

# Egypt Public Expenditure Review for Human Development

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**Social Protection, Education & Health**

September 2022



## THE GENERAL CONTEXT

**Fiscal consolidation reforms have been at the forefront of Egypt's efforts to stabilize the macroeconomic environment in recent years.**

While critical to macroeconomic stabilization, fiscal reforms have had some adverse implications, notably on low- and middle-income populations.

With the intensification of fiscal pressures stemming from a challenging global context, Egypt is increasingly facing the double challenge of improving social outcomes whilst preserving its commitment to fiscal discipline.

# THIS PUBLIC EXPENDITURE REVIEW

## OBJECTIVE

Informs government efforts to pursue its commitment to enhancing socioeconomic outcomes through more and better spending on human capital.

## FOCUS



**EFFICIENCY:** How to reduce inefficient and wasteful spending and increase the impact of existing resources?



**EQUITY:** How to improve the distribution of public resources across income groups and geographical regions, (drawing on a fiscal incidence analysis)?



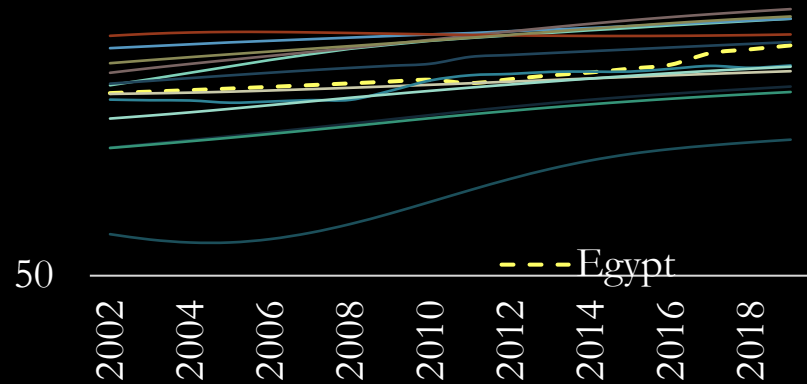
**ADEQUACY:** Are spending levels meeting the actual needs, and how do they compare to spending levels in peer countries?



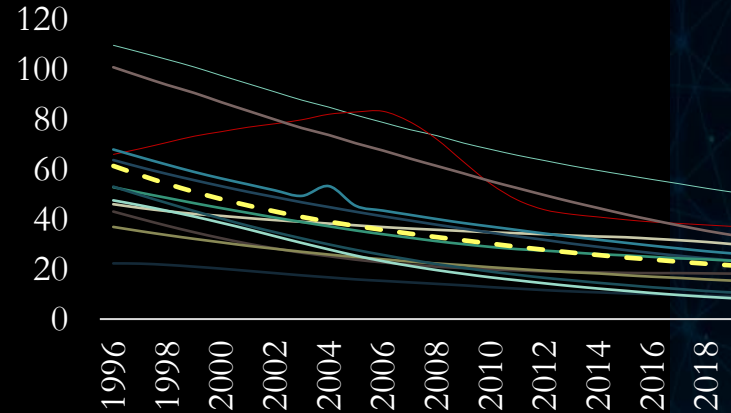
# Over the past two decades, Egypt has made substantial progress on improving basic human development outcomes, as part of its goal to boost human capital.

## HEALTH

Life expectancy at birth (2002-2019)

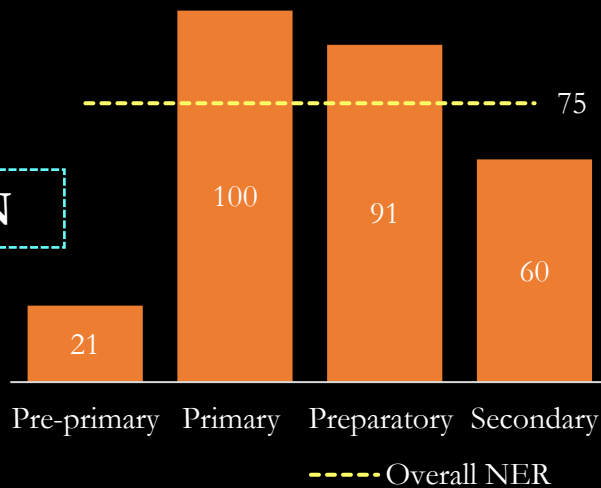


Under-5 mortality rate per 1,000 live births



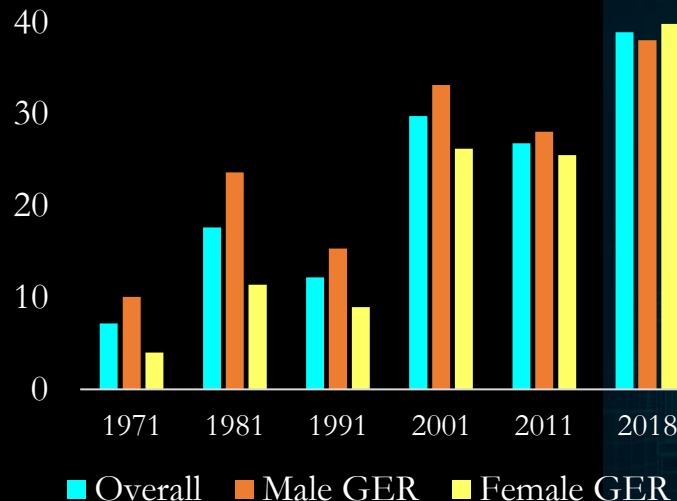
- Increased life expectancy
- Declined under-5 mortality
- Improvements in child health outcomes
- High levels of vaccination

Net Enrollemnt Rate by level of education (%)



## EDUCATION

Tertiary Gross Enrollment Ratio by Gender



- Progressive policies towards universalizing education (NER of 75%)
- Nearly the entire primary age population is enrolled.
- Tertiary education: increase in GER from 7% to 39%.

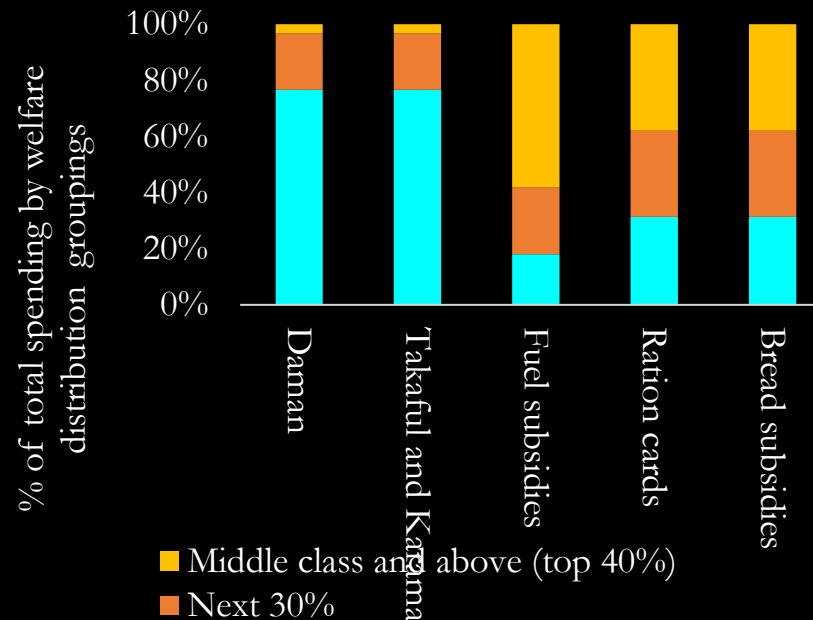
Social protection programs have also evolved significantly, notably with the introduction of conditional cash transfers.

Different Programs for Diverse Challenges and Different – yet interrelated – Objectives

Poverty targeted programs are strongly pro-poor in their distribution.

## SOCIAL ASSISTANCE

Program spending across welfare distribution groupings, FY2020



## PENSIONS

A new Social Security and Pension Law adopted in 2019

A major milestone for the Pensions system

Important institutional and parametric changes:

Merger  
Investment Fund  
Clearing past liabilities  
Change of retirement age

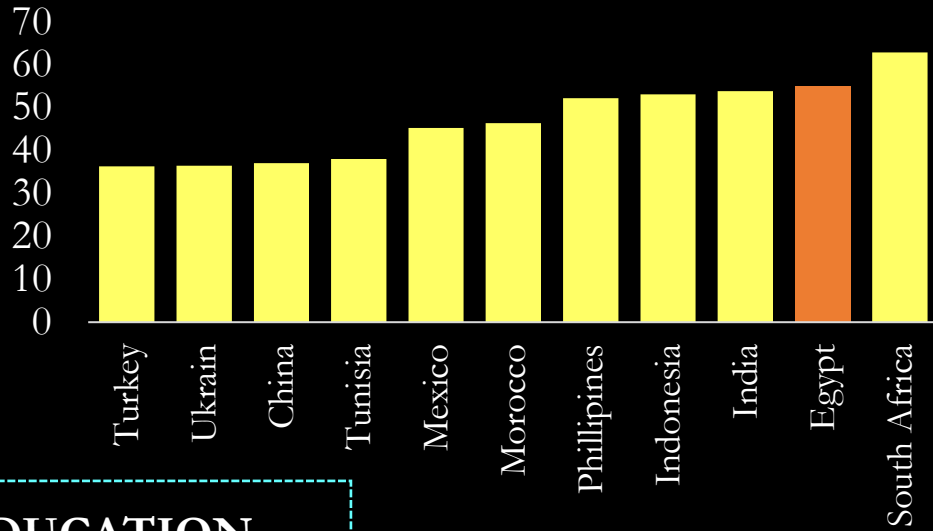
**Despite the overall progress, important challenges remain.**

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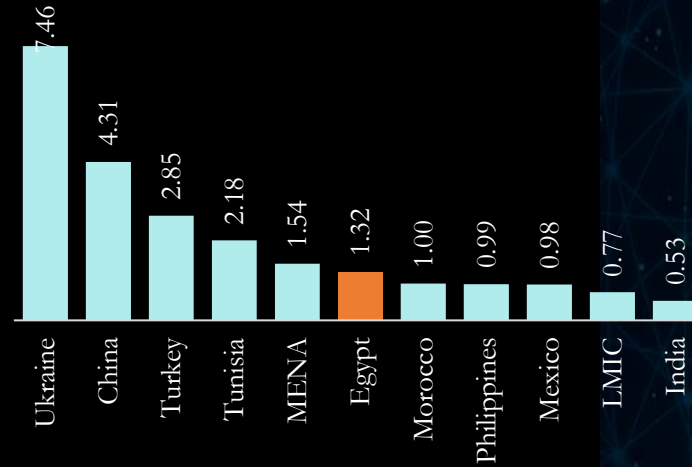


# HEALTH

Premature deaths due to noncommunicable diseases (NCD)



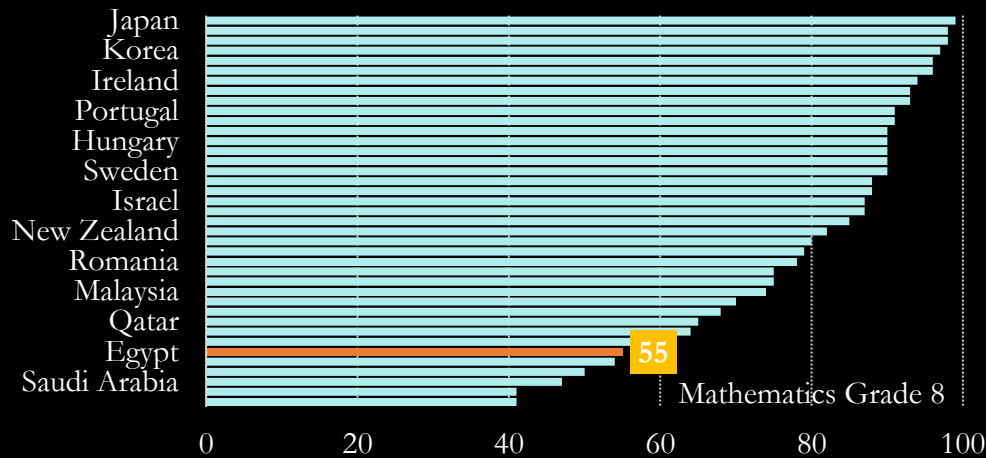
Hospital beds (per 1,000 people) across peers



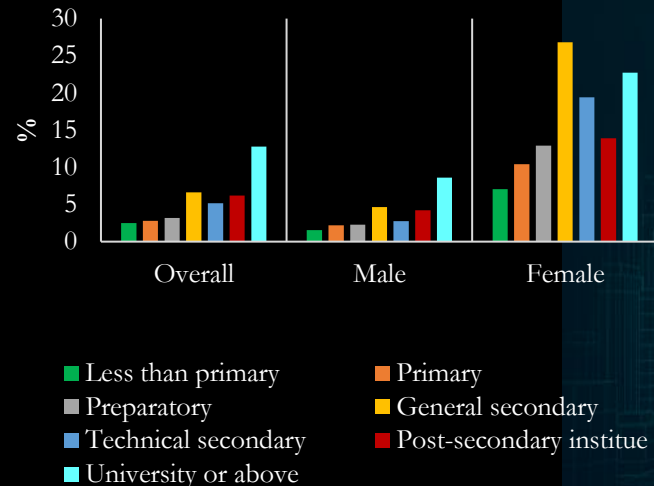
- **NCDs:** the major burden of disease shifted from communicable to non-communicable diseases.
- **Fast Population Growth:** public sector healthcare provision has not been able to keep up.

# EDUCATION

Percentage of Students Reaching the Low TIMSS\* Benchmark



Unemployment rate by education level



- **Poor learning outcomes.** Despite some progress, only one in two students reach the low international benchmark in Mathematics and Science
- **Unemployment rate is higher among university graduates.**



**The PER identifies some  
of the main drivers of underperformance.**

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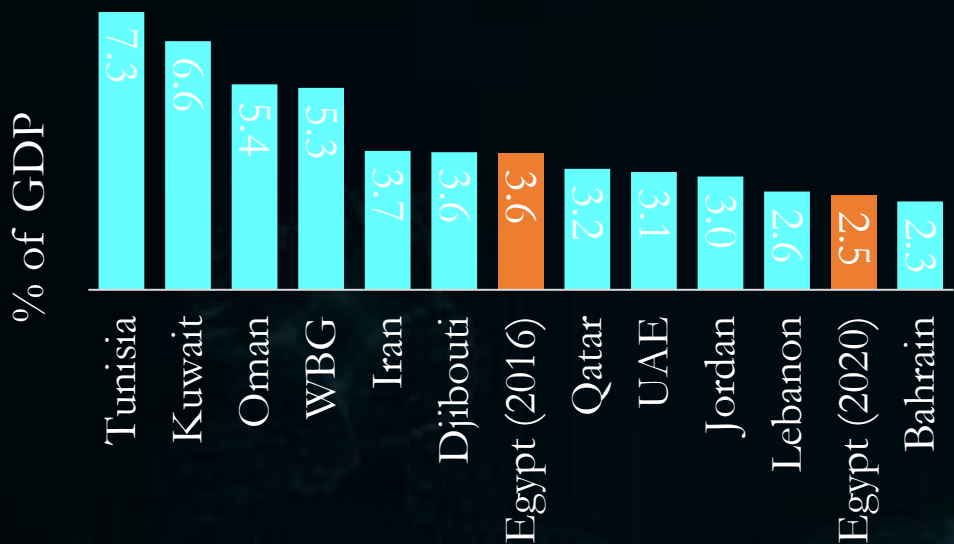
All human development sectors will need an increase in government spending to undertake transformative changes and be on par with peer countries.

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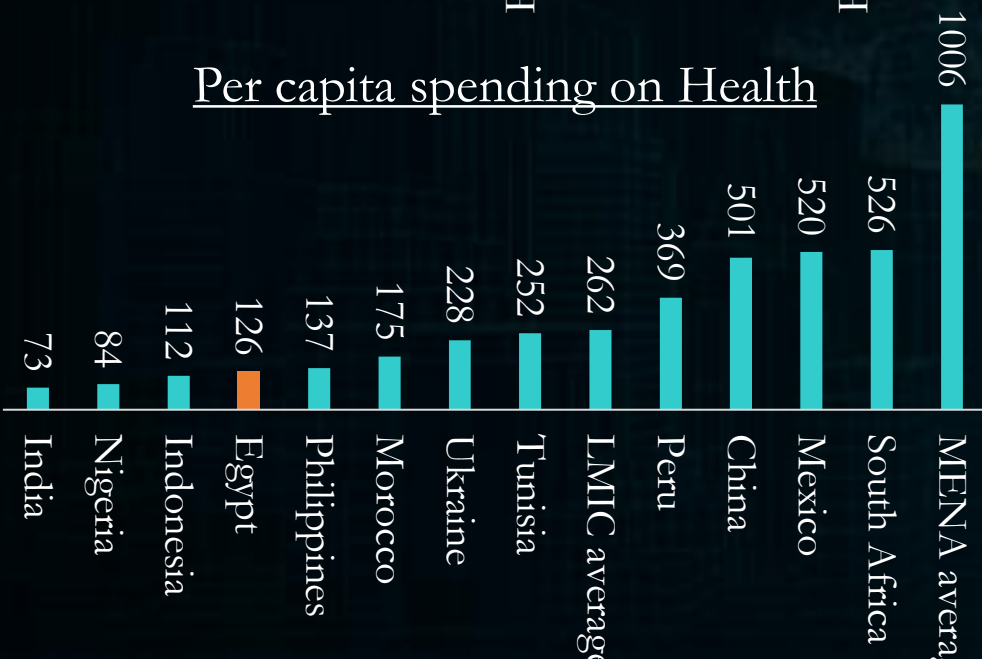


# Financing

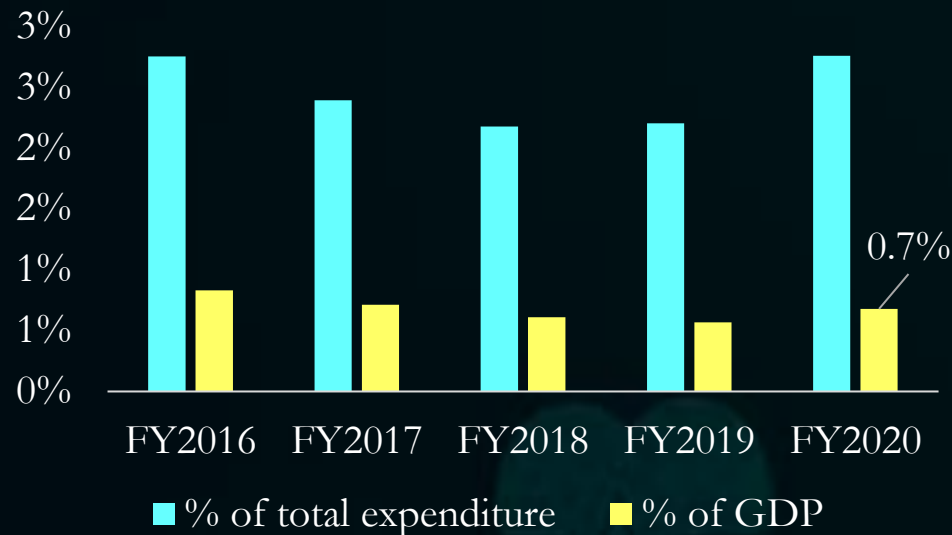
Benchmarking spending on education



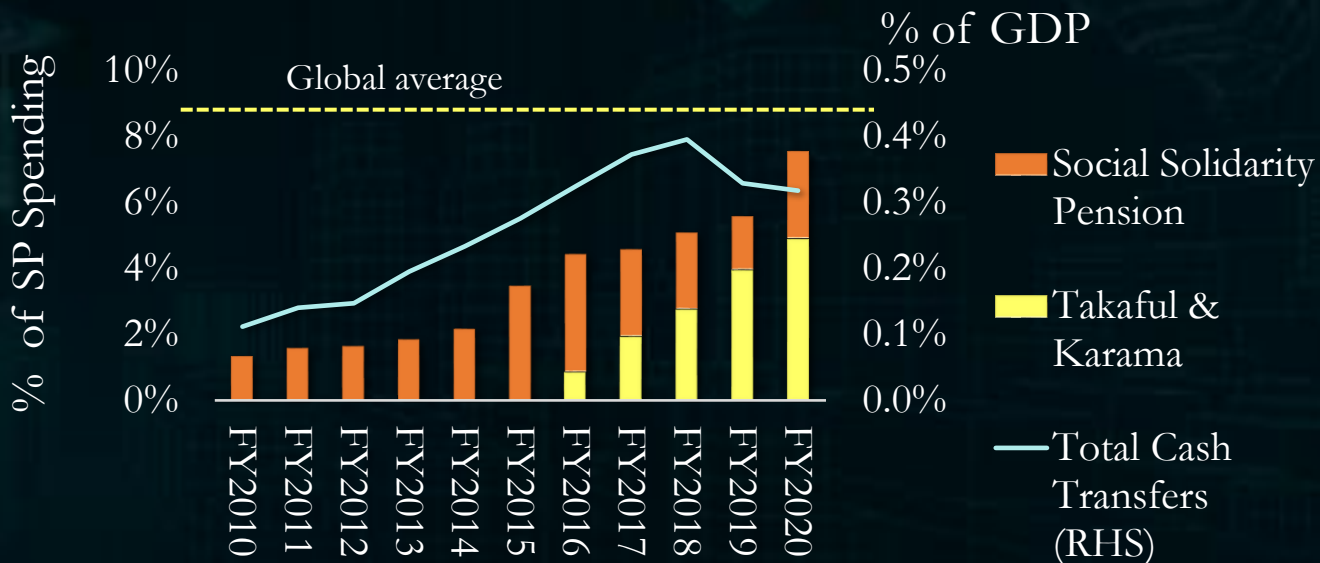
Per capita spending on Health



Spending on Higher Education



Spending on cash transfers





# Implications on Adequacy and Coverage

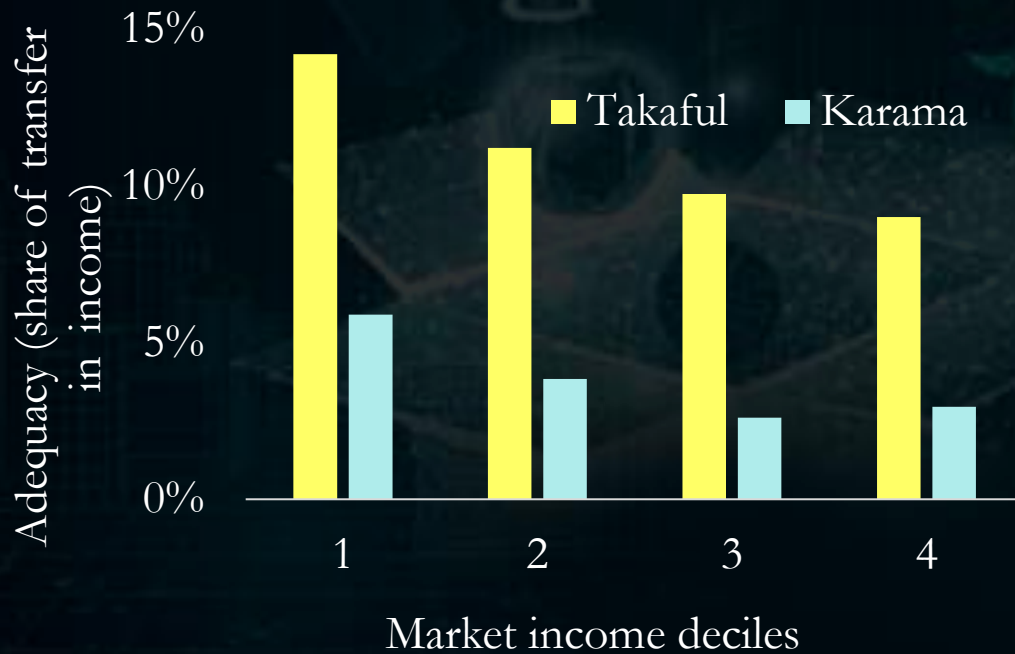


## Takaful & Karama

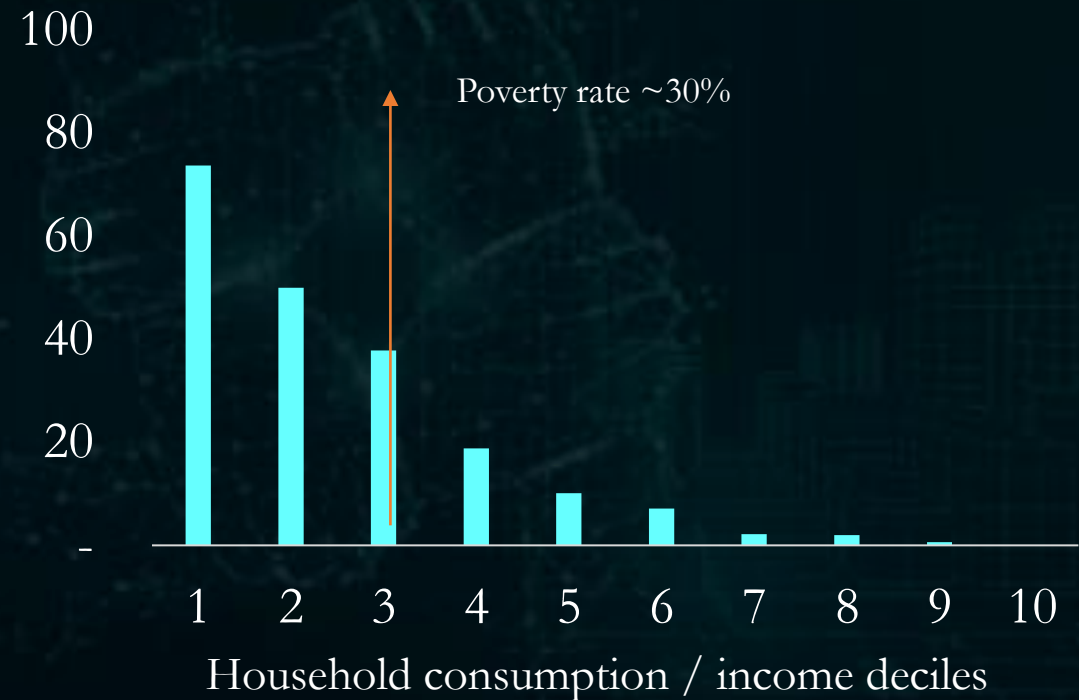
The increased spending was efficiently allocated: 86% of beneficiaries are amongst the poorest 40 percent

..yet, benefit levels are lower than typical CCT programs, and many poor and eligible households do not receive TKP.

Adequacy of in the poorest 40 percent



Coverage of cash transfers



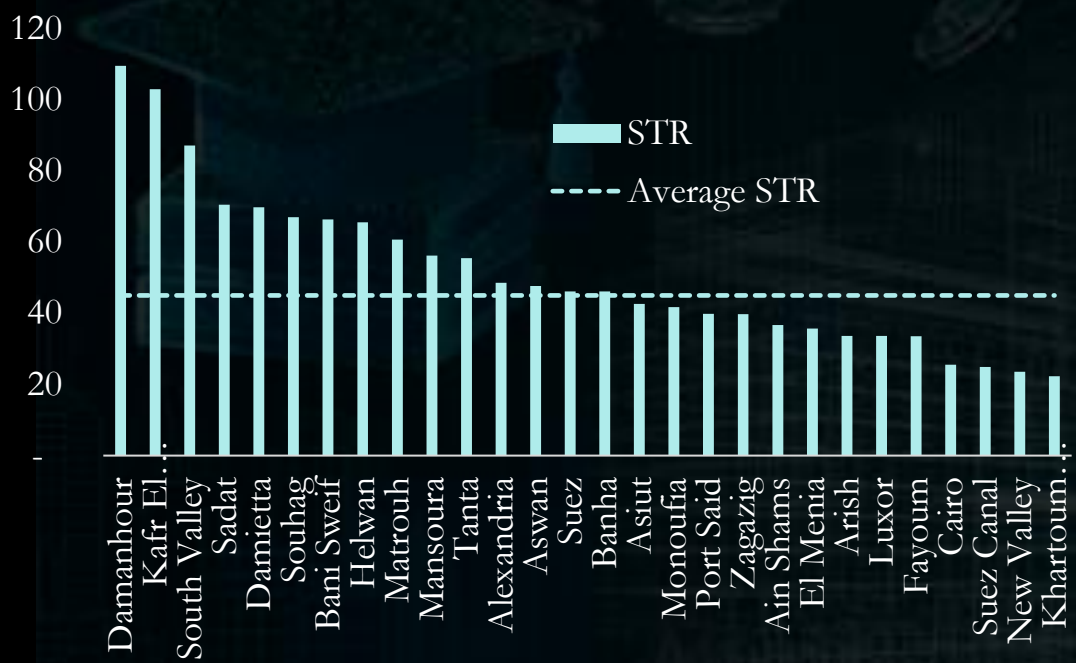
# Implications on Adequacy & Coverage



## Education

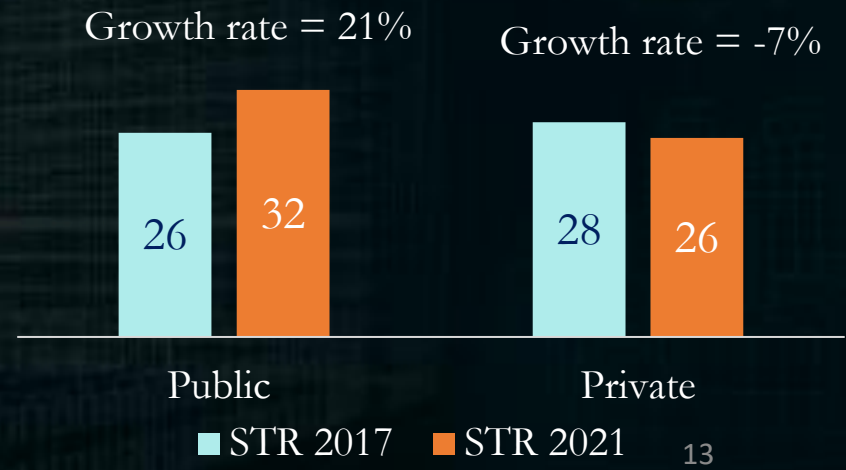
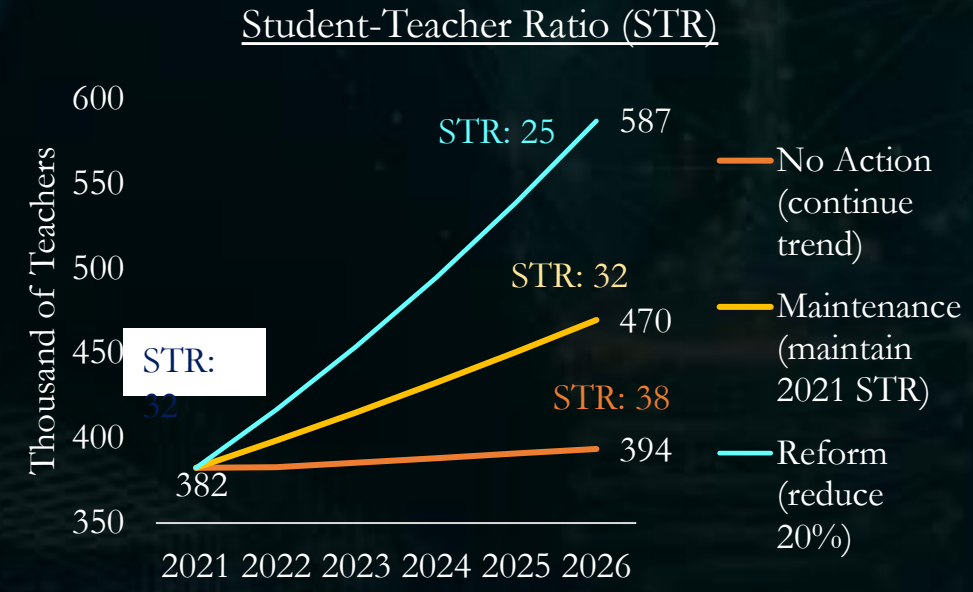
### Higher Education

Substantial variation in STR across public universities and across faculties



Classrooms and teacher shortages are acute, especially in primary schools. Likely to widen without urgent corrective action.

The resource gap between public and private schools is large and growing



# Implications on Adequacy and Coverage

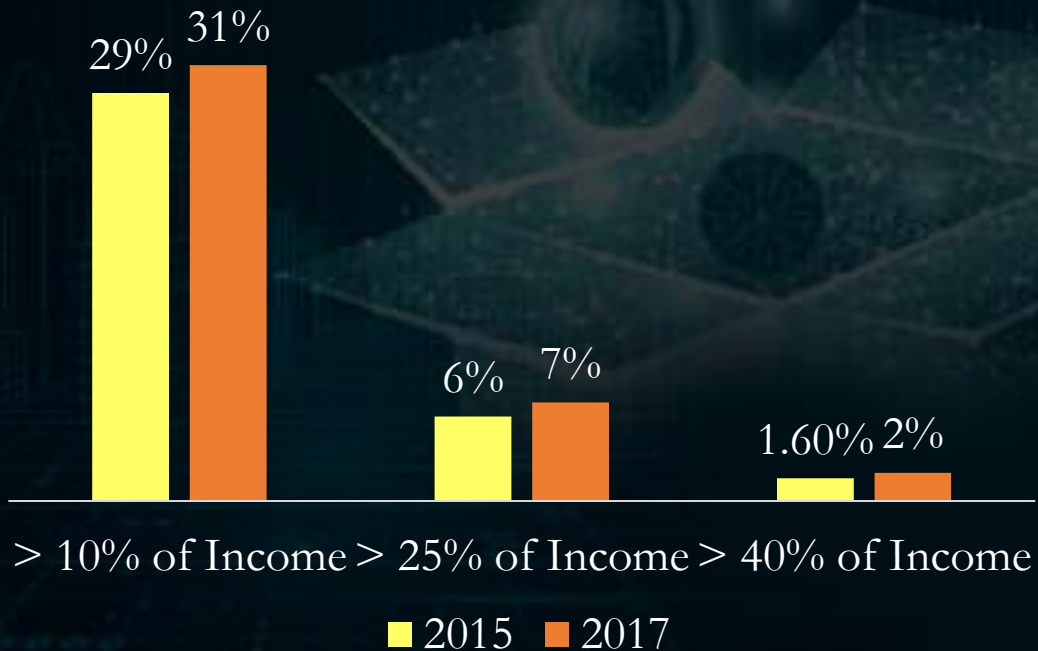


OOP payments remain the dominant source of healthcare financing (62%).

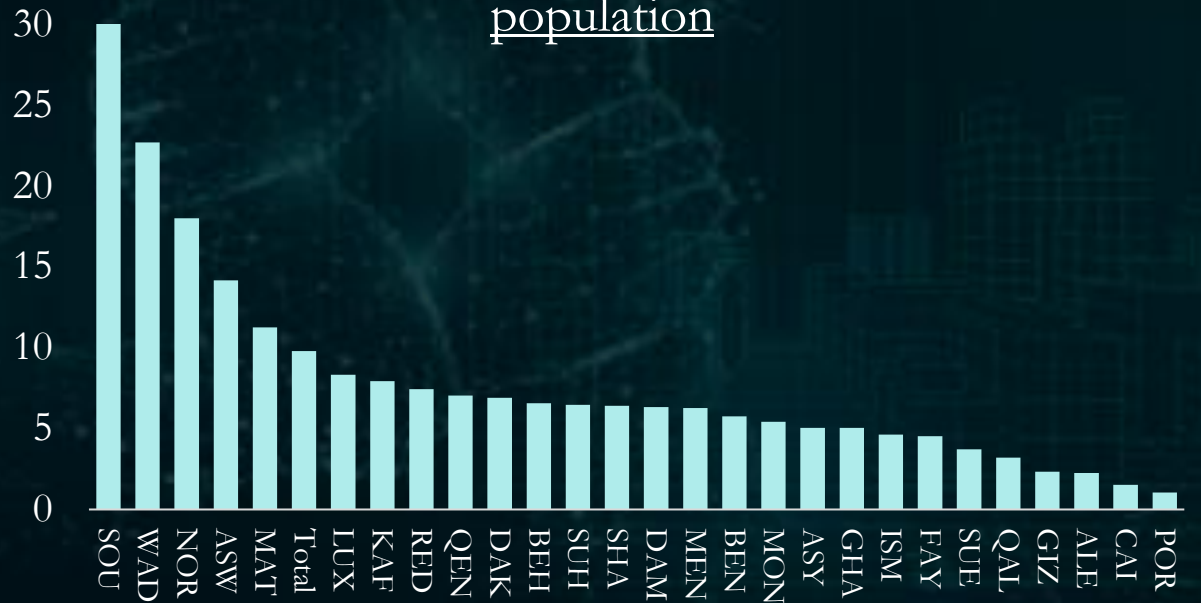
Almost a third of households face catastrophic health expenditures; 7% have been pushed into poverty due to high OOP payments.

The distribution of resources (infrastructure and health workers) across governorates not fully aligned with the needs of the population

HHs Catastrophic Health Expenditure



Number of primary health care units per 100,000 population





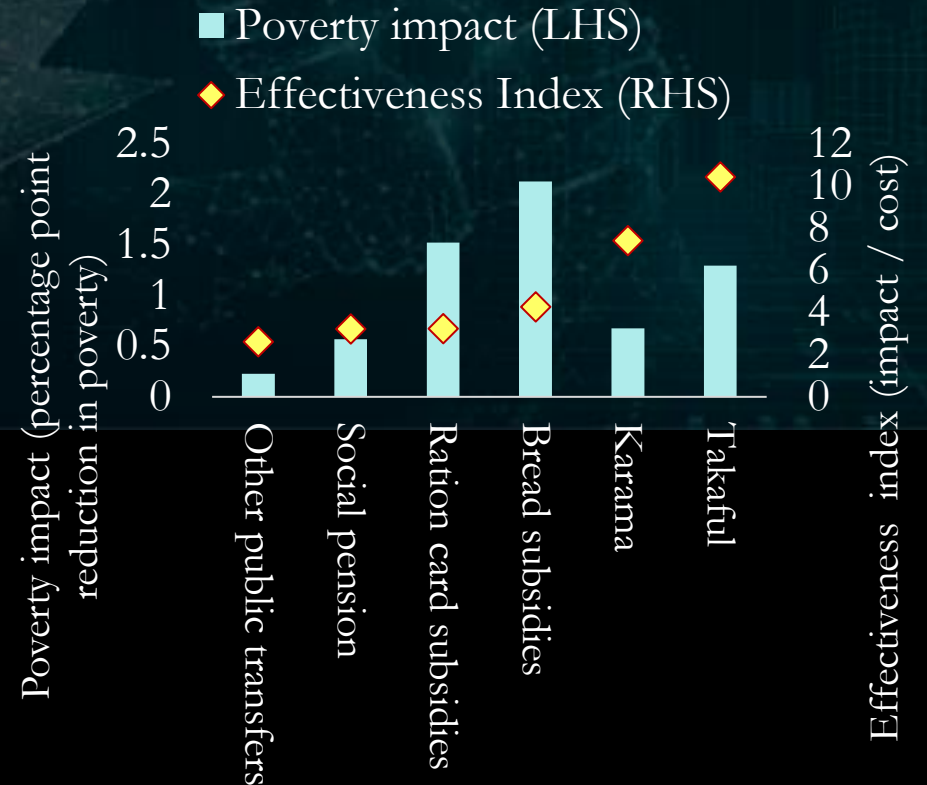
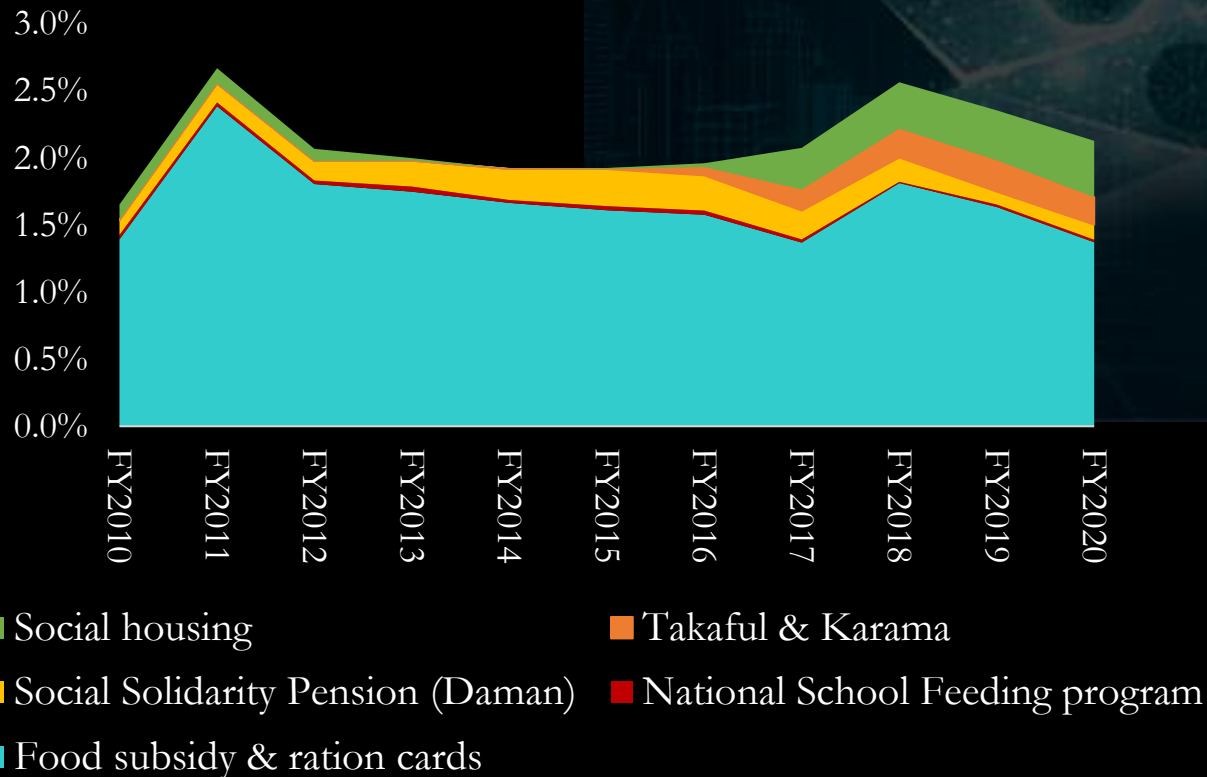


# The Spending Mix



## Social Assistance

- Food subsidies program is the largest SA program (1.4% of GDP); generates significant poverty impacts given its large coverage amongst the poor.
- Cash transfers have higher effectiveness in reducing poverty, meaning their impact on poverty can be higher if using the same resources.





# The Spending Mix



## Education

Learning requires a package of complementary interventions. Spending on education should reflect this careful balance between the various inputs to learning



LEARNERS ARE PREPARED AND MOTIVATED TO LEARN



TEACHERS AT ALL LEVELS ARE EFFECTIVE AND VALUED



CLASSROOMS ARE EQUIPPED FOR LEARNING



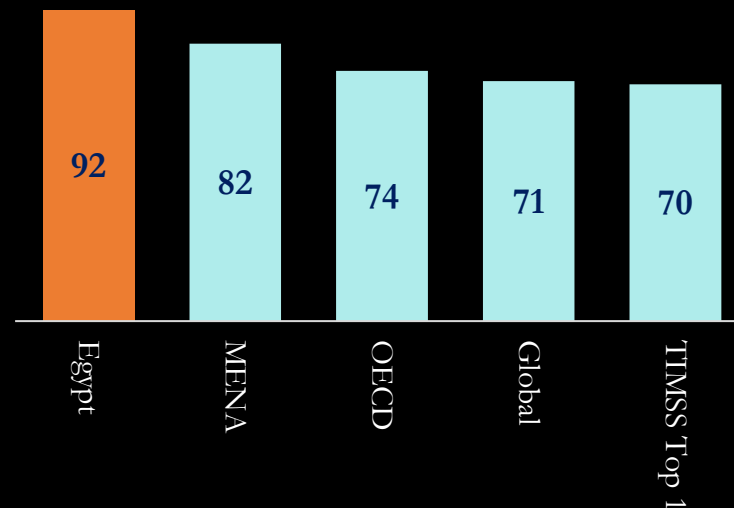
SCHOOLS ARE SAFE AND INCLUSIVE SPACES



EDUCATION SYSTEMS ARE WELL MANAGED

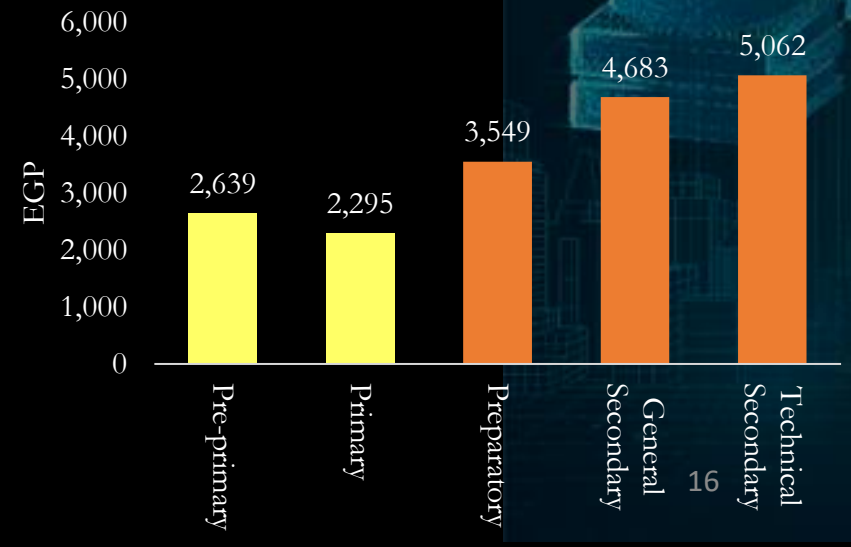
The bulk of public spending is allocated to teachers' salaries.

Share of Spending on Wages



Early grades are underfunded.

Teacher salary spending per student

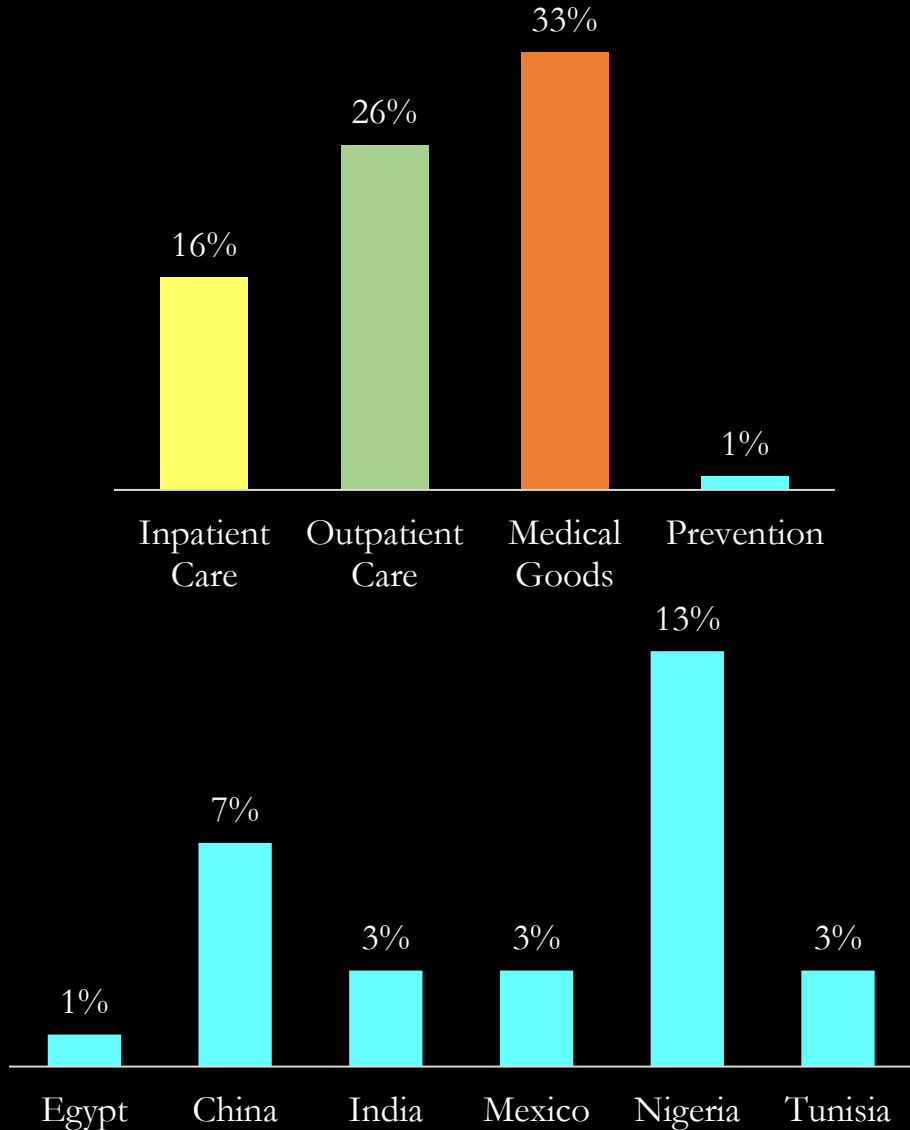




# The Spending Mix



## Health



- Despite being the most cost-effective intervention, preventive care absorbs only 1% of health spending in Egypt - the lowest among all comparator countries.
- A third of current health spending is on medical goods, among the highest shares in comparator countries → public's preference of using private pharmacies as the point of care and lack of prescription enforcement.



# Distribution, Equity and Targeting

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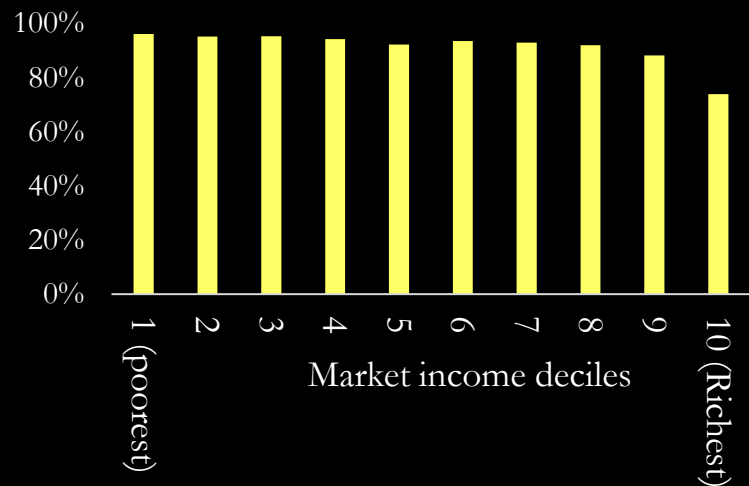
Understanding how education budgets are formulated is imperative to understanding their impact on resource use and distribution.

By exploring the distribution of financial and non-financial resources, the GoE can identify and target segments of the population and geographic regions where additional funding would be most effective.



# Distribution & Targeting

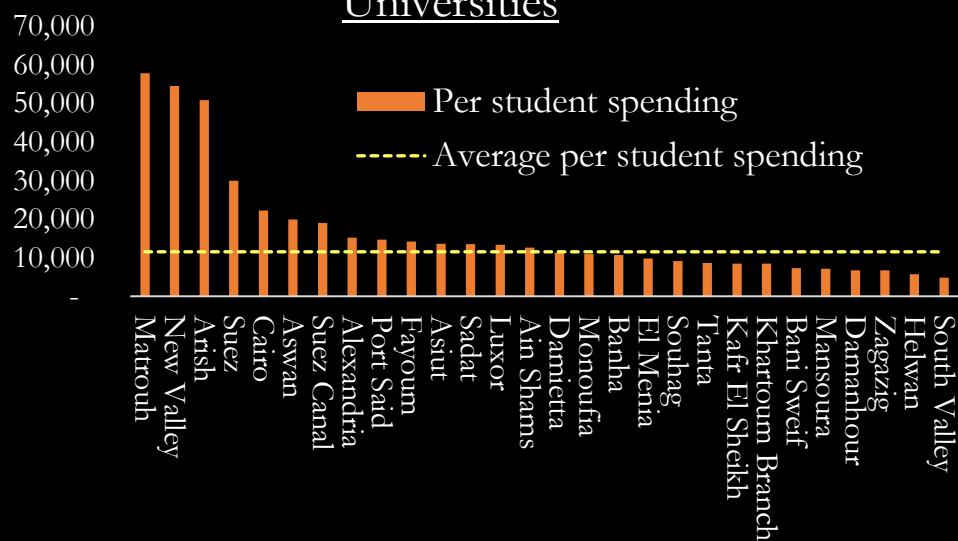
### Food Subsidies Coverage



- The high level of coverage and low allocative efficiency is met with low adequacy.
- Despite recent reforms, more efforts are needed to reduce the system's leakage to wealthier households

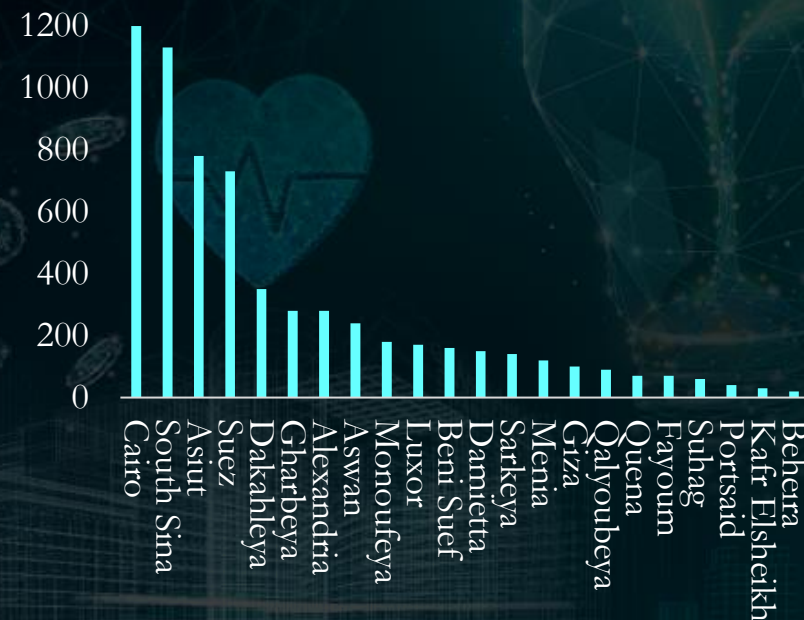
- In the Health sector, large disparities among governorates in the distribution of locally administered funds.

### Government Spending per student across Public Universities



- Per student spending varies substantially across public universities in Egypt.

### Government spending on health per capita (excluding centrally administered programs)

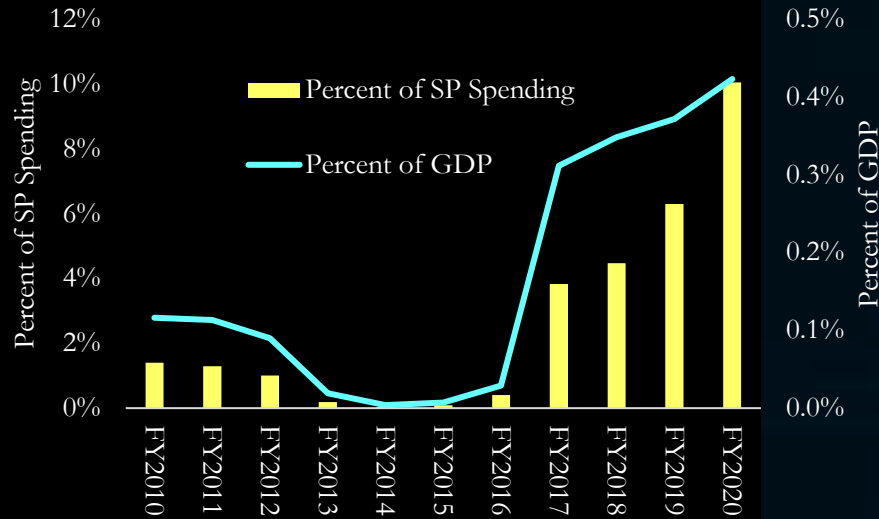




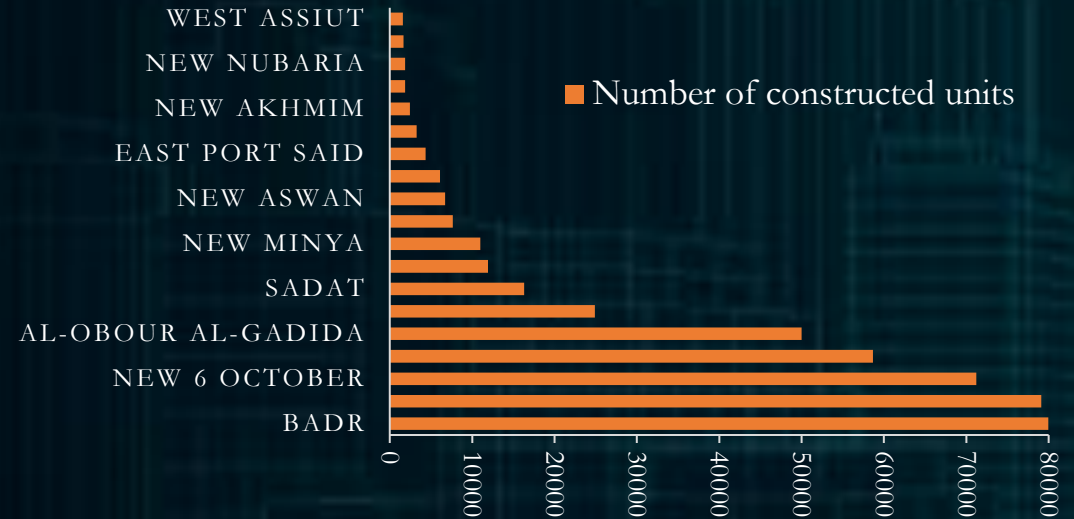
# Social Housing

The program aspires to improve the affordability of housing to lower-income households. Objective: one million housing units over five years.

On-budget spending on Social Housing (% of GDP)



Geographic Distribution of Constructed Units

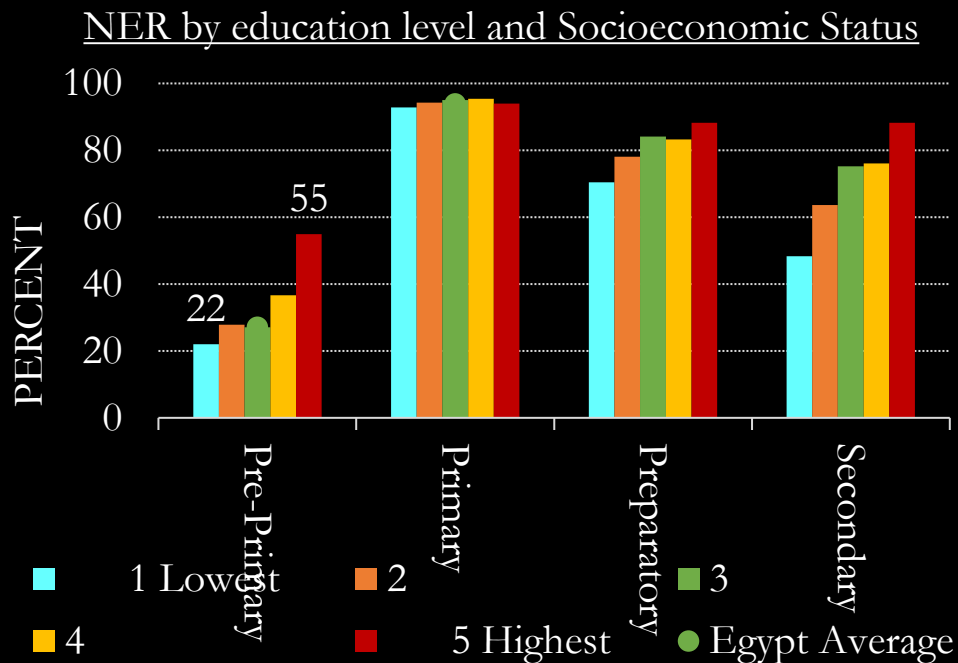


- The program absorbs a large amount of funding from the State budget (0.4% of GDP).
- A complex institutional arrangement → large indirect subsidy.
- The full cost of the program is difficult to capture without a consolidated financial reporting mechanism for all cost borne by different institutions
- The rental component - meant to serve the lowest-income households - did not take off sufficiently after six years of implementation, despite low rent value.

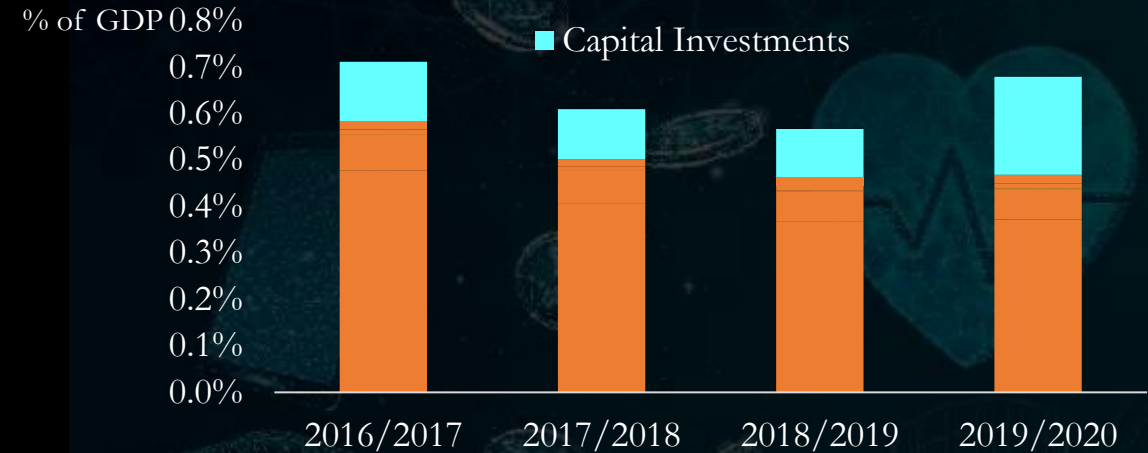
# Equity in Access

## In Basic Education

- pre-primary education not compulsory,
- provision significantly lower than the number of eligible children.
- Only 22% of children from the lowest socioeconomic status households enroll, compared to 55% for the highest.



**In Higher Education:** large expansion in capital spending to establish new technological and national non-profit universities



- Provides students with more education opportunities, reduces pressure on public institutions, and increases competitiveness.
- **BUT** requires measures to:
  - **Ensure equity in access** to reduce socio-economic gaps in enrollment.
  - Improve the ability of public universities to recruit and retain teaching staff.





# Other Cross-Cutting Challenges and Suggested Actions

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## Domestic Revenue Mobilization

Increased spending must be met with enough resources to preserve the fiscal consolidation path.

## Medium Term Planning

Build up institutional capacity at implementing agencies on adopting Medium Term Expenditure Frameworks, prepared jointly with MOF.

## Budgeting process

Depart from historical budget allocations and shift towards clear criteria, service delivery targets and outcomes (formula-based budgeting)

## Workforce Plans

Well-designed mechanisms to improve work conditions to attract and retain the needed qualified human resources. Brain Drain in the Healthcare System

## Data Collection & Performance Monitoring

Integrating Sector's management information systems with budget data to link budget to performance and needs.

# Take Aways



**The PER identifies financing and sector-specific challenges** in three important human development areas: Education, Health and Social Protection.

**Increased government spending is part of the solution.** It should however be associated with sectoral reforms to improve the quality and effectiveness of spending.

**An important consideration: ensure that any increase in spending is managed in a prudent fiscal setting** so that the change is sustainable. Enhancing revenues and reducing low-priority spending are critical.

# Egypt Public Expenditure Review for Human Development

*The investment-heavy task of 'catching up' can  
be mitigated by progressive actions taken today.*

THANK YOU

