of the law, and drafting the program and performance-based budgeting manual. OECD continues to support the ministry in upgrading the manual and providing

technical assistance and capacity-building measures to the ministry and other line ministries. Among all the examined groups of stakeholders, international organizations showed to have been the most influential in the process of designing the legislations behind the policy (through the law and bylaws) and its implementation mechanisms (through the manual and other technical assistance measures).

As for the parliamentary involvement, it is arguably the most potentially influential, yet of the most volatile and inconsistent level of support among all examined groups. Many interviewees referred to the strong buy-in the budget committee in the previous parliamentary round gave to the subject of program and performance-based budgeting. Many also explained how this support and backing up from the parliament endorsed and strengthened the PPBB implementation standpoint in front of the entire government.

“In 2021, the parliament issued a recommendation for the government to apply PPBB; it was the golden age for program and performance-based budgeting” – A member of the PPBB Unit at the Ministry of Finance.

The current parliamentary round gives remarkably less attention to the subject of program and performance-based budgeting altogether.

As for the line ministries, while the findings give little clarity – through contradicting insights - on the perception of the top management of the different line ministries, including the MoF, on the PPBB implementation, evidence suggests that the engagement of the political leaders of the different organizations and their awareness of the PPBB-related policies, concepts, and benefits need to be enhanced. Little-to-no evidence shows that the line ministries were “structurally” involved in the design phase of the PPBB-related policies and implementation mechanisms. However, exchanges with some line ministries had possibly taken place during those earlier stages.

As for the governorates’ directorates and other affiliated organizations, the findings show they have been essentially out of the design phase of the PPBB-related policies. Little-to-no consultations

happened with the bureaucratic level and administrators at the local level prior to approving the law.

“They (the directorates) have to be forced on program and performance-based budgeting because they are very resistant to apply it” – an MoF PPBB unit member explaining the exclusion of the local level from the process. “They were previously forced to apply the Governmental Financial Management Information System (GFMS) and it worked out” – he continued.

On another end, some ministries, like the Ministry of Agriculture and Land Reclamation, took a proactive voluntary role in involving their affiliated organizations and local departments in their PPBB operations design and initiated an open dialogue to ensure a proper setting for the implementation.

While public policymaking in Egypt is not known for its participatory nature, reforming a core process like budgeting without structured participation from the different local departments at different levels can arguably elevate the levels of cultural resistance. While the prominent influence of the international organizations over the process is arguably inevitable as it remains conditional to availing financial and technical assistance, involving the other groups of stakeholders is equally critical, especially in a setup where the legislative body’s (the parliament) level of support shows to be inconsistent.

6.6 Institutional Reform (adapting existing organizational structures)

Establishing a sound institutional and legislative basis that enables governmental organizations to adapt their structures and operations to program and performance-based budgeting is another controversial issue in the Egyptian case. The legislative basis for implementing the program and performance-based budgeting is founded through multiple platforms which were presented and analyzed in the Contextual Framework section of this study and those are: its endorsement in the Unified Finance Law (law no.6 for 2022), its bylaws (MoF ministerial decree no. 73 for 2024), Prime

Ministerial decree no. 1167 for 2019, and the issuance of a special guiding manual. Those legislative endorsements establish a framework for program and performance-based budgeting to start from and give the entire experience prominence as an institutional orientation and not just an initiative.

When it comes to organizational structures, some new units and departments have been established in the different ministries, such as the Strategic Planning Units and Internal Control and Governance Units (ICGUs), mentioned the PPBB Unit head at MoF explaining how the establishment of new structures enables and facilitates smooth program and performance budgeting implementation in the different organizations. On the other hand, the existing organizational structures and set-ups are arguably still not program and performance-friendly. Organizational structures must be built around organizational objectives, so we need to define the objectives first and then we move to building the structures in a way that serves those objectives. This is not how we did our recent organizational restructuring, stated a member of the Technical Office of the Head of the Economic Affairs Sector, responsible for PPBB of the Ministry of Agriculture and Land Reclamation, referring to recent CAO restructuring which the ministry – along other ministries – have already undergone.

“The restructuring happened, but it is too far from the needs and realities on the ground”, confirmed the ex-Head of the Central Department of Strategic Management and Responsible for PPBB Budgets, at the Ministry of Education and Technical Education.

Some findings suggested that the CAO restructuring was pushed by other administrative factors such as downsizing and enhancing efficiency as the new Civil Service Law requires, but not aligning with the program and performance budgeting methodology, and the evidence for that is keeping the structures as central department and general departments and not transforming them to program-like structures.

The other significant challenge with institutional structures is with the costing and accounting systems, the findings show. The current accounting system in the Egyptian public financial

management regime is cash-based. A cash-based accounting system records the revenues and expenses associated with a program when the cash related to the transactions is received or dispensed (Morah, 2024). When costing a program, following the records of a cash-based accounting system can be misleading in estimating the costs associated with the programs because of possible time lags between the transactions' occurrence and dispensing/receiving the cash. It can also be quite confusing while monitoring the implementation and tracking the performance of programs. Therefore, a shift to an accrual accounting system, in which the revenues and expenses are recorded when the transactions occur even if it is before the cash is received (Morah, 2024), is deemed necessary to enable accurate program costing methodology.

“There remains to be a dichotomy between the public administration structure and the way we implement program and performance-based budgeting in Egypt” concluded the Head of the Macroeconomic Policies Center at the National Planning Institute.

While the organizational units and departments continue to be structured the way they were under traditional line-item budgeting on the one hand, program and performance-based budgeting is imposed on those same departments on the other, creating real pressure on the organizations to reduce the PPBB task to an Excel exercise where they merely transform their input-based budgets into programs. But, real programs and thus program budgets which reflect actual operations of those units on the ground? This would require the CAO to reintegrate its restructuring efforts to better align with the nature and needs of program and performance budgeting. Additionally, reforming the governmental accounting system is another key lens through which we can see that running both systems (input-based and PPBB) in parallel can't be sustained for too long as the accounting requirements for each system vary and eventually the choice between the two would have to be made.

6.7 Defining Performance (Effectiveness of Service Delivery): Monitoring and Evaluation Mechanisms

The establishment of a robust monitoring and evaluation system that can capture the effectiveness of service delivery is a cornerstone of any results-oriented budgeting system. One key addition of program and performance-based budgeting is that it enhances public expenditures' effectiveness and efficiency by enabling the linkages between the national strategies and strategic plans on the one hand and the operational plans, programs, and sub-programs on the other. More importantly, program and performance-based budgeting links those plans to the forecasted costs and benchmarks them against actual expenditures to enable proper performance tracking and monitoring of resources and reducing the waste resulting from uncoordinated interventions between line ministries. In Egypt, there have been multiple efforts to design the program at different organizations, develop indicators (and the staff capacities on developing indicators), and develop data collection and reporting templates. Additionally, the integration of the current PPBB exercises on the GFMIS is a step towards institutionalizing those efforts. However, Egypt arguably has not yet been able to establish a fully-fledged M&E system to accompany the introduction of program and performance-based budgeting. This section is going to discuss a few important considerations for the development of the M&E system which is still in a premature state.

We are still not measuring the effectiveness of service delivery through PPBB, argued the Head of the Macroeconomic Policies Center at the National Planning Institute as he explained that we remain in need of a proper M&E mechanism for program and performance-based budgeting. The programs under the PPBB system remain virtual programs and not real programs working on the ground, he continued.

FY 2024-2025 is the first fiscal year where the Egyptian line ministries started developing

performance indicators.

“This signifies the move to performance-based budgeting as before we were only working on programs, but not performance”, clarified the PFM Resident Advisor at OECD. “I expect all ministries to have strong performance indicators in 2-3 years”, she continued.

The performance measurement component is an integral component of the evaluation under any monitoring and evaluation system.

“So far we are monitoring, but we are not evaluating” confirmed the focal point for PPBB in a line ministry, speaking to the immaturity of the current M&E system.

Even though Egypt had just started its performance measurement endeavor, there are a couple of findings that suggest it might arguably be a bumpy road. Firstly, lack of clarity of organizational goals and therefore missing program objectives is a key challenge.

“We did ours (identified goals and logical frameworks) – they didn’t get ratified, yet we use them – but did the other ministries do?” said a member of the Technical Office of the Head of the Economic Affairs Sector and the Responsible for PPBB at the Ministry of Agriculture and Land Reclamation as he questioned the comprehensiveness of existing sectoral strategies and logical frameworks of the programs.

Logical frameworks are the starting point for developing program indicators and targets and designing monitoring and evaluation cycles; and therefore, their absence also speaks to the immaturity of the current M&E system.

Secondly, there was a recurring insight from the interviews that the way programs have been built so far is quite overwhelming. That is, it goes into too much detail, arguably more than it is required at this early stage. The Ministry of Finance chose to design and run the programs at a high level of detail from the beginning, which was an extra load on the process and the involved organizations, argued the Head of the PPBB Unit at the Ministry of Planning and Economic Development and confirmed a member of the PPBB Unit at the Ministry of Finance. Graduality in

sophisticating the level of detail encompassed by the programs is key in ensuring the smooth introduction of the new budgeting method and avoiding overloading the organizational departments with unbearable amounts of workload.

A side, yet equally critical, issue to the M&E endeavors of program and performance budgeting is how the efforts are being coordinated and harmonized between the Ministry of Finance and the Ministry of Planning and Economic Development. The findings show that there are some fallouts in the coordination between the two ministries, as confirmed by interviewees from both ministries. Although coordination is legislatively endorsed by the Prime Ministerial decree no. 1167 for 2019 stipulating the establishment of a joint committee for PPBB implementation monitoring, an effective alignment is still lagging. In particular, the efforts to monitor the progress of the programs are fragmented between the two ministries, rather than following an integrated M&E methodology.

Despite the government efforts to endorse program and performance-based budgeting across the different governmental organizations by imposing the program structures on the GFMS and requiring the submission of program and performance budgets from the different organizations, Egypt has not yet been able to fully develop its PPBB M&E system. A few challenges explain this delay such as missing sector strategies and program frameworks, the overcomplexity of the program details, the immature experience – and arguably competence - with performance measurement, and the insufficient harmonization of the M&E strategies and approaches between the MoF and the MoPED.

6.8 Accountability Mechanism & Incentives Scheme

Arguably, the development of a structured accountability system and an accompanying incentives scheme is the factor receiving the least attention among all examined factors in this study.

“It is very important to tie performance budgeting to incentives. People were self-incentivized

to do the PPBB-related work in the beginning because it was something new and they wanted to learn, but after that, it became a heavy workload with no payoff as there is no structured incentives scheme in place” - Ex-Head of Central Department of Strategic Management and Responsible for PPBB Budgets, at the Ministry of Education and Technical Education.

While all the conducted interviews endorsed the importance of having a solid accountability system in place before the full implementation of the program and performance-based budgeting, little evidence was shared on any existing structures that support such a system in the Egyptian setup.

The new establishment of the aforementioned Internal Control and Governance Units (ICGUs) in the ministries should be a good enabler for an accountability system that keeps a record of performance indicators, monitors deviations, takes corrective actions, and rewards good performance. However, many of those units remain inactivated in some line ministries, mentioned the focal point for PPBB in a line ministry.

Some ministries, such as the Ministry of Planning and Economic Development, carried out individual initiatives to reward good-performing local directorates such as the initiative called “Performance Excellence Incentives”. They are currently trying to roll it out to other ministries, but it remains an idea, mentioned the Head of the PPBB Unit in the MoPED. On the topic of assigning focal program managers for each program as a catalyst for enhancing accountability, it also seems to be still missing.

“Currently, everyone is working on everything, and no one is held accountable”- The OECD PFM Resident Advisor.

There should be a responsible program manager for each of the programs in the budget and this person becomes the focal person for the Ministry of Finance in monitoring and reporting on the program throughout its cycle. This, however, can be difficult given the political sensitivity of some programs having more than one involved line ministry, she elaborated.

While the findings show a consensus over understanding the importance of establishing a solid accountability system and incentive schemes for program and performance budgeting to work out, the government has invested minimal efforts to set up such a system. Challenges vary from political sensitivity among ministries to inactive new organizational structures, and the governmental response remains at the individual-initiative level.

The analysis of the findings in this section showed us that some prerequisite pillars are getting remarkably higher attention than others. The findings have shown that the capacity building of public sector staff on basic principles of areas such as program design, budgeting, and performance measurement is getting the most attention, while there remains a need for more advanced on-the-job training and coaching. Other pillars such as accountability and incentive schemes as well as data credibility arguably have been receiving less attention. In the middle lie the remaining pillars of M&E, organizational structures, and stakeholder engagement in which efforts have been invested to become reform-ready; however, more accustomed PPBB preparations remain needed.

Table 5 below summarizes the results of the readiness assessment based on the six study parameters:

<i>Readiness Assessment Criterion</i>	<i>Key Findings</i>
<i>1. Data Availability and Reliability</i>	(-) Unreliable data sources – unstandardized data collection standards and definitions on the national level (-) Poor utilization of existing data systems (-) Many sectoral strategies are still missing

	(+) Some ministries having their own databases and corresponding sectoral strategies
2. <i>Capacity Building and Organizational Culture</i>	(+) Multiple training modules delivered to the staff on basic PPBB principles (+) International organizations' support in this area is an enabler (-) High turnover of trained employees remains unaddressed (-) Insufficient human resources assigned for PPBB work
3. <i>Stakeholder Engagement and Political Will</i>	(+) Strong buy-in from international organizations (-) Decreasing attention from the current parliamentary round (-) Absent participation from the administrators and budgeting staff at the local level
4. <i>Institutional Reform (adapting existing organizational structures)</i>	(+) Present legislative framework for PPBB (+) Present endorsement of the establishment of PPBB-supporting units in the different governmental organizations (-) Continuing dichotomy between public administration structures and PPBB-required organizational structures (-) Unclear vision regarding the move from cash to accrual accounting system
5. <i>Defining Performance (Effectiveness of Service Delivery): Monitoring and Evaluation Mechanisms</i>	(+) Integration of the PPBB plans on the GFMIS

	(+) Performance measurement starts in FY 24-25 (-) Lack of clarity over organizational goals (-) Missing program objectives and logical frameworks (-) Overwhelming level of detail in programs' design
6. <i>Accountability System and Incentives Schemes</i>	(+) Establishment of the Internal Control and Governance Units (ICGUs) (yet still requiring activation in some organizations) (+) Presence of individual performance-rewarding initiatives by some line ministries (-) Absence of a structured accountability system and incentive scheme tied to PPBB (-) Absence of a clear assignment of responsibility for the programs under the PPBB system

Table 5: Summary of Readiness Assessment Results (source: author based on the conducted analysis)

An analytical diagnosis of the above-concluded insights would show us that there are two main characteristics behind the status quo of program and performance-based budgeting implementation, which one can safely call challenging. Those two characteristics and their main triggers are as follows:

- 1) Present cultural resistance to program and performance-based budgeting, triggered by:
 - a. Insufficient and limited competence of the human capacities
 - b. Limited buy-in from the political leadership
 - c. Limited awareness at the middle management level
 - d. Lack of a structured incentives scheme as part of an overarching accountability system
- 2) Missing supporting structural set-up, triggered by:
 - a. Absent reliable and valid data structures, therefore missing sector strategies

- b. Immature monitoring & evaluation system for measuring performance
- c. Lack of program-like organizational structures

This diagnosis of the status quo becomes the basis for the set of proposed policy recommendations in the next section.

Chapter 7

Conclusion and Policy Recommendations

This study investigated the readiness of Egypt to introduce the program and performance-based budgeting by FY 2027-2028 as per the endorsement of Unified Finance Law (law no. 6 for 2022). Based on the available literature including that on Egypt's earlier experience in piloting PPBB in 2001-2004, the study based the definition of readiness on six main parameters which are: Data Availability and Reliability, Capacity Building and Organizational Culture, Stakeholder Engagement and Political Will, Institutional Reform (adapting existing organizational structures), Defining Performance (Effectiveness of Service Delivery): Monitoring and Evaluation Mechanisms, and Accountability System and Incentives Schemes.

Following the 6 parameters as the main pillars of the study, the available literature on the topic was reviewed and in-depth interviews were conducted with key experts and stakeholders from the government, international organizations, and academic institutions to collect their expert opinions and insights on the different subjects. A qualitative analysis of the findings following an inductive reasoning approach was applied.

The study found that the capacity building of public sector staff on basic principles of areas such as program design, budgeting, and performance measurement is getting the most attention from the government and international organizations, while there remains a need for more advanced on-the-job training and coaching. Other pillars such as the accountability and incentive schemes and data credibility are getting less work done – although there is a good understanding of their purposes and importance for a good PPBB system. The engagement of stakeholders in the early stage of making the PPBB policy decision has shown to be largely influenced by the community of international

organizations in Egypt. Later, line ministries started getting involved to discuss the details of implementation. Local participation from the directorates and implementors on the ground was essentially absent.

The study also showed that strong efforts have been invested in availing a sufficiently strong legislative framework for the introduction of program and performance-based budgeting, such as the Unified Finance Law, its bylaws, and the PM decree establishing both PPBB units, a significant component which the earlier introduction PPBB in Egypt in 2001-2004 lacked. Despite the recent CAO A efforts to restructure the different governmental departments in line with the new Civil Service law, the findings show that the restructuring was not really serving the PPBB transition. As for the Monitoring and Evaluation system, Egypt has not yet been able to develop its fully-fledged M&E structure; many reasons contribute to that, but the most alarming of which is the missing sectoral strategies and clear goals and objectives based on which the programs – and later the program budgets – should be built. One fundamental reason behind the missing strategies and strategic objectives is missing reliable data sources and data systems that can inform the process of program design, implementation, and monitoring.

The study findings also confirmed that Egypt is to run the two budgeting systems (line-item and program and performance) in parallel with no currently clear phasing out plan for the line-item budgeting, which has shown to give less credibility and political significance and increase the resistance towards program and performance budgeting. The continuation of the parallel systems jeopardizes the potential of PPBB in Egypt as it reduces the new system to an Excel exercise to map the main line-item budget into the PPBB templates, forming extra work on all organizational departments and prolonging the lack of real on-ground activation and operationalization of the programs.

Based on the above-mentioned conclusion of the readiness assessment of Egypt, below are some policy recommendations.

7.1 Recommendations to Enhance Egypt’s Readiness for Program and Performance-based Budgeting

Is Egypt ready for program and performance-based budgeting? The short answer is not yet. None of the examined study parameters has shown full readiness for implementation. But this is also fine, given that Egypt still has 3 more years to go until the full implementation kicks in. Important is that the government becomes aware of the current challenges and more important is that it analyzes their root causes and tries to address them before the full implementation, especially in the context of the other arguably bold PFM reforms currently underway. The table below (table 6) reproduces the previous readiness assessment summary presented in Table 5 and adds some policy recommendations that can make Egypt’s PPBB journey a successful one corresponding to the challenges faced in each of the six assessment criteria.

<i>Readiness Assessment Criterion</i>	<i>Key Findings</i>	<i>Policy Recommendations</i>
<i>1. Data Availability and Reliability</i>	(-) Unreliable data sources – unstandardized data collection standards and definitions on the national level (-) Poor utilization of existing data systems (-) Many sectoral strategies are still missing	1. Digitalization of existing data structures would enable optimizing the utilization of existing data sources as well as pinpointing the data gaps and inconsistencies. Digital data tools would also facilitate the processes of data collection and data validation in certain sectors where multiple ministries are involved such as education, industry, and employment. This recommendation is

	<p>(+) Some ministries having their own databases and corresponding sectoral strategies</p>	<p>already endorsed by article no. 77 in the law and article no. 96 in the bylaws.</p> <p>2. Development of sectoral strategies and strategic plans as a critical prerequisite before moving to developing operational plans and therefore programs, as the findings have shown. Capitalizing on the previous recommendation, the digital data systems would inform the development of those sectoral plans based on credible data, solid analyses of the gaps, and therefore a clear vision of feasible sectoral goals and objectives.</p> <p><i>*This recommendation also serves assessment criterion 5: “Defining Performance (Effectiveness of Service Delivery): Monitoring and Evaluation Mechanisms”</i></p>
<p>2. <i>Capacity Building and Organizational Culture</i></p>	<p>(+) Multiple training modules delivered to the staff on basic PPBB principles</p> <p>(+) International organizations’ support in this area is an enabler</p> <p>(-) High turnover of trained employees remains unaddressed</p> <p>(-) Insufficient human resources assigned for PPBB work</p>	<p>3. Assigning additional personnel for the program and performance-based budgeting-related work in the different ministries, in particular in the Ministry of Finance in which the PPBB Unit suffers greatly from staff shortage would contribute to containing the experienced cultural resistance.</p> <p>4. Advanced on-the-job coaching and training, as a continuation of the low-mid trainings that have been delivered so far to the employees involved in the</p>

		<p>program and performance budgeting process. Topics such as program costing and budget planning should receive particular attention.</p> <p>5. Creating champions who owned success stories in their program and performance budgeting journeys, to start training and sharing their experiences with other ministries as an instrument of rewarding their success and capitalizing on it in the capacitation of other organizations, advised the OECD. Previously introduced in the earlier implementation of 2001-2004, the idea can be revived as one powerful non-financial incentive instrument.</p> <p><i>*This recommendation also serves assessment criterion 6: "Accountability System and Incentives Schemes"</i></p>
<p>3. Stakeholder Engagement and Political Will</p>	<p>(+) Strong buy-in from international organizations</p> <p>(-) Decreasing attention from the current parliamentary round</p> <p>(-) Absent participation from the administrators and budgeting staff at the local level</p>	<p>6. Non-technical awareness-raising measures, for the middle management in the ministries to ensure they are better involved in the process and understand the benefits of the program and performance budgeting for their units would contribute to containing the experienced cultural resistance.</p> <p>7. Relating to other PFM reform initiatives, such as MTEF, adding the economic authorities to the definition of General Government, budget ceilings,</p>

		<p>and others, which the government is boldly moving forward with, would create momentum, as advised by the OECD, for a comprehensive PFM reform program which includes program and performance budgeting as one of its pillars. Therefore, it would give legitimacy and political support to PPBB and better contextualize it as a national orientation.</p>
<p>4. <i>Institutional Reform (adapting existing organizational structures)</i></p>	<p>(+) Present legislative framework for PPBB (+) Present endorsement of the establishment of PPBB-supporting units in the different governmental organizations (-) Continuing dichotomy between public administration structures and PPBB-required organizational structures (-) Unclear vision regarding the move from cash to accrual accounting system</p>	<p>8. Establishing a PPBB Unit in each line ministry and budgetary authority, as per article no. 35 of the PFM bylaws, to enable the assigned human resources to have an organizational setup that facilitates their work. An established unit would also strengthen the legitimacy and prominence of the entire initiative and allow better coordination with the line-item budgeting (as long as the two systems remain running in parallel).</p> <p>9. Integrating the restructuring efforts with PPBB to ensure the organizational departments' structure reflects the program-like nature of the budget as a step towards operationalizing the program and performance budgeting methodology on the ground (Robinson, n.d). Therefore, it would enable turning it into more than just an Excel variant of the line-item budget.</p>

		<p>10. The move from cash to an accrual accounting system remains an essential structural necessity in the Egyptian experience with program and performance budgeting, as the findings have shown. An Accrual accounting system would enable proper program costing, financial planning, and financial resources monitoring.</p>
<p><i>5. Defining Performance (Effectiveness of Service Delivery): Monitoring and Evaluation Mechanisms</i></p>	<p>(+) Integration of the PPBB plans on the GFMIS (+) Performance measurement starts in FY 24-25 (-) Lack of clarity over organizational goals (-) Missing program objectives and logical frameworks (-) Overwhelming level of detail in programs' design</p>	<p>11. Developing a comprehensive and fully-fledged M&E structure that moves from merely measuring results of implementing the virtual programs that are currently presented on the program budgets to focusing more on measuring the effectiveness and quality of public service delivery. That is, more M&E focus shall be given to evaluating the impact of the programs, rather than just monitoring the implementation outputs (Ömurgonulen, 2002). Linkage to the developed strategies and digital data system (first 2 recommendations) is key to ensuring the robustness of this M&E system. The findings suggest that evaluating the impact of the programs is essential to be conducted directly through the cabinet (as the entity overseeing and coordinating the work of the line ministries and less directly involved in the implementation, and therefore less likely to be biased) jointly with the Administrative Control</p>

		<p>Authority and the Central Auditing Organization. While some joint cross-ministerial and independent organizations committees have been established and activated already, none of them has been solidly mandated with programs’ performance and impact assessment.</p>
<p>6. Accountability System and Incentives Schemes</p>	<p>(+) Establishment of the Internal Control and Governance Units (ICGUs) (yet still requiring activation in some organizations)</p> <p>(+) Presence of individual performance-rewarding initiatives by some line ministries</p> <p>(-) Absence of a structured accountability system and incentive scheme tied to PPBB</p> <p>(-) Absence of a clear assignment of responsibility for the programs under the PPBB system</p>	<p>12. Implementation autonomy as an incentive: good performing ministries – based on a set of criteria and standards – can get entitled to certain flexibilities in implementing their program and program budgets. The benefits can range from relocating funds from one year or one program to another or amending the program design during the implementation phase. Those conditional flexibilities could possibly incentivize the organizations to invest more structured efforts in their program and performance budgeting tasks and reduce the levels of cultural resistance, advised the OECD.</p> <p>13. Assigning a focal program manager for each program in the different ministries and budgetary authorities, as per article no. 35 of the PFM bylaws, would boost a feel of accountability.</p>

Table 6: Readiness Assessment and Policy Recommendations

Overarchingly, some further policy recommendations to enhance the overall implementation setup and potential for success are:

1. **Better coordination and alignment between the Ministry of Finance and the Ministry of Planning and Economic Development** (currently merged with the Ministry of International Cooperation) since the findings have shown current fallouts in the coordination between the two ministries probably driven by the fact that each ministry runs its own PPBB methodology. Harmonization is particularly needed when it comes to programs' design and monitoring as the Ministry of Planning is responsible for the investments chapter of the budget (6th chapter) while the Ministry of Finance is responsible for the remaining chapters. The Ministry of Planning should produce its PPBB for the investment plans and projects based on the agreed-upon criteria and templates and submit them to the Ministry of Finance. Consolidation of the programs' needs and forecasts, including the investment plans, should be taken care of through the Ministry of Finance. On-going alignment on reporting of the different programs of both recurrent and investment budgets becomes necessary since the Ministry of Planning runs its own reporting cycle for all programs of the government plan, while the Ministry of Finance runs its own reporting cycle on the financial spending and corresponding achievements. Alignment of reporting mechanisms and tools under the program and performance budgeting between the two ministries can save a lot of double work and achieve better M&E outcomes.
2. **Integrating line-item budgeting with the program and performance-based budgeting** might be the wiser medium-term policy recommendation since letting go entirely of line-item budgeting might be difficult in the middle of an economic crisis like the one Egypt is

undergoing currently. The integrative approach can be achieved by essentially merging the two budgets together without violating the constitutional terms and that is through submitting a national program and performance budget which is broken down into the chapters (inputs) of the line-item budget. Later, aggregates of the chapters across all programs can be consolidated to make up the classical line-item budget to maintain the dual submission of budgets. However, the starting point should be the programs and accordingly program-based budgets from which we can derive a line-item budget. The vice versa approach - currently in place - gives less credibility to the programs, their operations, and budgets and makes them a cosmetic exercise away from what is happening on the ground and from the corresponding organizational structures.

References

- Abdelhamid, D. (2015). Results-oriented budgeting in Egypt. *Interdisciplinary Journal of Research in Business*. https://www.researchgate.net/publication/281437665_Results-Oriented_Budgeting_in_Egypt_Interdisciplinary_Journal_of_Research_in_Business
- Amin, K., & El Husseiny, I. (2022). *Budget design and priorities*. In M. Mohieldin (Ed.), Financing sustainable development in Egypt report. Cairo: League of Arab States. https://mped.gov.eg/AdminPanel/sharedfiles/6_financing_sustainable_development_in_egypt_feb_28-compressed.pdf
- Asian Development Bank. (2017). *Implementing results-based budget management frameworks: An assessment of progress in selected countries*. <https://www.adb.org/sites/default/files/publication/388981/implementing-rbbm-frameworks.pdf>
- Australian Government. (2014). *Performance frameworks in Australia*. Department of Finance.
- Bouckaert, G., & Halligan, J. (2008). *Managing performance: International comparisons*. Routledge. *Wiley Online Library*. <https://onlinelibrary.wiley.com/doi/epdf/10.1111/j.1467-9299.2009.01777.3.x>
- Brumby, J., Hashim, A., & Piatti Fuenfkirchen, M. (2022). *Introducing the new PPB - Pragmatic program budgeting: Overcoming design obstacles to planning, management, and control*. Equitable Growth, Finance and Institutions Insight. World Bank, Washington, DC. <https://openknowledge.worldbank.org/handle/10986/36903>
- CABRI Joint Country Case Study. (2010). *Programme-based budgeting: Experiences and lessons from Mauritius*. <https://www.cabri-sbo.org/en/publications/programme-based-budgeting->

[experiences-and-lessons-from-mauritius](#)

Cansel, A., et al. (2016). Measuring the effectiveness of program-based budgeting with DEA:

Ministry of Health in Turkey. *IIB International Refreed Academic Social Sciences Journal*. Doi:

https://www.academia.edu/16567648/Performance_budgeting_in_Turkey_by_OECD

Curristine, T. (2005). Performance information in the budget process: Results of the OECD 2005

questionnaire. *OECD Journal on Budgeting*. https://www.oecd-ilibrary.org/governance/performance-information-in-the-budget-process_budget-v5-art13-en

https://www.oecd-ilibrary.org/governance/performance-information-in-the-budget-process_budget-v5-art13-en

Diamond, J. (2003). *From program to performance budgeting: The challenge for emerging*

market economies. IMF Working Papers. [https://www.imf.org/en/Publications](https://www.imf.org/en/Publications/WP/Issues/2016/12/30/From-Program-to-Performance-Budgeting-The-Challenge-for-Emerging-Market-Economies-16542)

[/WP/Issues/2016/12/30/From-Program-to-Performance-Budgeting-The-Challenge-for-Emerging-](https://www.imf.org/en/Publications/WP/Issues/2016/12/30/From-Program-to-Performance-Budgeting-The-Challenge-for-Emerging-Market-Economies-16542)

[Market-Economies-16542](https://www.imf.org/en/Publications/WP/Issues/2016/12/30/From-Program-to-Performance-Budgeting-The-Challenge-for-Emerging-Market-Economies-16542)

Dugdale, P. (2016). *Outcome-based budgeting*. Northern Ireland Assembly.

<https://www.assemblyresearchmatters.org/2016/06/08/outcomes-based-budgeting/>

Eden, H. (2009). Program budgeting without institutional reform – Why it doesn't work.

IMF PFM Blog. [https://blog-pfm.imf.org/en/pfmblog/2009/08/program-budgeting-without-](https://blog-pfm.imf.org/en/pfmblog/2009/08/program-budgeting-without-institutional-reform-why-it-doesnt-work)

[institutional-reform-why-it-doesnt-work](https://blog-pfm.imf.org/en/pfmblog/2009/08/program-budgeting-without-institutional-reform-why-it-doesnt-work)

Egyptian Cabinet. (2024). *Egyptian Government Work Program*. PDF.

Fuior, E., & Gutan, V. (2015). The budgeting based on the performance: Conceptual framework and implementation details. *Economy Transdisciplinarity Cognition*.

https://www.ugb.ro/etc/etc2015no1/12_Fuior,_Gutan.pdf

Friyani, R., & Hernando, R. (2019). Determinants of the effectiveness of implementation performance based-budgeting and budget absorption in local governments. Sriwijaya

International Journal of Dynamic Economics and Business. <https://doi.org/10.29259/>

[sijdeb.v3i3.213-226](#)

Food and Agriculture Organization of the United Nations. (n.d.). *Monitoring and evaluation for learning and performance improvement*. Retrieved July 27, 2024, from

<https://www.fao.org/investment-learning-platform/themes-and-tasks/monitoring-and-evaluation/en/>

Grizzle, G., & Pettijohn, C. (2002). Implementing performance-based program budgeting: A system-dynamics perspective. *Public Administration Review*. <https://onlinelibrary.wiley.com/doi/epdf/10.1111/1540-6210.00154>

Hartanto, M. R., Busaini, & Animah. (2018). Implementation of performance-based budgeting: A phenomenological study on National Land Agency. *International Journal of Scientific Research and Management*, 6(2), EM-2018-122-131. <https://ijsrm.net/index.php/ijsrm/article/download/1277/1154/2234>

Heale, R., & Twycross, A. (2015). *Validity and reliability in quantitative studies*.

Evidence-Based Nursing, 18(3), 66-67. <https://doi.org/10.1136/eb-2015-102129>

IDSC. (2019). *Prime Minister's Decree No. 1167 of 2019 regarding the budget of programs and performance*. Egypt Information Gate. <https://eip.gov.eg/IDSC/Publication/View.aspx?ID=3719>

IMF. (2005). *Moving from program to performance budgeting*.

<https://www.elibrary.imf.org/display/book/9781589064744/ch03.xml>

Joyce, P. G. (2011). The Obama administration and PBB: Building on the legacy of federal performance-informed budgeting? *Public Administration Review*, 71(3).

<https://spp.umd.edu/sites/default/files/2021-10/Obama%20Administration%20PBB.pdf>

Kholaiif, A. O. R. (2021). Implementation issues of outcomes-based budgeting in an Egyptian

government agency. In Z. Hoque (Ed.), *Public sector reform and performance management in emerging economies: Outcomes-based approaches in practice* (pp. 32-54). New York: Routledge, Taylor & Francis Group. DOI: [10.4324/9781003004103-2-3](https://doi.org/10.4324/9781003004103-2-3)

Manshurat Qanunya. (2018). Prime Ministerial Decree no. 1146. Egyptian Official Newspaper. <https://manshurat.org/node/44900>

Marsus, S. (2020). Does the performance-based budgeting work in Indonesia?

International Journal of Scientific & Technology Research.

https://www.researchgate.net/publication/339771136_Does_The_Performance-Based_Budgeting_Work_In_Indonesia?enrichId=rgreq-b2f4919f25ea3e4ccfb3a4c18a59f8ac-XXX&enrichSource=Y292ZXJQYWdlOzMzOTc3MTEzNjUzOTUzMTYxNDkzMTEzMjc1NTJAMTU5NTQzODQyNTE2Ng%3D%3D&el=1_x_3&esc=publicationCoverPdf

Mathur, D. (2023). Team Incentives vs Individual Incentives: A Comparison. Kennect Blog.

<https://www.kennect.io/post/team-vs-individual-incentives>

Ministry of Finance. (2024). August Monthly Financial Report: Government Debt and Debt Profile Section. <https://mof.gov.eg/en/archive/monthlyFinancialReport/general/Monthly%20Finance%20Report>

Ministry of Finance. (2024). *2024-2025 budget.*

<https://mof.gov.eg/ar/posts/stateGeneralBudget/65911fe582bd240008c29151/%D9%85%D9%88%D8%A7%D8%B2%D9%86%D8%A9%20%D8%B9%D8%A7%D9%85%D8%A9%202024%2025>

Ministry of Finance. (2024). *Bi-annual financial and economic performance report FY 23-24.*

<https://mof.gov.eg/ar/posts/stateGeneralBudget/60586f7779ec1d00094b40e3/%D8%qA7%D9%84%D8%AA%D9%82%D9%8A%D8%B1%20%D8%A7%D9%84%D9%86%D8%B5%D9%81>

<https://www.mof.gov.eg/ar/archive/stateGeneralBudget/63ac392a05027f00088dee60/%D8%A7%D9%84%D8%A8%D9%8A%D8%A7%D9%86%D8%A7%D8%AA%20%D8%A7%D9%84%D9%85%D8%A7%D9%84%D9%8A%D8%A9>

Ministry of Finance. (2024). Ministerial Decree no. 73: Bylaws of the Unified Finance Law.

<https://tinyurl.com/2abzhzo2>

Ministry of Finance. (2023). *Program and performance budgeting*.

<https://mof.gov.eg/ar/archive/stateGeneralBudget/63ac392a05027f00088dee60/%D8%A7%D9%84%D8%A8%D9%8A%D8%A7%D9%86%D8%A7%D8%AA%20%D8%A7%D9%84%D9%85%D8%A7%D9%84%D9%8A%D8%A9>

Ministry of Finance. (2023). *2023-2024 budget*.

<https://mof.gov.eg/ar/posts/stateGeneralBudget/63a95e67da80a50008d14783/%D9%85%D9%88%D8%A7%D8%B2%D9%86%D9%8A%D8%A9-%D8%B9%D8%A7%D9%85%D8%A9-2023-2024>

Ministry of Finance. (2022). *Unified Finance Law*. <https://tinyurl.com/2y3bslbp>

Ministry of Finance. (2020). *Program and performance budgeting manual*.

<https://mof.gov.eg/ar/archive/services/60993230d93603000af4d1b8/%D8%A7%D9%84%D8%AE%D8%AF%D9%85%D8%A7%D8%AA>

Ministry of Planning and Economic Development. (2023). *Economic and Social Performance*

Monitoring Report 2022-2023. https://mped.gov.eg/adminpanel/sharedFiles/22-2023_%D8%AA%D9%82%D8%B1%D9%8A%D8%B1_%D9%85%D9%8F%D8%AA%D8%A7%D8%A8%D8%B9%D8%A9_196.pdf

Moynihan, D. P. (2008). Performance management as doctrine.

In *The dynamics of performance management: Constructing information and reform* (pp. 26–38).

Georgetown University Press. <http://www.jstor.org/stable/j.ctt2tt51c.8>

- Ouda, H. (2011). *Suggested framework for implementation of performance budgeting in the public sector of developing countries with special focus on Egypt*. 13th Biennial CIGAR Conference, June 9-10, 2011, Ghent University, Belgium. https://www.researchgate.net/publication/303390355_Suggested_Framework_for_Implementation_of_Performance_Budgeting_in_the_Public_Sector_of_Developing_Countries_With_special_focus_on_Egypt
- Quah, J. S. T. (2010). *Public administration Singapore-style*. Emerald Publishing Limited. https://books.google.com.eg/books?id=B5MZFR6qp8sC&printsec=frontcover&source=gbs_atb&redir_esc=y#v=onepage&q&f=false
- Robinson, M. (n.d.). *Performance-based budgeting manual*. CLEAR (Centers for Learning on Evaluation and Results). https://www.pempal.org/sites/pempal/files/event/attachments/pb-budgeting-manual_eng.pdf
- Robinson, M., & Last, D. (2009). *A basic model of performance-based budgeting*. International Monetary Fund. <https://www.imf.org/external/pubs/ft/tnm/2009/tnm0901.pdf>
- Schick, A. (2014). The metamorphoses of performance budgeting. *OECD Journal on Budgeting*. https://www.oecd-ilibrary.org/governance/the-metamorphoses-of-performance-budgeting_budget-13-5jz2jw9szgs8
- Singer, P. (1996). Budgeting and democracy. *Brazilian Journal of Political Economy*, 16(3). <https://www.scielo.br/j/rep/a/WgYYGjYjxxtTLBwdr5Hm9JK/?lang=en>
- State Information Service. (2024). *President El-Sisi Ratifies Amendment to Unified Public Finance Law*. <https://tinyurl.com/28ws54j4>
- Tat-Kei Ho, A. (2018). From performance budgeting to performance budget management: Theory and practice. *Public Administration Review*. <https://onlinelibrary.wiley.com/doi/epdf/10.1111/puar.12915>

UNDP. (2021). *Egypt Human Development Report 2021*. The Arab Republic of Egypt Presidency.

<https://www.presidency.eg/en/%D9%85%D8%B5%D8%B1/%D8%AA%D9%82%D8%B1%D9%8A%D8%B1-%D8%A7%D9%84%D8%AA%D9%86%D9%85%D9%8A%D8%A9-%D8%A7%D9%84%D8%A8%D8%B4%D8%B1%D9%8A%D8%A9-%D9%81%D9%8A-%D9%85%D8%B5%D8%B1-9-2021/>

UNESCO. (2006). *Results-based budgeting (RBB) and results-based management (RBM): Concepts, origins and overview*. <https://unesdoc.unesco.org/ark:/48223/pf0000120315>

UNICEF. (2022). *Budget transparency series: A guide to Egypt's state budget*.

[https://www.unicef.org/egypt/media/5861/file/Budget%20Transparency%20Series:%20A%20Guide%20to%20Egypt%E2%80%99s%20State%20Budget%20\(English\).pdf](https://www.unicef.org/egypt/media/5861/file/Budget%20Transparency%20Series:%20A%20Guide%20to%20Egypt%E2%80%99s%20State%20Budget%20(English).pdf)

Urban Institute. (2006). Chapter 13: Results-based budgeting. In *Performance measurement: Getting results* (2nd ed.).

<https://economia.uniandes.edu.co/sites/default/files/imagenes/eventos/chapter13.pdf>

World Bank. (2001). *Readiness Assessment: Toward Results-Based Monitoring and Evaluation in Egypt, A World Bank Diagnostic Mission, USA*.

World Bank. (2007). *From line-item to program budgeting: Global lessons and the Korean case*.

Korea. Institute of Public Finance.

<http://www1.worldbank.org/publicsector/pe/bookprogrambudget.pdf>

World Bank. (2024). *Overview of Egypt*.

<https://www.worldbank.org/en/country/egypt/overview#1>

World Bank Data. (2024). *World Bank Group*.

<https://data.worldbank.org/indicator/SP.POP.TOTL?locations=EG>

Younes, E. (2020). *The Implementation of Programs and Performance Budgeting between Reality*

and Hope. *The Scientific Journal for Commercial Research and Studies*. <https://rb.gy/l5eyzf>

Zaki, M., & El Khishin, S. (2016). Fiscal governance in Egypt.

Economic Research Forum. https://erf.org.eg/app/uploads/2016/03/ERF_22nd-

[AC Macro ZakyKhishin.pdf](#)

Appendix 1: Additional PPBB Data

1 st Strategic Objective: Protecting National Security and Egypt's Foreign Policy					
Main program of the government work plan	Sub-program of the government work plan	Ministry	Utilizations (in millions)	Percentage	
Main Program 1: National Stability	2. Sub-program 2: Developing methods of security confrontation of terrorist operations	Ministry of Military Production	14429	95.15%	
		Ministry of Justice	735	4.85%	
	2. Sub-program 2: Developing methods of security confrontation of terrorist operations			15164	0.79%
	5. sub-program 5: Developing security services provided to citizens	Ministry of Local Development	134678	100%	
	5. sub-program 5: Developing security services provided to citizens			134678	7.01%
	6. sub-program 6: spreading the eminence of Islam Confronting intellectual extremism and terrorism	Al-Azhar Al-Sharif and its affiliates	138917	8.4%	
		Egyptian Ministry of Endowments	1432981	86.66%	
		National Press Authority	47985	2.9%	
		Egyptian Fatwa House	33640	2.03%	
	6. sub-program 6: spreading the eminence of Islam Confronting intellectual extremism and terrorism			1653523	68.11%
	7. sub-program 7: Strengthening the role of cultural institutions in confronting intellectual extremism	Ministry of Culture	19759	100%	
	7. Strengthening the role of cultural institutions in confronting intellectual extremism			19759	1.03%
	8. Sub-program 8: Ensuring the achievement of Arab and regional national security	General Authority for Information	34025	100%	
	8. Ensuring the achievement of Arab and regional national security			34025	1.77%
	Sub-program 9: Preserving the Egyptian identity for the children of Egyptians abroad	Ministry of State for Emigration and Egyptian Expatriates Affairs	955	100%	
	9. Preserving the Egyptian identity for the children of Egyptians abroad			955	0.05%

Table 4: Sample of Program Budgets for Ministries (Source: MoF 22-23 PPBB Documents)

Appendix 2: Interview Guide

Governmental Entities (officials from the Ministry of Finance, other line ministries, and MoF

local directorates)

General Questions:

- 1) Can you briefly introduce yourself and your current job function?
- 2) *For non-MoF interviewees:* How did you come to know about Egypt's budgetary transition from input-based to program and performance-based?
- 3) In what ways do you think the introduction of PPBB in Egypt can address and tackle the existing problems of the budgetary system?
- 4) What would you say are the key prerequisites for a successful PPBB pilot in Egypt today?
- 5) What, out of those prerequisites, do you think the Egyptian government is giving the most attention? What needs more attention?

Core Questions:

1. Data Availability:

- 6) In your opinion, what are the necessary data sources for establishing, maintaining, and tracking budget allocations and expenditures under program and performance-based budgeting?
- 7) How comprehensive and reliable are the data sources available for measuring program outcomes and performance metrics?
- 8) Are there any plans or initiatives underway to ensure better data structures and enhanced mechanisms for data collection and analysis in light of the introduction of PPBB?

2. Capacity Building and Organizational Culture:

- 9) How would you describe the current level of technical expertise and skills within your organization and the government at large regarding program and performance-based budgeting practices?
- 10) Are there any specific training or capacity-building programs in place to enhance staff competencies related to PPBB? What other efforts are being made to ensure the different organizations are sufficiently capacitated to support the transition to PPBB?

3. Stakeholder Engagement and Political Will:

- 11) How would you assess the level of stakeholder engagement, including the different line ministries, civil society, and international organizations, in the process of transitioning to program and performance-based budgeting?
- 12) How would you assess the level of engagement of the local administration (directorates) in the process of transitioning to program and performance-based budgeting? Do you foresee any potential cultural resistance on the different organizational levels (similar to Egypt's earlier experience with PPBB in 2002)?

4. Institutional Reform (Adapting Existing Organizational Structures):

- 13) In your opinion, what are the key organizational restructuring requirements that would need to be met in preparation for and to support the transition to PPBB?
- 14) Are there any plans or initiatives underway to adapt existing organizational structures within the government to better align with the requirements of program and performance-based budgeting?

5. Monitoring and Evaluation Mechanisms: Defining Performance and Effectiveness of Service Delivery:

- 15) *For MoF interviewees only:* What are the MoF planned strategies to define and measure the performance and effectiveness of service delivery across different government programs and initiatives?
- 16) *For MoF interviewees only:* What mechanisms are planned to get introduced to monitor and evaluate the outcomes and impacts of budget allocations on service delivery outcomes?
- 17) *For non-MoF interviewees only:* In your opinion, what could be an efficient monitoring mechanism for the implementation of the new PPBB system in Egypt?

6. Accountability System and Incentive Schemes:

- 18) In your opinion, how important is it for PPBB's introduction to be tied with a strong accountability system and incentive scheme?
- 19) Are there any existing incentive schemes or mechanisms in place to reward departments or agencies that demonstrate strong performance and achieve desired outcomes?
- 20) *For MoF interviewees only:* What efforts/strategies is the MoF currently employing or planning to employ to ensure enforcing a strong/functional accountability system and incentive scheme in light of the introduction of PPBB?
-

Non-Governmental Entities (experts from international organizations and academic institutions)

General Questions:

- 1) Can you briefly introduce yourself and your current job function?
- 2) In what ways do you think the introduction of PPBB in Egypt can address and tackle the existing problems of the budgetary system?
- 3) What would you say are the key prerequisites for a successful PPBB pilot in Egypt today?
- 4) What, out of those prerequisites, do you think the Egyptian government is giving the most attention? What needs more attention?

Core Questions

1. Data Availability:

- 5) From your perspective, what is the current state of data availability and quality in Egypt for supporting program and performance-based budgeting initiatives?
- 6) What are some best practices or experiences from other countries that Egypt could learn from in terms of improving data infrastructure to ensure a smooth transition to PPBB?
- 7) *For international organizations interviewees only:* Are there any plans or initiatives underway which your organization is supporting the Egyptian government with to ensure better data structures and enhanced mechanisms for data collection and analysis in light of the introduction of PPBB?

2. Capacity Building and Organizational Culture:

- 8) Based on your experience working with other countries, what strategies have proven effective in building institutional capacity and fostering a culture of performance and accountability within government agencies?
- 9) How would you describe the current level of technical expertise and skills within the government at large regarding program and performance-based budgeting practices?
- 10) *For international organizations interviewees only:* Are there any specific training or capacity-building programs which your organization is supporting with to enhance staff competencies related to PPBB? What other efforts is your organization – or other international organizations - doing to ensure the different organizations are sufficiently capacitated to support the transition to PPBB?

3. Stakeholder Engagement and Political Will:

- 11) How would you assess the level of stakeholder engagement, including the different line ministries, civil society, and international organizations, in the process of transitioning to program and performance-based budgeting?
- 12) How would you assess the level of engagement of the local administration (directorates) in the process of transitioning to program and performance-based budgeting? Do you foresee any potential cultural resistance on the different organizational levels (similar to Egypt's earlier experience with PPBB in 2002)?
- 13) What lessons can be learned from other countries that have successfully navigated political challenges and garnered support for similar budgeting reforms?

4. Institutional Reform (Adapting Existing Organizational Structures)

- 14) From your perspective, what are some common institutional reform requirements that countries have undertaken to adapt existing organizational structures prior to transitioning to program and performance-based budgeting?
- 15) What are the potential risks or obstacles that Egypt may encounter in implementing institutional reforms, and how can they be mitigated?

5. Monitoring and Evaluation Mechanisms: Defining Performance and Effectiveness of Service Delivery:

- 16) In your experience, what are some effective approaches or methodologies to define and measure the performance and effectiveness of service delivery across different government programs and initiatives?
- 17) For international organizations interviewees only: How is your organization currently supporting/planning to support the Egyptian government in establishing robust monitoring and evaluation frameworks that align with program objectives and outcomes?

6. Accountability System and Incentive Schemes:

- 18) In your opinion, how important is it for the PPBB introduction to be tied with a strong accountability system and incentive scheme?
- 19) How can international organizations, including your organization, assist Egypt in designing and implementing accountability and incentive systems that hold government agencies accountable for achieving program outcomes?