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Sustainable Development Goal Diagnostics

The Case of the Arab Republic of Egypt

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Abstract

The United Nations 2030 Agenda and the Sustainable Development Goals are comprehensive and holistic in nature, encompassing 17 goals and 169 targets covering economic, social, and environmental dimensions of development. Countries face the challenge of translating the Sustainable Development Goals into feasible and realistic development plans. This paper provides a simple analytical framework to assist countries in prioritizing across competing Sustainable Development Goals and evaluating data availability to monitor them. The paper offers an analysis of potential financial resources that can be used to finance the investments needed to implement the 2030 Agenda. It uses cross-country regressions of the Sustainable Development Goals to benchmark a country's current outcomes against those of other countries, given levels of gross national income per capita, and projects its levels in 2030 if a statistically significant relationship exists with gross national income per capita. The paper applies the framework to the Arab Republic of Egypt and as such, summarizes Egypt's progress on the Sustainable Development Goals since 2000 and projects expected values for the attainment of future targets by 2030; (b) provides an assessment of Egypt's current capacity to produce the data needed to monitor the Sustainable Development Goals, and (c) assesses options for increasing financing for development. Finally, the paper compares Egypt's economic condition and trends with those of its peers, the Republic Korea and Poland.

This paper is a product of the Office of the Senior Vice President, 2030 Agenda, UN Relations and Partnerships. It is part of a larger effort by the World Bank to provide open access to its research and make a contribution to development policy discussions around the world. Policy Research Working Papers are also posted on the Web at http://www.worldbank.org/research. The authors may be contacted at jverbeek@worldbank.org.

Sustainable Development Goal Diagnostics: The Case of the Arab Republic of Egypt

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Section 1: Introduction

1. The UN 2030 Agenda and the Sustainable Development Goals (SDGs), adopted by the world's leaders in September 2015, are comprehensive and holistic in nature, encompassing 17 goals and 169 targets covering economic, social, and environmental dimensions of development (UN 2015). The ambitious agenda stipulates that no one shall be left behind, and that all shall benefit fully from the fruits of development across the SDGs. Individual countries now face the tough challenge of translating this agenda into feasible and realistic development plans that, while reflecting their initial conditions and priorities, remain ambitious enough to achieve the desired SDG outcomes.

2. This paper builds on the SDG Country Development Diagnostic framework in Gable et al (2015) (see Box 1) in three ways. First, the diagnostic expands the coverage of the SDGs. Under the earlier framework, only a subset of SDG indicators was known; the updated framework now incorporates all SDG targets and indicators for which data are available. Second, the paper analyzes the availability of data at the country level and discusses, although briefly, a country's capacity to generate data. Third, the financing framework has been updated to better reflect the approach put forth by the MDBs and the IMF during the third international conference on financing for development held in Addis Ababa in June 2015.[1]

3. Following the above-referenced Gable framework, this country note is designed to provide an initial picture of the challenges that the 2030 Agenda and the SDGs pose for the Arab Republic of Egypt. Its findings cannot singularly guide policy; however, it should be seen as an input into policy discussions. The note may also serve as a starting point for a more complete country development diagnostic as well as a more comprehensive country-focused analysis. While data and results for all available SDG-related indicators have been processed, the analysis is built around tables and figures that provide data for a selection of SDG target indicators as well as indicators specifically related to financing for development.

4. An increase in financing for development is critically important: while the policy framework and the engagement of the private sector may vary widely by country, rapid progress on the SDG agenda will certainly require efficient and carefully prioritized public spending. Drawing on the information derived from these tables and figures, this note: (a) summarizes Egypt's SDG progress since 2000 and projects expected values for the attainment of future SDG targets by 2030; (b) provides an assessment of Egypt's current capacity to produce the data needed to monitor the SDGs, and (c) assesses options for increasing financing for development. Sections 2 and 3 address SDGs and data as well as financing for development, respectively, while the findings are summarized in Section 4.

[1] See http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23659446/DC2015-0002(E)FinancingforDevelopment.pdf.

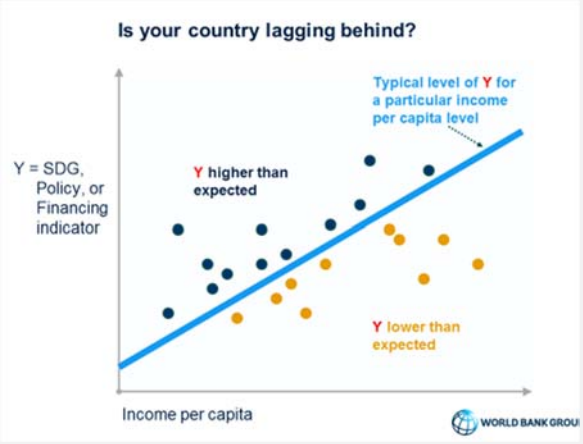
Box 1: The trajectory framework explained in four simple steps

In assessing the 2030 Agenda and the SDGs, the global community will need to be cognizant of challenges related to implementation, data availability, and financing at the country level. This will necessitate integrated discussion of the development goals and the associated financing framework. The questions that the framework helps to address include: For any country, what would be a set of feasible development targets for 2030 if the country were to develop with the current income projections? What policy areas should the country's government consider accelerating progress? How could it create the fiscal resources needed to achieve more ambitious development outcomes? More concretely, the framework benchmarks country performance in SDGs, policies, and other determinants (i.e., the factors that influence SDGs). It makes projections for SDGs to the year 2030, assesses data availability to monitor the SDGs, provides an initial analysis of potential spending adjustments, and discusses sources of financing for development. Cross-country regressions of SDGs and their determinants on GNI per capita also play a central role in the analysis.

The infographics below present a simplified visual overview of the framework. As illustrated, the analysis is made up of four steps:

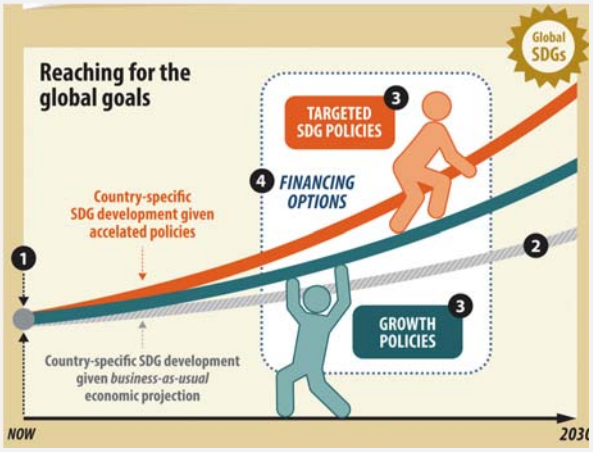
- **STEP ONE** benchmarks a country's current SDG outcomes against those of other countries, given levels of GNI per capita (see box Figure 1).
- **STEP TWO** projects a country's Business-As-Usual (BAU) levels for the SDGs in year 2030, drawing on GNI per capita projections (see box Figure 2).
- **STEP THREE** assesses how to achieve more ambitious outcomes than those suggested by the BAU projections. To this end, it evaluates the link between each SDG and GNI per capita and determines whether a strong empirical relationship exists; if so, growth-oriented policies are suggested to be prioritized to bolster the progress as well as future attainment of the SDG in question. In addition, step three of the analysis benchmarks the current levels of the determinants of the various SDGs as well as compares them to those of other countries to evaluate policy and spending priorities. Determinants for which a country is significantly lagging relative to other countries with a similar level of GNI per capita are selected for special consideration.
- **STEP FOUR** addresses challenges related to expanding financing for development. In this context, the analysis considers a country's options for creating financing space (i.e., through additional financing and/or government efficiency gains) by looking at its current situation compared to what is expected for a typical country at its GNI per capita. These findings for financial space are then compared with the assessment of policy and spending priorities identified in step three.

Figure 1: Step 1 of the framework



Source: Gable et. al. (2015)

Figure 2: Step 2, 3 and 4 of the framework



Source: Gable et. al. (2015)

5. The analysis is done from a cross-country perspective. For the different indicators selected to measure the SDGs, Egypt's performance and prospects are benchmarked relative to other countries based on a careful consideration of its past, present, and projected levels of GNI per capita.[2] The latter variable tends to be highly correlated with many of the SDGs and the factors that determine their evolution; given this, it is used as a summary indicator of a country's capacity to provide and efficiently utilize inputs that contribute to progress on the SDGs (i.e., health and education services) and to fulfill target SDG outcomes (such as strong health and education results).[3]

6. Prior to beginning our analysis, we note that the Egyptian government has been proactive in pursuing the 2030 Agenda. In March 2015, Egypt launched its strategy for tackling the agenda, titled "Egypt's Vision 2030" (Ministry of International Cooperation 2015). The 2030 Sustainable Development Strategy (SDS)[4] highlights the importance of various sectors critical to Egypt's long-term development and sets out principles and guidelines towards the realization of the country's developmental goals. With emphasis on the economic, social, and environmental dimensions, the Egyptian government is keen to achieve social justice, innovation, economic development, and a healthy environment in pursuit of improving the quality of life in Egypt by 2030 (Egyptian Government 2017).

7. At the High Level Political Forum (HLPF) in July 2016, the Egyptian government was one of the 22 Member States that exhibited progress towards implementing the SDGs. In sum, the HLPF calls upon Member States to participate as equal contributors in carrying out the 2030 Agenda; further, the forum provides guidance and recommendations on the implementation and follow-up of the 2030 Agenda as well as addresses new and emerging issues related to the SDGs (United Nations 2017). The current study builds upon this extensive body of work by providing an analytical framework that can assist the Egyptian government with conducting an initial prioritization among the many objectives and targets set by the 2030 Agenda.

8. This country note furthermore provides a data-driven analysis relevant to the development of an SDG strategy for Egypt, classified as a lower-middle income country.[5] Over the period spanning 2000-2015, Egypt's annual per capita GDP growth rate (at constant 2010 U.S. dollars) averaged only 2.1 percent; this can be compared to the average of 4.2 percent for lower-middle income countries, or the world average of 1.5 percent. Although Egypt's economy performed well during 2003-2008, and demonstrated resilience in response to the global financial crisis, the country subsequently experienced both political uncertainty as well as economic instability in the wake of the 2011 and 2013 demonstrations. The growth rate plummeted following these events and macroeconomic imbalances – particularly, the fiscal and current account deficits, and the government debt burden – sharply worsened.

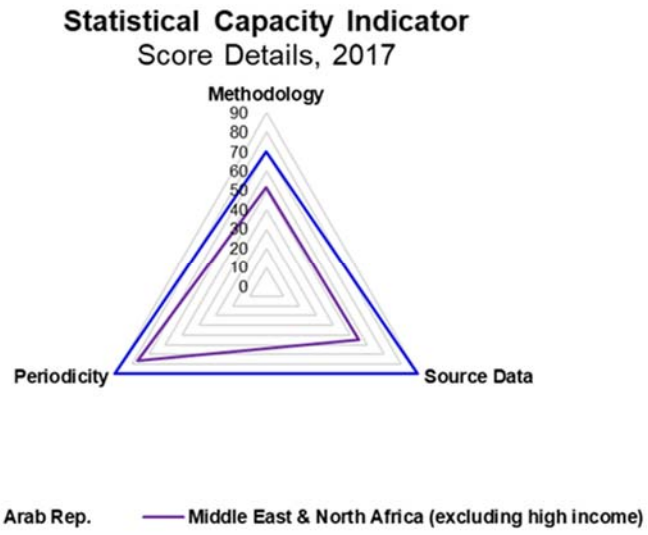
[2] While a cross-country perspective provides an important complement to analysis that is centered on an individual country, it is by definition limited to analysis of variables that are available in cross-country databases.
[3] This does not mean that GNI per capita is viewed as a direct or the only determinant of SDG outcomes; on the contrary, a major challenge for policy makers is to identify policies that improve SDG performance relative to what is expected given the level of GNI per capita. A second challenge is to raise growth in GNI per capita as it indirectly influences country SDG capacity.
[4] See http://sdsegypt2030.com/?lang=en for a detailed description.
[5] For the current year, the World Bank defines lower-middle-income economies as those with a GNI per capita between $1,026 and $4,035 (calculated using the World Bank Atlas method). Visit https://datahelpdesk.worldbank.org for more details.

9. Despite the challenging conditions, Egypt's domestic and external vulnerabilities have recently exhibited a notable decline in part due to the implementation of structural reforms such as the devaluation of the Egyptian pound and efforts to consolidate the large fiscal deficit. Nonetheless, while the country's economic foundation is beginning to strengthen and growth has begun to recover, further progress is dependent on deepening these reforms as well as continuing the implementation of measures to address persistent macroeconomic distortions. Such steps will be critical to reduce unemployment, increase exports, alleviate malnutrition, and tackle social and regional disparities with respect to health care provision, access to quality education, and the immediate reduction of poverty (IMF 2016).

Section 2: Sustainable Development Indicators: History and Projections

10. In 2015, country representatives at the United Nations collectively agreed upon 17 goals, 169 targets, and over 230 indicators. However, limited data availability in most countries poses monumental challenges to track progress towards achievement of the 2030 Agenda and evaluate the impact of policy instruments on the SDGs.[6]

Figure 1: Egypt's Detailed Statistical Capacity Score as Compared to MENA Region.[7]



Source: World Bank Statistical Capacity Country Profile, 2017.

a. Data Availability and Statistical Capacity

11. In the case of Egypt, international comparable data appear to be lacking. However, according to the World Bank Statistical Capacity Country Profile in Figure 1, we observe Egypt's score to be 83.3 on a scale of 100; this appears to be much higher than the average score of 61.02 for the Middle East and North Africa region (with the exclusion of high income countries)

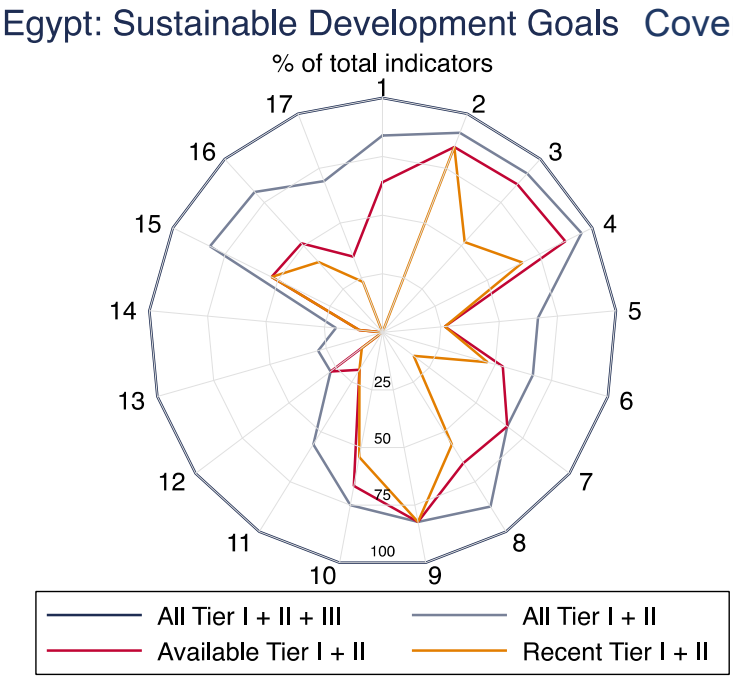
[6] The data that we use in this note are collected from two main sources: the UN's Sustainable Development Goals Database (http://unstats.un.org/sdgs/) and The World Bank World Development Indicators (http://datatopics.worldbank.org/sdgs/).

[7] The World Bank's Statistical Capacity Indicator is a composite score assessing the capacity of a country's statistical system. It is based on a diagnostic framework assessing the following areas: methodology; data sources; and periodicity and timeliness. Countries are scored against 25 criteria in these areas, using publicly available information and/or country input. The overall Statistical Capacity score is then calculated as the average of all three area scores on a scale of 0-100.

("Statistical Capacity Indicator Dashboard" 2017). Further, the Source Data Available in the World Bank Microdata Library indicate that the surveys included in the analysis, with the exception of "complete vital registration system" survey, are unavailable; additionally, poverty data - particularly the poverty gap ratio – are listed on Egypt's country profile as also being unavailable, and the data available for education are quantitative (i.e. primary completion rate) as opposed to qualitative (i.e., teacher training). In spite of these deficiencies, the cumulative score of 83.3 suggests that Egypt has the capacity to collect and manage more comprehensive data that will allow for better coverage for the purposes of monitoring the SDGs. Considering the evidence suggesting Egypt's potential in this arena, further investigation to address the current limited availability of internationally comparable data as well as issues related to regional disparities should be assessed.

12. Figure 2 offers a visual representation of SDG data coverage for Egypt. In addition, Table 1 provides a summary of the availability of data for the SDG indicators (Egypt's statistical capacity will be further discussed later in this note). To overcome existing data limitations, the UN SDG data have been complemented with alternative indicators available mainly through the World Bank (organized by theme, i.e. health, education, etc.).

Figure 2: Egypt's SDGs Data Availability by Tier and Compared to the World.[8]



Source: World Bank Staff predictions with UN-SDG Data. March 22, 2017.

[8]According to the UN (https://unstats.un.org/sdgs), each SDG indicator is classified into three tiers based on their level of methodological development and data availability; the number of indicators for each SDG varies. The classification of tiers is as follows: (a) **Tier I:** indicator is conceptually clear, established methodology and standards available and data regularly produced; (b) **Tier II:** indicator conceptually clear, established methodology and standards available by data are not regularly produced; and (c) **Tier III:** indicator for which there is no established methodology and standards and methodology/standards are being developed/tested. Figure I shows all data categorized by tier available to the world, all Tier I and Tier II data, and then compares it to the available Tier I and Tier II data available in Egypt as well as recent Tier I + Tier II data, measured at =<5 years.

13. Table 2 lists selected indicators per SDG goal that are deemed significant to the Egyptian narrative; further, a complementary analysis is provided within the note disseminating the current and projected performance of the indicators (with the exception of indicators related to SDG 13, Climate Action, and SDG 16, Peace, Justice and Strong Institutions, which have been excluded from this study due to a lack of data). For the selected indicators, the table summarizes data for Egypt: historical evolution; actual and expected values for a recent year; and the projected 2030 values. In Annex 1, the figures representing the selected indicators for SDGs 1-12, and 14, 15 and 17 present the data for Egypt in the context of the estimated cross-country relationship between each indicator and GNI per capita.

14. The data used in this note are based on national averages; with that being said, domestic regional disparities should be considered given the government's focus on addressing the large discrepancies between the urban and rural poor, particularly with respect to those residing in Upper Egypt. Such a region-specific and more granular approach to collecting and interpreting the data will enable policy makers to devise better-targeted interventions to address the pockets of extreme poverty and deprivation in the country (Ministry of International Cooperation, n.d.).

Table 1: Egypt – Summary of data coverage for SDG indicators.

Category	Total	Missing	Available	Over	As Expected	Under
SDG Goal 01: No Poverty	30	15	15	4	2	9
SDG Goal 02: Zero Hunger	18	5	13	4	0	9
SDG Goal 03: Good Health and Well-Being	51	2	49	28	2	19
SDG Goal 04: Quality Education	92	50	42	13	10	19
SDG Goal 05: Gender Equality	32	15	17	6	9	2
SDG Goal 06: Clean Water and Sanitation	52	38	14	6	1	7
SDG Goal 07: Affordable and Clean Energy	5	0	5	3	0	2
SDG Goal 08: Decent Work and Economic Growth	127	89	38	15	4	19
SDG Goal 09: Industry, Innovation and Infrastructure	22	0	22	18	1	3
SDG Goal 10: Reduced Inequalities	5	4	1	1	0	0
SDG Goal 11: Sustainable Cities and Communities	12	4	8	2	0	6
SDG Goal 12: Responsible Consumption and Production	10	0	10	1	0	9
SDG Goal 14: Life Below Water	3	0	3	2	1	0
SDG Goal 15: Life on Land	17	0	17	6	2	9
SDG Goal 17: Partnership of Goals	12	4	8	4	2	2

Table 2: Egypt, SDG Indicators – Evolution since 2000, real/actual versus expected levels + projections to 2030, real/actual versus expected levels + projections to 2030.

Indicator	Actual		Comparators	Projection	Percentile ranking		
	2000	Recent	Recent	2030	2000	Recent	Change
SDG Goal 01: No Poverty							
Poverty, at $1.90 a day (PPP) (% of population)	2.0	1.4	5.2	0.7	77.8	-15.9	4.1
15-24 Proportion of employed population below the international poverty line of US$1.90 per day (the working poor)	14.6	11.6	6.5	7.0	58.3	38.3	-20.0
Proportion of the poorest quintile population covered by social assistance programs		21.3	8.1	28.3		67.9	
SDG Goal 02: Zero Hunger							
Proportion of wasted children under the age of 5 years	6.4	9.5	4.5	7.7	55.8	22.1	-33.7
Proportion of overweight children under the age of 5 years	14.8	15.7	6.1	17.2	9.8	6.1	-3.7
SDG Goal 03: Good Health and Well-Being							
Infant mortality rate	37.0	20.3	23.4	15.3	53.4	57.1	3.8
Number of deaths attributed to cardiovascular disease	195.0	241.9	20.3		4.1	4.9	0.8
Under-five mortality rate	46.5	24.0	29.3	17.4	52.6	57.9	5.3
SDG Goal 04: Quality Education							
Proportion of teachers in primary education who have received at least the minimum organized teacher training (e.g. pedagogical training) pre-service or in-service required for teaching at the relevant level in a given country		72.7	82.7	80.2		24.2	
SDG Goal 05: Gender Equality							
Proportion of women aged 20-24 years who were married by age 18		17.4	16.3	13.1		65.0	
SDG Goal 06: Clean Water and Sanitation							
Proportion of population using improved sanitation facilities	84.3	94.7	54.7	96.5	77.9	86.0	8.1
Proportion of the population using improved drinking water sources	95.8	99.4	83.5	99.6	88.1	88.9	0.7
SDG Goal 07: Affordable and Clean Energy							
Proportion of the population with access to electricity	97.7	100.0	60.1	100.0	81.0	72.3	-8.8
SDG Goal 08: Decent Work and Economic Growth							
15-99 Unemployment rate	9.0	12.8	6.9		50.0	17.9	-32.1
Proportion of youth not in education, employment, or training		27.9	17.9			29.4	
SDG Goal 09: Industry, Innovation and Infrastructure							
Manufacturing value added share in GDP at constant 2010 United States dollars	16.2	16.3	9.0		76.3	80.7	4.4
SDG Goal 11: Sustainable Cities and Communities							
Proportion of urban population living in slums	28.1	10.6	31.0	8.1	83.7	98.0	14.3
SDG Goal 12: Responsible Consumption and Product							
Domestic material consumption per capita	6.8	8.9	5.8	10.9	30.0	21.5	-8.5
SDG Goal 14: Life Below Water							
Coverage of protected areas in relation to marine areas	25.0	33.3	22.1		83.1	78.7	-4.5
SDG Goal 15: Life on Land							
Red List Index	1.0	0.9	0.8		82.1	71.6	-10.4
SDG Goal 17: Partnership for the Goals							
Debt service as a proportion of exports of goods and services	8.5	12.7	5.3		57.7	15.4	-42.3
Memorandum item							
GNI per capita (constant 2005 US$)	2050.4	2588.7		4607.1	37.4	31.1	

1. Recent refers to the latest year with data (typically 2011 or 2013). If data is not available for 2000 or 2015, the closest earlier year with data is used, however, the data is never older than 1998 for "2000" or 2010 for "recent." The year for country specific data can be found in the respective graphs. Expected refers to the expected level of the indicator at the country's GNI per capita, given the cross-country pattern between the indicator and GNI per capita. If the relationship is loose, the confidence interval for the expectation in question is relatively wide.
2. Green = Currently significantly over-performing; Red = Currently significantly under-performing; Black = Performing as expected.
3. Projections for 2030 are not provided if the cross-country relationship is not considered sufficiently tight (see criteria earlier in the note). For internet use, a projection is not made, despite a tight relationship, since the expected line shifts significantly even in the medium run due to external forces such as technological development.
4. A high ranking signals strong performance; for the underlying indicator, this may correspond to a relatively high value or relatively low value. The ranking for an indicator is not reported if the available sample is less than 20.

Table 3: Egypt – Summary of results for SDG indictors.

Cross-country relationship with GNI/cap	Over-performing	As Expected	Under-performing
Tight $r^2 > 0.3$	Poverty headcount (-) Under-5 mortality (+) Improved water sources (+) Access to electricity (-) Urban slums (+)	Youth literacy rate (+)	Domestic material consumption (-) Social assistance programs (-) 15-24 Employed population below intl. poverty line (-) Trained teachers (x)
Moderately tight $0.3 > r^2 > 0.1$	Labor share of GDP (+)		Wasted children (-) Overweight children (-) Unemployment rate (x)
Loose $r^2 < 0.1$	Manufacturing share of GDP (+) Protected marine areas (+) Threatened species (-)		Debt service (-)

(+) = larger country rank improvement (or smaller drop) 2000-2015 than for GNI per capita, (-) = larger drop 2000-2015 than for GNI per capita, (x)= rank for GNI per capita is not available.

15. Table 3 assesses the cross-country relationship between GNI per capita and the SDG indicators. The r^2 coefficient is a statistical measure produced by the regression that represents the goodness of fit of the model. In other words, the coefficient determines to what extent the relationship between GNI per capita and the specific indicator are correlated. As noted by the table above, a "tight" relationship, or otherwise strong empirical correlation, is assumed when r^2 is greater than 0.3; likewise, a moderately tight relationship is represented by $0.3 > r^2 > 0.1$; lastly, $r^2 < 0.1$ is indicative of a loose relationship.

b. Projections and SDG Impact

16. Egypt's projected average annual rate of GNI per capita growth until 2030 is 3.7 percent.[9] The projected SDG values reflect what can be expected given a country's starting point, its projected growth in GNI per capita, typical rates of progress according to cross-country patterns, and a gradual convergence to close gaps between observed and expected values.[10] Projections of the SDG indicators are produced when the cross-country relationship between the indicator and GNI per capita has either a strong ("tight") or weak ("loose") empirical correlation.[11] A loose

[9] Projections from CEPII are used for this projection and other Country Development Diagnostics applications given their wide country coverage and well-documented methodology; OECD data have been used when projections have been missing. In the projections, it is assumed that future GNI growth will coincide with future GDP growth (both expressed in constant 2005 US$) given that this is the variable that CEPII and other sources project. It should also be reiterated that the GNI per capita growth projection is based on an underlying Business-as-Usual (BAU) assumption.
[10] Given that (i) SDGs have extreme values (such as 100 percent for improved water) and (ii) the current SDG level never is exactly as expected given GNI per capita, the projected values gradually converge toward the expected values. For example, for a country that over-performs in water access, as GNI per capita increases the extent of over-performance gradually declines, so that when the expected value is 100, over-performance has reached zero.
[11] A tight enough relationship is defined as an R2>0.3 (tight) or 0.3>R2>0.1 (moderately tight), while R2<0.1 are defined as loose.

relationship suggests that progress in the indicator is a reflection of country-specific factors and that it should not be expected to respond strongly to changes in GNI per capita. When the relationship to GNI per capita is loose, the coefficients are typically small (in absolute terms); given this, the "expected" values for a recent year are close to the average for all low- and middle-income countries.[12]

17. As we shall see in the following paragraphs, Egypt's overall results, based on this analysis, are quite mixed as each SDG goal paints a different story. However, as previously emphasized, the key conclusion is that the Egyptian narrative is one that significantly lacks internationally comparable data.

18. With respect to nine of the 15 SDGs under study, Egypt is performing better than expected given its GNI per capita vis-à-vis the other countries in its peer group (i.e., those sharing a similar GNI per capita level). This performance indicates that Egypt experienced sustained developmental gains in previous years, which were preserved notwithstanding the turbulence of the post-2008 period. The nine SDG goals in which Egypt is doing comparatively well are listed below:

- SDG 01: No Poverty
- SDG 03: Good Health and Well-Being
- SDG 06: Clean Water and Sanitation
- SDG 07: Affordable and Clean Energy
- SDG 09: Industry, Innovation, and Infrastructure
- SDG 10: Reduced Inequalities
- SDG 11: Sustainable Cities and Communities
- SDG 14: Life below Water
- SDG 15: Life on Land

19. For SDG 5, Gender Equality, the current projections indicate that Egypt is performing as expected.

20. As for the five remaining SDG Goals for which data are available, we see that Egypt appears to be significantly under-performing. These goals, listed below, are measured by indicators that are arguably of utmost importance in terms of fulfilling the 2030 Agenda:

- SDG 02: Zero Hunger
- SDG 04: Quality Education
- SDG 08: Decent Work and Economic Growth
- SDG 12: Responsible Consumption and Production
- SDG 17: Partnership for Goals

21. As seen in Table 2, Egypt's GNI per capita ranking among low- and middle-income countries decreased from the 37th percentile to the 31st percentile between 2000 and 2014; this

[12] In addition, the confidence interval is wide in the case of a loose relationship, suggesting that any conclusion on over or under performance is made with wide margins. Statistically, even though their confidence intervals are wide, as long as the estimated coefficient linking GNI per capita to the SDG indicator is non-zero, these values are closer than the cross-country average to what is expected for a specific country. The same observation applies to expected values for financial space indicators.

decline was exacerbated in the aftermath of the 2011 demonstrations, as GNI per capita since 2010 essentially flat-lined (growing on average only about 0.1 percent per annum). In spite of this, Egypt has improved in some important SDG indicators at a rate faster than GNI per capita growth: **under-five mortality rate; infant mortality rate; improved drinking water sources; access to electricity; access to improved sanitation facilities; labor share of GDP; population living in urban slums; and protected marine areas**. However, in other equally critical SDG indicators, Egypt's performance has deteriorated at a rate greater than GNI per capita growth: **overweight children; malnourished children; trained educators; proportion of youth not enrolled in education, employment, or training; unemployment rate; and debt service**.

22. Commencing our analysis with SDG 1, No Poverty, we observe that Egypt is performing well relative to its peers with respect to percentage of population living below the international poverty line (2011 PPP USD $1.90 per day). The slightly decreasing trend in poverty between 1999-2015 is interesting given Egypt's tumultuous period, notably marked by great highs and lows; however, such progress may be in part attributed to an expansion of the food subsidy system (FSS).[13] Despite Egypt's many spells of instability, policy makers have persistently prioritized food subsidies and the availability of affordable staples in an effort to achieve social equity (Abdalla and Al-Shawarby 2017). In mid-2014, a significant reform was implemented to replace subsidized commodity quotas with a monthly cash allotment in the form of "smartcards" targeting Egypt's most vulnerable, contributing to the alleviation of poverty (World Bank 2017). However, in contrast, according to the 2015 Household Income, Expenditure, and Consumption Expenditure Survey (HIECS), national poverty rates have observed an increase from 16.7% in 1999/2000 to 27.8% in 2015. With that being said, despite the fact that the eradication of extreme poverty has been statistically achieved, it is of increasing importance to prioritize the needs of those living below the national poverty line.

23. The Egyptian economy during the mid-2000s performed relatively well: real GDP growth averaged 7% per annum, nominal GDP per capita was recorded at $2,600 by 2010 (an increase of almost 50% since 2006), and public debt fell by a third from 2004 to 2009 (Abdellatif and Fakhry 2017).[14] However, in the wake of such dynamic growth, economic success appeared to be reserved for the privileged as the poverty headcount ratio (calculated using the national poverty line) increased from 16.7% in 1999/2000 to 27.8% in 2015 (Abdellatif and Fakhry 2017), as noted above. Further, as Devarajan and Ianchovichina (2017) assert, "the dynamics of middle-class incomes and the size of Egypt's middle class" declined substantially at the end of the decade, indicating that the deterioration in living standards extended beyond the extreme poor. As growth appears to not have been evenly distributed, the conclusion is that the nexus of power and wealth in Egypt became more concentrated in the hands of the higher income cohorts. Nonetheless, the official estimate of inequality, as measured by the Gini index,[15] was recorded at 0.31 in 2010/2011,

[13] The contemporary food subsidies program (*tamween*) has two dynamic components: *baladi bread* (BB), sold at US$.01 per loaf, for which there are no entitlement restrictions and distribution takes place on a first-come-first-serve basis; and ration cards (RC), which entitles beneficiaries a monthly ration of specific subsidized goods. In 2014, the ration cards were revolutionized into "smartcards" in the government's interests of increasing efficiency. Though the program has a plethora of benefits for beneficiaries, it has been under renewed scrutiny given the large literature that addresses historic pitfalls, leakages, and challenges of the program.
[14] Additionally, the size of foreign debt dropped below the value of the foreign reserves, with foreign currency reserves at $35 billion, indicating dynamic growth.
[15] The Gini coefficient is an indicator to measure inequality in terms of consumption and expenditure. The closer the Gini coefficient is to zero, the more equally distributed consumption/expenditure, and the closer it is to one, the unequally distributed consumption/expenditure.

which is low by international standards;[16] the coefficient has barely changed since.[17] Such discrepancy in the data further underscores the necessity to support the production and in-depth analysis of household budget surveys to accurately gauge and understand welfare dynamics in efforts to provide appropriate policy recommendations derived from the true reality of economic conditions.

24. Empirical evidence substantiates the government's efforts to alleviate the consequences of the economic slowdown post-2008 and the reverberations of the difficult period that followed. Though the figure in Annex 1 is to some extend dated, the Egyptian government continued to prioritize social protection strategies as reflected in its initiatives to "support the marginalized societal factions and provide protection to the most vulnerable" (Ministry of International Cooperation 2015).[18] In response to inflationary pressure caused by the macro-fiscal reforms implemented from 2014 on, the government implemented a multi-pronged strategy to protect the poor and middle class; notable features of this strategy include an increase in the social protection budget of about EGP 85 billion in FY 2017/2018, the launch of conditional cash transfer programs, and the implementation of reforms targeting the youth as well as those necessary to stimulate job creation (World Bank 2015). These measures initially targeted the poorest quantile, but were broadened in efforts to address the needs of the shrinking middle class.

25. As far as the availability of relevant data, of the 30 indicators selected to assess SDG 1, data for 15 are available. Of the available 15, only four are performing better than expected given Egypt's GNI per capita; among the remaining half, 11 indicators are under-performing, and two appear to be performing as expected. Although the 15 missing indicators could paint a more comprehensive picture, given the performance of the relevant indicators that are available, we suggest that it is likely Egypt is performing well with respect to SDG 1. With that being said, relevant policies addressing the needs of those living below the national poverty line are critical, and obtaining recent household surveys is also necessary to further the analysis, conduct effective policy dialogue, and implement a strategy thereafter on the basis of more accurate and timely data.

26. Egypt's progress in SDG 2, Zero Hunger, is significantly performing worse compared to its peer countries. Over the period 1998-2014, the proportion of wasted children in Egypt dramatically increased; as a result, Egypt's ranking with respect to this indicator fell sharply from the 55th percentile to the 22nd percentile. As a lower-middle income country, Egypt's high proportion of malnourished children is unusual as this is more typical of lower income countries. However, it is suggested that Egypt's food production has not kept pace with the rapid population growth (Galal 2002), a phenomenon that perhaps could be contributing to the country's under-performance in this indicator. Additionally, Egypt appears to also be significantly under-performing in the proportion of overweight children. Between 1995 and 2014, Egypt's percentile ranking decreased from the low 9.8 percentile to an even lower 6.1 percentile. As Egypt is a lower-middle income country, this finding is curious insofar as childhood obesity is typically observed in wealthier countries; however, it should be noted that the reforms implemented in the 1990s largely dismantled consumer subsidies except for calorie dense foods such as bread and a few other

[16] Across OECD countries, the average Gini coefficient of disposable household income reached 0.318 in 2014, compared to 0.315 in 2010.
[17] The Gini coefficient was recorded at 0.30 in 2012/2013 as well as 2015.
[18] The proportion of the poorest quantile population covered by social assistance programs appears to be over-performing, though the regression was produced with 2008 data, which is the most recent point recorded.

staples in pursuit of efficiency gains. In addition, privatization objectives became a policy priority. These policies may have perpetuated Egypt's "double burden" of malnourishment.

27. Although SDG 2 indicates the likelihood of a nutrition problem in Egypt, SDG 3, Good Health and Well-Being, is performing well. The under-five mortality rate has significantly decreased; therefore, it appears that Egypt is over-performing on this measure; moreover, the under-five mortality rate is projected to continue to decrease relative to GNI per capita by 2030, in line with the ambitious goals of the Egyptian government (Ministry of International Cooperation 2015). In addition, the infant mortality rate has also decreased substantially. Despite these achievements, as compared to countries with similar GNI per capita, the mortality rate attributed to cardiovascular disease, cancer, diabetes, or chronic respiratory problems is significantly higher (under-performing), suggesting that poor nutrition is a long-standing problem in Egypt across all age cohorts.

28. It appears that SDG 4, Quality Education, is performing well with respect to quantitative measures; however, with respect to the inherent quality of education, Egypt is significantly under-performing. To assess Egypt's performance more comprehensively, additional indicators were selected to complement the available data relating to this goal. The purpose of adding such indicators is to provide further data points to bolster the qualitative analysis; however, these efforts do not serve to adequately measure the quality of education considerations intended by SDG 4. Hence, it is of utmost importance to reiterate the necessity of collecting accurate and timely data related to the quality of education.

29. Egypt's literacy rate among the youth appears to be performing as expected; moreover, it should be noted that the youth literacy rate is at 95 percent whereas the adult literacy rate is only about 75 percent, suggesting that Egypt is succeeding in widening access to education. Furthermore, the pupil-to-teacher ratio observed within primary schools is performing at a rate higher than expected. However, indicators pointing to the quality of education reveal a different and less positive picture. It appears that the proportion of teachers within primary schools who have received at least the minimum organized teacher training is performing at the 24th percentile. The World Bank (2015) suggests that under-performance can be attributed to the lack of incentives for teachers, which is manifested by absenteeism and low accountability.

30. Therefore, although the quantitative measures relating to Egypt's progress in education appear to be performing better than expected given the country's GNI per capita, we reach the probable conclusion that the quality of education is likely to be under-performing. This view is supported by the World Economic Forum's 2015-2016 Global Competitiveness Report, which accorded Egypt a score of 2.1 out of 7 for the quality of primary education with Egypt ranking 139th out of 140 countries for this indicator (World Economic Forum 2016).[19]

31. Relative to GNI per capita growth, SDG 6, Clean Water and Sanitation, has improved significantly as reflected by the proportion of population with access to clean water as well as to improved sanitation facilities. In 2000, Egypt was performing better than expected given GNI per

[19] The description provided by the Global Competitiveness report indicates that the score for Quality Primary Education is measured on a scale between 1-7 (1 = extremely poor, among the worst in the world; 7 = excellent, among the best in the world). Over 2015-2016, the statistics indicate that the minimum score for this indicator was 2.02; the maximum score was 6.67; and the median was 4.05.

capita in both indicators; additionally, the expected values are far lower than the actual values collected in 2015, indicating that Egypt is surpassing expectations.

32. SDG 11, Sustainable Cities and Communities, appears to have observed a notable improvement based on the data available. Although five of the eight indicators related to this goal are missing, an important data point - the proportion of the urban population living in slums - decreased substantially from 28.1 percent to 10.6 percent. Consequently, Egypt's ranking for this indicator increased from the 84th percentile to the 98th percentile. In light of the decline of Egypt's GNI per capita ranking, progress with respect to SDG Goals 6 and 11 has been notable.

33. In contrast, SDG 8, Decent Work and Economic Growth, is under-performing. Given that Egypt is currently experiencing a second "boom" generation (which appears to be much larger than the first), under-performance is to be expected as the speed of job creation is not sufficient to absorb the large cohort of individuals aged 15-24 entering the labor market (Government of Egypt 2015). Based upon the data, the proportion of youth not in education, employment, or training is performing at a rate that is not commensurate with expectations given GNI per capita. The unemployment rate for those between the ages 15-24 also appears to be under-performing. Nonetheless, the government has taken measures to address such gaps. For example the issuance of the microfinance law, provision of specialized financial products, modernization of the payments system, and the establishment of the private credit bureau are expected to promote inclusive growth and youth entrepreneurship, vital factors for alleviating unemployment and improving living standards in the future (Ministry of International Cooperation 2015).

34. Lastly, Egypt appears to be over-performing with respect to SDG 9, Industry, Innovation and Infrastructure. Data for all 14 indicators used to measure this goal are available; as such, it appears Egypt is over-performing in 11 and under-performing in three. Data for manufacturing value added as a proportion of GDP, medium- and high-tech manufacturing as a proportion of total value added, and the share of manufacturing employment in total employment illustrates that Egypt is surpassing its peer cohort of countries. The percentage of Egypt's population covered by 2G and 3G mobile networks is also higher than that of its peers. Recently, Egypt has taken impressive strides to redress infrastructure gaps, particularly with respect to power generation (also reflected in its positive performance in SDG 7, Affordable and Clean Energy) and roads. Further, Egypt is seeking to expand the industrial base, with a concerted focus on developing the Suez Canal Authority area into a new hub for globally-linked manufacturing and high-tech services. However, while the data coverage for SDG 9 is decent, further exploration should be considered to ensure that the dispersion of industry, innovation and infrastructure is occurring and that the benefits are not concentrated in the large urban agglomerations (particularly the affluent urban enclaves). The fact that domestic regional disparities in service delivery and standards of living remain considerable, especially between Upper and Lower Egypt, suggests that vigilance is necessary to target inputs related to SDG 9 to the country's less-advantaged areas.

Section 3: Financing for Development

35. As previously noted, the Egyptian government recently implemented far-reaching structural reforms to restore macroeconomic stability and to promote high, sustainable and inclusive growth. While the economy proved resilient to the shock of the global financial crisis, the period following the 2011 demonstrations confronted Egypt with political uncertainty, social

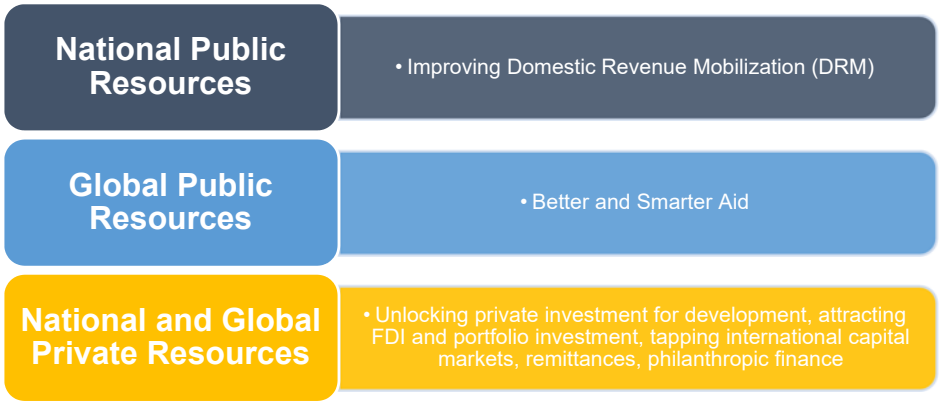
unrest, and economic volatility. In the aftermath of these events, foreign exchange reserves fell by nearly half, the Egyptian pound came under significant pressure, domestic and foreign investment plummeted, large fiscal deficits persisted and worsened, public debt sharply increased, and unemployment surged (IMF 2017). In November 2016, the International Monetary Fund approved a three-year $12 billion extended arrangement to support the Egyptian authorities' economic reform program, complementing the World Bank Group's $8 billion inclusive growth program.[20] The economic program addresses a set of longstanding challenges in the Egyptian economy via: the implementation of corrective policies including the introduction of a value-added tax (VAT), measures to rationalize the wage bill and to eliminate unproductive and regressive subsidies, the liberalization of the exchange rate regime that has led to a sizable devaluation, and policies to improve the investment climate and regulatory regime.

36. For most countries, accelerated progress on the 2030 Agenda and the SDGs will require an efficient allocation of resources as well as an increase in public spending particularly within prioritized, well-sequenced, and thought-out areas. Such an efficient allocation of resources must be strategically distributed to enhance the likelihood of achieving the ambitions of the 2030 Agenda. In addition, achieving the desired outcomes may also depend on how effectively and efficiently funds are spent, rather than on an increase in government spending *per se*. Furthermore, private spending is of crucial importance; household spending on SDG-related services as well as business investments in a wide range of areas (including but not limited to infrastructure) should be expected to complement government spending and thereby contribute to meeting the SDG targets.

37. As illustrated by the graphic below, sources to expand financing for development encompasses the availability of funding sources derived from both the public and private sectors, as well as both domestically and/or externally. The range and extent of potential financing is broad; optimizing access to such sources of financing and deploying them effectively will best enable governments to find the resources needed to attain their development objectives (while also minimizing costs and risk).

[20] In December 2015, the World Bank Group approved the First Fiscal Consolidation, Sustainable Energy, and Competitiveness Programmatic Development Policy Financing Program amounting of about $8 billion over a three-year period aimed to reduce poverty and boost shared prosperity; the institution disbursed $1 billion to Egypt in September 2016.

Figure 3: Sources of Financing for Development.



38. The first part of this section will summarize our findings using the selected group of indicators relevant to the review of Egypt's financial space (see Table 4). To reiterate the methodology of this study, Egypt's performance and expected progress with respect to a specific indicator related to the SDGs are assessed relative to its peer group; that is, those countries with GNI per capita similar to Egypt's. Although critical as a starting point for analysis, the evaluation of Egypt relative to this group – which includes a cohort of less-developed countries – does not, however, provide a perfect model for future development given the fiscal constraints facing such countries (Egypt included). As such, our methodology should be complemented by more in-depth analysis of Egypt itself as well as of those countries presenting development models that the Egyptian government could aspire to follow.

39. In this regard, the second part of this section will briefly compare Egypt's fiscal condition and trends to those of the Republic of Korea and Poland. Korea has been selected as a model given its historical record in sustaining a high rate of GDP growth and creating a large middle class in the space of a single generation while maintaining a track record of fiscal prudence. Poland emerged from decades of communist rule and central planning to develop a dynamic market-driven and private sector-led economy that enabled it to lift living standards for the majority of its population; while Poland's experience was facilitated by its links to Germany and the broader European Union, it too may illustrate useful policy lessons for Egypt. It is also of interest to note that while both South Korea and Poland are today much wealthier countries than Egypt, the initial conditions at the time that each launched its respective development path were not ideal. In 1960, Korea was still recovering from a multitude of complications following a devastating war: these included the economy's dependence on subsistence-level agriculture, the limited social services available, and widespread poverty. Likewise, Poland endured an abrupt shock following the collapse of the communist system in 1989; the government had to quickly grapple with high inflation, pervasive shortages, and the monumental task of reforming hundreds of inefficient state enterprises.

40. To conclude the financing for development section, we touch upon a number of` options available to the Egyptian government to expand the resources available to the Egyptian economy in support of the country's determination to reach its 2030 Agenda ambitions.

Table 4: Egypt – Financing for Development – General Government Space and Private Source Space.

Indicator	Actual		Comparator	Projection	Percentile ranking		
	2000	Recent	Recent	2030	2000	Recent	Change
General Government Space							
General government revenue							
Total revenue (% of GDP)		22.2	31.4			11.3	
Tax revenue (% of GDP)		12.6	17.2	13.9		12.5	
Grants revenue (% of GDP)		1.0	0.6	0.5		75.0	
Net ODA (% of GNI)	1.4	0.7	1.7	0.4	31.1	31.1	0.0
Net ODA received per capita (current US$)	19.6	26.5	46.5		45.4	28.5	-16.9
Other revenue (% of GDP)		8.5	5.1			83.8	
General government expenditure							
Total expenditure (% of GDP)		32.9	33.1			30.4	
Total current expenditures (% of GDP)		30.4	27.1	32.3		34.2	
Consumption (% of GDP)	11.2	11.4	14.6		28.2	22.2	-6.0
Compensation of employees (% of GDP)		8.3	8.9			32.1	
Interest expense (% of GDP)		7.4	1.0			2.5	
Net/gross investment in nonfinancial assets (% of GDP)		2.5	4.5	1.9		58.0	
Subsidies (% of GDP)		6.2	0.5			3.8	
Governance and government efficiency							
Government Effectiveness: Percentile Rank	48.2	27.9	28.1	35.1	69.2	41.4	-27.8
Government Effectiveness: Estimate	-0.2	-0.7			69.2	41.4	-27.8
Private Source Space							
Domestic private							
Domestic credit to private sector, % of GDP	49.4	26.3	30.5	34.4	11.6	60.3	48.8
Gross domestic savings (% of GDP)	12.9	5.8	12.8	8.0	46.9	26.5	-20.4
Market capitalization of listed domestic companies (% of GDP)		9.9	21.5	15.0		5.9	
External private							
Exports (% of GDP)	16.9	11.3	29.9	16.2	18.0	6.0	-12.0
Goods exports (% of GDP)	7.1	5.7	18.1		11.0	8.0	-3.0
Service exports (% of GDP)	9.8	5.6	7.0		60.0	38.0	-22.0
Imports of goods and services (% of GDP)	22.8	19.6	41.0		20.0	8.8	-11.2
Foreign direct investment, net inflow s (% of GDP)	1.2	2.1	2.9		33.1	36.2	3.1
Net current transfers from abroad (% of GDP)	4.7	5.0	4.0	3.8	56.4	53.0	-3.4
Portfolio investment (% of GDP)	-0.3	0.0			22.1	52.6	30.5
External debt sustainability							
External debt (% of GNI)	29.0	14.3	38.4		12.4	6.2	-6.2
Debt service as a proportion of exports of goods and services	8.5	6.0	4.3		55.9	37.3	-18.6
Short-term external debt stocks, % of reserves	29.8	27.9	15.1		61.4	37.7	-23.7
Short-term external debt stocks, % of total	14.1	9.3	5.9		26.9	51.3	24.4
Total external debt stocks, % of GDP	27.8	14.4	37.8		87.3	91.5	4.2
Government debt sustainability							
General government gross debt, % of GDP		88.5	45.0			0.0	
General government gross debt, % of average tax revenues		583.0	308.3			5.3	

1. Recent refers to the latest year with data (typically 2011 or 2013). If data is not available for 2000 or 2015, the closest earlier year with data is used, however, the data is never older than 1998 for "2000" or 2010 for "recent." The year for country specific data can be found in the respective graphs. Expected refers to the expected level of the indicator at the country's GNI per capita, given the cross-country pattern between the indicator and GNI per capita. If the relationship is loose, the confidence interval for the expectation in question is relatively wide.
2. Green = Currently significantly over-performing; Red = Currently significantly under-performing; Black = Performing as expected.
3. Projections for 2030 are not provided if the cross-country relationship is not considered sufficiently tight (see criteria earlier in the note). For internet use, a projection is not made, despite a tight relationship, since the expected line shifts significantly even in the medium run due to external forces such as technological development.
4. A high ranking signals strong performance; for the underlying indicator, this may correspond to a relatively high value or relatively low value. The ranking for an indicator is not reported if the available sample is less than 20.

Table 5: Egypt – Summary of results for financing for development indicators.

Cross-country relationship with GNI/cap	Over-performing	As Expected	Under-performing
Tight $r^2 > 0.3$			Net ODA, % of GNI (+) Domestic credit (+) Market capitalization (x)
Moderately tight $0.3 > r^2 > 0.1$		Government effectiveness, percentile (-)	Government effectiveness, estimate (-) Domestic savings (-) Exports (-)
Loose $r^2 < 0.1$	Consumption (+) External debt (-)	Total expenditure (x)	Total revenue (x) Tax revenue (x) Net ODA received per capita (-) Current expenditures (x) Subsidies (x) Interest expense (x) Imports (-) FDI, inflows (+) Debt stocks, % of reserves (-) Debt stocks, % of total (+) Gross debt (-)

(+) = larger country rank improvement (or smaller drop) 2000-2015 than for GNI per capita, (-) = larger drop 2000-2015 than for GNI per capita, (x)= rank for GNI per capita is not available.

41. As noted prior in the discussion of Table 3, Table 5 assesses the cross-country relationship between GNI per capita and the FFD indicators. The r^2 coefficient represents a statistical measure produced by the regression that provides a goodness of fit of the model. As noted by the table above, a "tight" relationship, or otherwise strong empirical correlation, is observed by an r^2 greater than 0.3; likewise, a moderately tight relationship is represented by $0.3 > r^2 > 0.1$; lastly, $r^2 < 0.1$ is indicative of a loose relationship.

a. Financing for Development vis-à-vis Peer Group Countries

42. The recent fiscal reforms that have been implemented in Egypt are yielding positive results on the government's bottom line: the fiscal deficit to GDP ratio dropped from a peak of 13.4 percent of GDP in fiscal year 2012/13 to 10.9 percent of GDP in fiscal year 2016/17. However, despite such progress, Egypt's fiscal deficit remains large and well above what is considered prudential by international standards. To its credit, the Egyptian government has recognized that the fiscal consolidation effort is a long-term commitment and intend to sustain these reforms. Understanding where Egypt stands vis-à-vis both its peer countries (in terms of GNI per capita) as well as the "aspirational" examples outlined in this diagnostic provides a starting point for assessing Egypt's potential to mobilize an array of resources and thereby more effectively finance its development goals.

43. With respect to the selected fiscal space indicators considered for review within the context of this benchmarking study, Table 4 and the Figures in Annex 2 summarize the historical evolution, actual and expected recent values as well as, when statistically possible, 2030 projections.[21] When the relationship between the indicator and GNI per capita is loose, as illustrated by Table 5 above, anticipated 2030 values cannot be projected, and the expected value is, in practice, close to the average for the sample of all low- and lower-middle income countries (cf. discussion of expected values for SDG indicators). The first set of variables, grouped under "General Government Space," cover three aspects of government fiscal activity: tax revenues; spending; and governance/efficiency. Additionally, we review a number of variables that assess the availability of funding from public and private domestic and external sources.

44. Based on the review of the data, the Egyptian government's total revenue (22.2% of GDP for 2000) and tax revenue (12.6% of GDP for 2015) are below their expected levels as well as performing worse than expected compared to its peer countries. As far as additional sources of revenues, Egypt is performing at a rate better vis-à-vis its peer countries; however, it should be noted that such "additional sources" constitute only a modest contribution to the overall revenue mobilization effort. The introduction of the value-added tax is expected to expand tax revenue and thereby strengthen Egypt's public finances going forward (IMF 2017). In addition, the government has taken additional steps to widen and diversify its revenue base such as implementing the property tax, passing the capital gains tax (although this was temporarily suspended in May 2015), and streamlining as well as modernizing the customs tax administration. Tax receipts, which total approximately 70 percent of the government's gross revenues, have begun to increase, although rectifying implementation problems remains challenging.

45. Notably, Egypt's total government spending (33% of GDP) is slightly below that of its peer countries – however, current expenditures are considerably higher (30.4% of GDP versus 27% of GDP). Consumption spending (including spending on wages) appears to be below that of its peers; however, Egypt's performance with respect to interest expense and subsidies, is considerably worse than its comparators.

46. Interest payments as a percentage of GDP increased rapidly over the period between 2000 and 2013; as a result, Egypt's performance related to this indicator is substantially above the expected value as well as much higher than the interest burden borne by peer countries. Interest expense on Egypt's accumulated government debt has become the single largest expenditure category, reflecting a number of concurrent dynamics: the overall increase in the outstanding stock of debt to finance the deficit; a growing recourse to external debt which has become more expensive following the pound devaluation; and the Central Bank's effort to suppress post-devaluation inflationary pressures by sharply raising policy rates. To place the situation in stark relief, Egypt is now allocating more resources to paying the interest on its debts than it is deploying funds for investment purposes. This represents a significant opportunity cost that is sapping the country's growth potential.

[21] The treatment is the same as in Table 2 and related figures, i.e. in Table 5, projections are only shown when the cross-country relationship between the indicator and GNI per capita is considered tight enough. Due to data limitations, we focus on government spending indicators; country-specific analysis is needed to consider policy in the context of the different roles of the government and private services and spending.

47. As illustrated in Table 4, Egypt's spending on subsidies as a percentage of GDP is a multiple of what its peer countries allocate. While the government has moved forward with bold reforms intended to reduce fuel and electricity subsidies beginning in 2014, the devaluation has undercut the intended relief for the budget, and the subsidy bill remains high.

48. The observation that Egypt's total expenditure level is relatively in line with that of its peer countries while current expenditures (which are primarily absorbed in non-productive or regressive uses such as interest payments and subsidies) are comparatively higher underscores the fact that the country is squeezing investment spending. Indeed, the relevant figures in Annex 2 illustrate that the Egyptian government's investment spending is well below the level achieved by the comparison countries; this is particularly noteworthy as Egypt's peers comprise low and lower-middle income countries. Egypt is therefore not performing as well in allocating resources to investment even when compared to other economically and financially constrained countries.

49. Given the constraints on the Egyptian government's resource base, government efficiency becomes crucial to increase the effectiveness and efficiency of overall spending – as does strengthening the government's capacity to utilize the resulting created fiscal space. A well-functioning public expenditure management system would allow the expanding fiscal space to be effectively used for priority spending that consequently could produce a positive impact on the 2030 Agenda. Table 4 displays data for the World Bank Government Effectiveness indicator; Egypt's government efficiency not only appears to be below expectations given its GNI per capita, but it has also exhibited a sharp drop, from the 69.2 percentile in 2000 to the 41.4 percentile. This deterioration can be attributed in part to the social and economic instability that Egypt witnessed following the uprisings and which, among other consequences, adversely affected the operations of government agencies.

50. However, as seen in Annex 2, Figure 2c, the Government Efficiency indicator appears to have improved between 2014 and 2015, suggesting that Egypt has shifted onto the right path as reforms began to be implemented. In this regard, it should be noted that even incremental efficiency improvements can yield substantial payoffs for growth as well as for additional desired outcomes. Thus, notwithstanding constraints on fiscal space, there is tremendous value in reorienting fiscal policy in pursuit of maximizing efficiency and incentivizing higher growth. This would generate higher receipts and perhaps trigger a virtuous macroeconomic circle in which growth and improving public finances mutually reinforce each other and lead to expanded fiscal capacity to meet the SDG goals.

51. The figures in Annex 2 indicate that Egypt is currently under-performing with respect to the three selected indicators for gauging domestic private fiscal space: domestic credit to the private sector (% of GDP); gross domestic savings (% of GDP); and market capitalization of listed companies (% of GDP). Domestic credit extended to the private sector has become limited due in part to the crowding out phenomenon, which is likely a significant factor in constraining the country's growth performance. The high domestic cost of borrowing as well as the high rate of inflation has curtailed investment appetite; concurrently, banks appear to be unwilling to lend to private sector entities, depriving them of access to the funding needed to grow operations. Fiscal consolidation to reduce the Egyptian government's demand for domestic bank financing would reduce overheating pressures and allow the Central Bank of Egypt to reverse the recent monetary tightening, creating more room for affordable capital to flow to the private sector.

52. Relative to peer countries, Egypt is severely under-performing with respect to its gross savings rate as a percentage of GDP; this indicator has more than halved from nearly 13 percent of GDP in 2000 to less than 6 percent in 2015, which is significantly below the expected level. This negative evolution in the savings ratio has been mirrored in the country's current account deficit and growing dependence on external savings. We note that the situation has been captured in the low sovereign credit rating accorded to Egypt by the three global rating agencies. Fiscal consolidation accompanied by complementary policies intended to mobilize private sector savings would also address this problem while providing the domestic financing necessary for investment and fueling growth.[22]

53. Achieving higher growth is an important – albeit indirect – route to expand fiscal space as this could lift government tax revenues, as well as enable the private sector to expand and ultimately, to take on more responsibility for generating jobs and providing services. Ideally, as a result, the private sector will increasingly serve as a strong partner that complements public sector activity in pursuing broad developmental goals, including the ambitions outlined within the SDGs. Moreover, an expanded domestic capacity to mobilize resources will limit the need for the public and private sectors to resort to potentially riskier external debt.

54. As Egypt's fiscal reforms take form and deepen – leading to a continuing reduction in the government's deficit as well as a shift of public spending to more productive use (i.e., from consumption to investment) – the environment will become more conducive to developing the domestic financial and capital markets. Given that banking sector penetration within the corporate and household sectors is not significant, neither sector is over-leveraged – a positive factor in Egypt's case indicating that there is significant scope for the corporate and household sectors to play a more dynamic role in the economy. However, although domestic banks must transform into a more effective financial intermediation role, they should not be the only mechanism for providing capital to support private sector economic activity. As international examples have shown, the development and growth of the domestic bond and stock markets would serve to allocate capital efficiently and improve transparency given the associated disclosure and reporting requirements.

55. External sources of financing are reflected in the selected balance of payments indicators listed in Table 5. Egypt is under-performing in all indicators relative to its peer countries, apart from remittances and other net current transfers from abroad. Exports in both goods and services (as a percent of GDP) have diminished since 2000, and are performing poorly relative to its peer countries; foreign direct investment (FDI) inflows to Egypt are also lower than to peer countries.

56. The Egyptian government has acknowledged the importance of developing an export-promotion strategy. Additionally, the improvement of the domestic business climate through regulatory as well as other reforms will also increase FDI inflows. Furthermore, terms of trade gains and rising FDI will produce better conditions for external borrowing, thereby expanding financing for development potential.

57. An important dimension of fiscal space pertains to a government's access to financing, which remains available so long as its debt path is sustainable and, by extension, the fiscal policy trajectory is perceived credible. Continued deficit reduction is key to sustaining confidence in

[22] Hussein et al. 2017.

Egypt's macroeconomic policy framework and will assist in lowering the cost of financing in the future. However, despite the strong fiscal consolidation effort to date, the total general government debt (both domestic and external) has continued to climb and is now reaching close to 100 percent of GDP (IMF 2017). As previously noted, the devaluation of the Egyptian pound alongside the government's increasing recourse to external debt over the past two years (to diversify its sources of funding and ease the pressure on the domestic debt market) have contributed to the deterioration in the debt to GDP ratio as well as the rising cost of debt servicing. The anticipated shift in the near-term to a primary budget surplus – as a result of fiscal reforms – combined with higher growth is expected to rectify the currently unfavorable debt dynamics.

58. Further, government access to finance can potentially be obtained from multiple sources – whether domestic or external, private or public (including public concessional lending in some cases). It should be noted that the Egyptian government obtains the bulk of its deficit financing through the issuance of Egyptian pound-denominated Treasury bills as well as bonds that are purchased by domestic banks. In response to the economic reforms as well as the positive impact of the gradually improving public finances on market confidence, foreign investors have recently returned to the domestic debt market: at the closing of FY 2017, foreign investment in government paper reached the equivalent of $13 billion – up sharply from a mere $1 billion at the beginning of the year. However, while this influx of foreign capital serves to ease domestic liquidity and financing constraints, it also carries the risk of a sudden reversal in response to any shocks. With that being said, producing and implementing measures to attract more stable and development-oriented FDI inflows can better accomplish the government's longer-term goals.

59. The Egyptian government has garnered significant funding from official multilateral (the IMF, World Bank, African Development Bank and other IFIs) and bilateral sources (primarily the GCC countries). Returning to data selected to assess availability of financing for development, we observe that Net Official Development Assistance (ODA) as a percent of GNI is currently below the levels of Egypt's peer countries. Further shown in Table 4, the cross-country patterns suggest that net ODA will continue to decrease without significantly changing per capita terms. In the case of Egypt, such a projected reduction will lead to a decrease from the low level of 1.2 percent of GNI to about 0.6 percent by 2030. As the role of concessional financing can be expected to further decline, the challenge for Egypt will be to attract other forms of foreign financing such as non-concessional flows of MDBs and private financiers, e.g. in the form of direct foreign investment. These may feature co-financing of development projects that use various risk mitigating instruments like blended finance or guarantees in collaboration with IFIs to increase resource flows for development. Extensive efforts have been made by the Ministry of International Cooperation to forge strong partnerships with an array of multilateral organizations; these strategic steps to bolster relations should facilitate continuing financial and technical support from such institutions (Ministry of International Cooperation 2015).

60. In addition, the Egyptian government has tapped the international capital markets with three recent bond offerings. For its first international issuance in over five years, the government raised $1.5 billion in 10-year bonds in June 2015; this was followed by two rounds of sovereign bond issuances in January 2017 ($4 billion) and May 2017 ($3 billion).

61. As previously noted, external debt has rapidly increased over the last two years following the large increase in government borrowings from external official sources and the international

capital markets. Nevertheless, by international standards as well as relative to its peer countries, Egypt's external debt as a share of GDP remains low, as exhibited in Table 4, suggesting that the government has allocated adequate space to continue to borrow externally. It should be noted that this is only plausible when the pace and volume of such borrowing does not erode the confidence of international capital markets participants nor adversely impact the sovereign credit ratings. Such market perceptions and a favorable risk appetite toward Egypt will continue to enable the government (as well as creditworthy non-government entities) to raise external funding at favorable pricing and maturity terms. With that being said, the external financing environment is likely to become more difficult for emerging market borrowers as monetary policy in the developed markets will tighten in the next period.

62. Reviewing Egypt's debt service as a proportion of exports (SDG 17), we observe that the indicator is significantly higher than that of its peers even through the stock of external debt appears to not be excessive.[23] While we observe that Egypt's manufacturing value added share of GDP (as shown in the data for SDG 9) appears to be increasing and performing better than expected given GNI per capita, it should be noted that this does not translate into higher productivity gains or generate exports if the exchange rate and other policies have not favored export-oriented activity. Indeed, the data are signaling that export proceeds are not adequate to service Egypt's external debt vis-à-vis the capacity of peer countries to service their own external debt. In the event that the manufacturing sector becomes the main driver of the country's structural transformation, Egypt is likely to observe a strong and sustained increase in the export of manufactured goods; this will likely prove pivotal in promoting economic growth (indirectly and positively impacting financing for development as well). Moreover, the recent devaluation of the Egyptian pound and the introduction of a flexible exchange rate regime will likely stimulate exports by strengthening Egypt's external competitiveness, ultimately improving the debt service to exports indicator.[24] In the following section, we return to this point as we compare Egypt's growth model to those of Korea and Poland.

63. In addition to the earlier overview of interest expense, an array of debt metrics has been selected to highlight the extent to which Egypt has an unfavorable structure of debt and is overly indebted relative to its peer countries. Egypt's short-term external debt as a percentage of foreign exchange reserves and of total external debt is about double that of its peer countries. General government gross debt measured as a percentage of GDP and of average tax receipts is also nearly double that of peer countries (the structure of Egypt's domestic debt is moreover heavily skewed to the short-term, increasing rollover risk).

64. It should be noted that this diagnostic does not address SDG 16, Peace, Justice, and Strong Institutions, due to a lack of data. However, we emphasize that the issues pertinent to SDG 16 are important in efforts to expand financing for development available to Egypt. Confidence in policy predictability, understanding the "rules of the game," attaining a level playing field, enabling regulations to facilitate commerce, and strong institutions are critical to promote a healthy economy and foster trust in the government. These factors not only contribute to the growth of sources of revenues and induce higher savings, but also enhance tax compliance and external

[23] External debt service relates to Egypt's total external borrowings by both the public and private sector, but the bulk of the external debt has been contracted by the Central Government.

[24] However, in the interim, prices of imported goods – including imported food – are also subject to increase with the risk that persistent higher inflation will erode external competitiveness.

inflows (including remittances from Egyptian workers abroad – particularly to redirect such flows through official channels).

b. Financing for Development Options and Prospects – Lessons from Korea and Poland

65. Egypt's large fiscal deficit and government debt burden has severely constrained its fiscal space, as evidenced by the large debt service outlays (which now limit its capacity to adequately fund health services, education, and infrastructure). While Egypt's public finances and debt situation worsened markedly since 2011, they have historically been relatively weak, as shown in Figures 4 and 5. The general government fiscal deficit averaged 12.5 percent of GDP over the period spanning 1995 to 2016, and the general government debt averaged well over 80 percent of GDP during the same period.

66. As we begin to compare the growth models for Korea and Poland, it should be noted that our analysis is based on their respective periods of transition: between 1970-1990 for Korea and 1990-2010 for Poland.[25]

67. During the 1970s and into the early 1980s, coinciding with its early development period that depended on public investment in social infrastructure and heavy industry, Korea ran a budget deficit (though it did not exceed 5 percent of GDP). Commencing in 1981, Korea shifted to a tight fiscal policy to address the structural imbalances that amassed during the first phase of development; while not enshrined in law or regulation, the principle of maintaining a balanced budget has since governed the fiscal stance. Between 1995 to 2016, as shown in Figure 3, Korea's general government produced an average fiscal *surplus* amounting to 1.5 percent of GDP, reflecting its commitment to maintaining a sound budget position.[26] As this figure incorporates the surplus of the pension fund, it overstates the surplus of the central government alone. However, the strength of the fiscal position is further illustrated by the ratio of government debt (which represents the accumulation of prior deficits) to GDP; in the case of Korea, this ratio averaged 25 percent over the 1995-2016 period.

[25] The data comparisons for Egypt, Korea and Poland depict the general government finances in order to use a standard methodology taken from the IMF's World Economic Outlook, 2017.

[26] The 1997 Asian Financial Crisis led to large deficits, but the fiscal surplus re-emerged quickly when Korea's economic growth rebounded.

Figure 4. Egypt Poland, and Korea – General government fiscal deficit as percent of GDP, 1995-2016

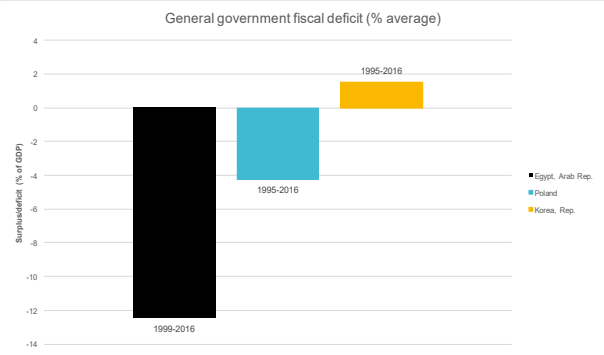
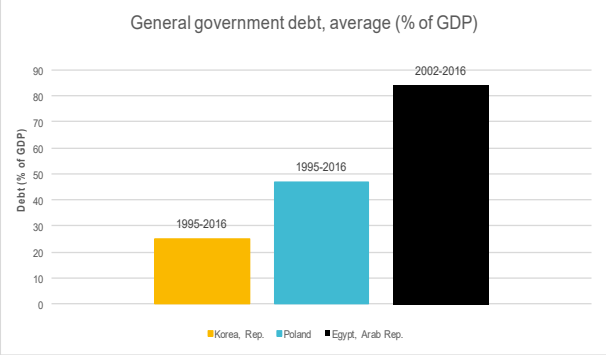


Figure 5. Egypt, Poland, and Korea – General government debt as percent of GDP, 1995-2016

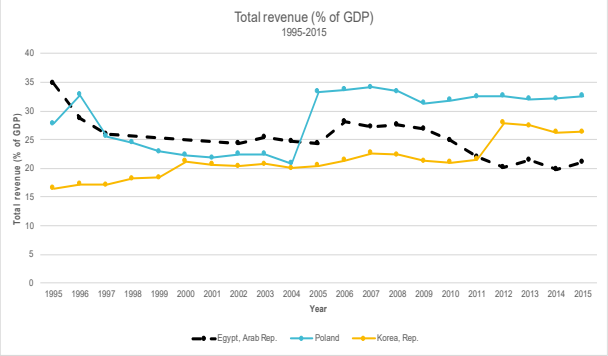


68. Between 1990 to 2010, Poland's fiscal deficit averaged approximately 4 percent of GDP while its debt to GDP ratio averaged 47 percent, seen above in Figure 4. Following the collapse of the communist system in 1990, the country initiated a structural transformation, beginning its phase of economic liberalization. Following initial difficulties, the Polish authorities were keen to create a fiscal regime that supported the development of a market-led economy which optimized the talents of its entrepreneurial population and reduced the government's responsibility to direct the allocation of resources. Fiscal discipline was a key policy tool utilized by the Polish authorities in pursuit of containing inflationary pressures, which flared following widespread subsidies cuts and elimination of price controls. In the first year of the program, Poland engineered a massive 10 percent of GDP fiscal correction. Concurrently, the rescheduling of the country's external debt provided some cash flow relief for the budget. The fiscal adjustment continued to be difficult over subsequent years, although Poland was buoyed by European Union aid flows as well as its growing trade links to Germany. Yet notwithstanding this exogenous support, the fundamental fiscal and other structural reforms undertaken by the Polish government formed the core basis of its economic turnaround.

69. While assessing government revenue and expenditure profiles, we find notable differences between the historical record of Korea and Poland and Egypt's experience. Figure 6a-b depict the three countries' total government revenues to GDP and tax revenues to GDP; Figure 7a-b show their respective average total government expenditure ratios to GDP over the period and the evolution of the expenditure to GDP ratio.

Figure 6. Egypt, Poland, and Korea – Total revenue and Tax revenue as percent of GDP

a. Total revenue as percent of GDP, 1995-2015



b. Tax revenue as percent of GDP, 1995-2015

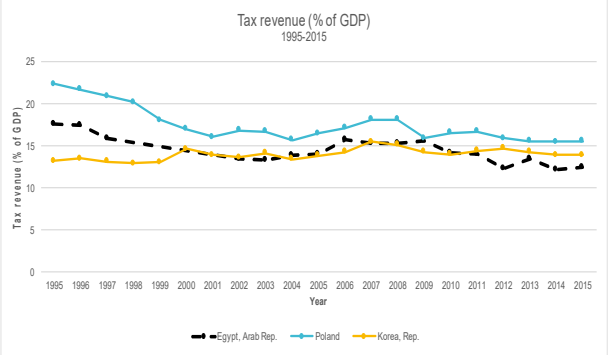
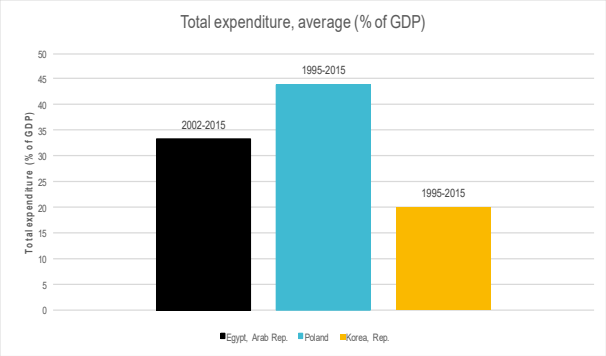
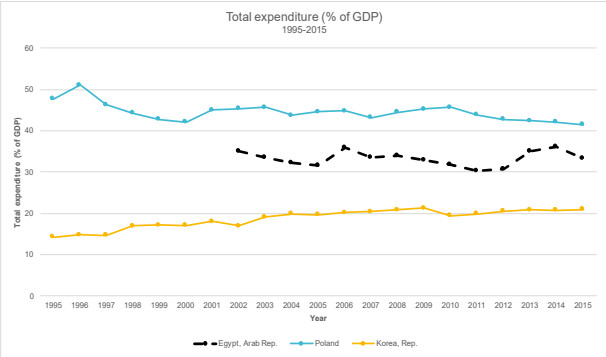


Figure 7. Egypt, Poland, and Korea – Total expenditures as percent of GDP

a. Total expenditure as percent of GDP, annual average over the period between 1995-2015



b. Total expenditure as percent of GDP, 1995-2015



70. As illustrated in the data, the Egyptian government's total revenue mobilization capacity is lower than that of its Korean and Polish counterparts, particularly since 2011. As we observed in the prior section, Egypt's level of government tax revenue in proportion to GDP is low compared even to its peers. As recognized by Egyptian authorities, formulating and implementing policies to widen and diversify the tax base are now ongoing. However, strikingly, Egypt's spending is not significantly out of line – in other words, government spending proportion of GDP is not vastly exceeding that of other countries, whether in comparison to Korea and Poland or to its peer group of low and lower-middle income countries. This brief review suggests that Egypt's fiscal deficit problem is more a function of insufficient revenue than of an excess level of spending.

71. As illustrated by Figures 8 and 9, Korea and Poland substantially allocate more resources to capital investment and health than Egypt. Their debt service outlays are modest as a share of both revenues as well as of total expenditures, reflecting their low levels of public debt. Notably, both countries focused on investments in human capital and infrastructure investment early in their development programs. Egypt's spending is therefore not only relatively low but, more importantly, it is poorly allocated compared to its peer group, as well as to higher-income countries such as Korea and Poland. Simply, Egypt is not spending enough in areas that would promote

growth, lift living standards, and address health, education, and infrastructure shortfalls. Focusing on spending within these areas will help Egypt to fulfill the SDGs and 2030 Agenda.

Figure 8. Egypt, Poland, and Korea – Total investment as percent of GDP, 1990-2016

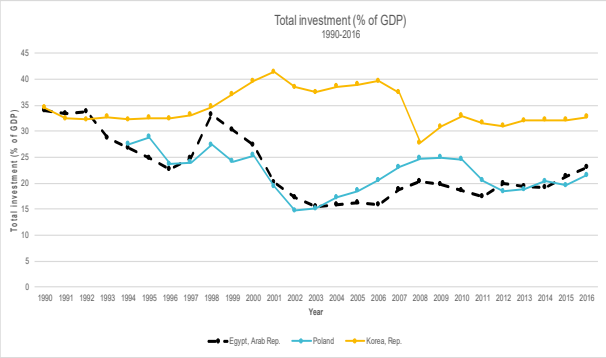
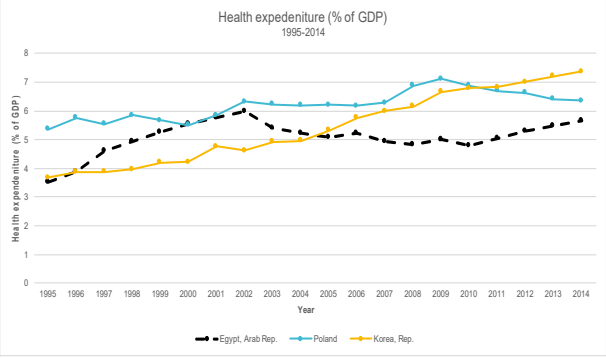


Figure 9. Egypt, Poland, and Korea – Total health expenditure as percent of GDP, 1990-2016



72. Egypt's fiscal dilemma has taken many years to develop and will take considerable time to resolve. Despite a lack of tangible short-term solutions, feasible and effective policy remedies are available to rectify the situation over the medium-to-longer time. Although the introduction of new taxes may cause concern during the initial phase of economic recovery, the impact on growth should not be constrained so long as the tax rates are not punitive and their design is not distortionary. Expanding fiscal space in the context of Egypt's still nascent return to growth requires a balanced pace in widening the tax net alongside efforts to strengthen tax collection processes. Indeed, the Egyptian government is proceeding in a balanced manner given its initiation of the VAT at a relatively low rate of 13 percent, subsequently increased by 1 percent after one year to allow domestic economic actors to adjust to the new regime. In addition, removal of tax loopholes or preferential tax treatments (which are often provided to favored entities, sectors, or regions) has been found internationally as an effective means to improve the tax take while also creating a more level playing field. Lastly, measures to incorporate the informal sector into the formal sector and to create a simplified tax regime for small- and medium-sized businesses could also generate additional revenue flows to the government.

73. The government's potential to grow and diversify sources of non-tax revenues should also not be overlooked, particularly as the data indicate most differences lie between its total revenue mobilization capacity compared to that of Korea and Poland (as the three countries' tax takes as a proportion of GDP fall within a similar narrow range as shown in Figure 5b). This issue also links to the important initiatives that are being considered and beginning to be put into practice to strengthen the management, operations and financial health of Egypt's public-sector enterprises. Better management of public capital assets will not only stem the drain on the budget derived from those that are non-performing, but could also produce a return to the government as the owner of these assets. Furthermore, better managed as well as increasingly transparent and accountable public enterprises could allow for the improvement in quality and availability of services to the public, advancing the country's developmental objectives as stipulated by the 2030 Agenda.

74. Poland's track record in restructuring and privatizing its public-sector enterprises may serve as an example to the Egyptian government as it illustrates an additional potential policy tool to expand fiscal space. While the revenue from the public enterprise sector may fall (resulting in an initial drop in overall government revenues), the proceeds from privatization can be allocated to reduce the existing stock of debt or at the very least, slow down the accumulation of newly acquired debt. This would not only directly provide additional fiscal breathing space for the government, but the moderation in the government's need for financing would also assist in reducing interest rates in the domestic market – in turn, stimulating investment by the private sector. As the Polish experience demonstrates, one of the most beneficial outcomes brought about by the privatization program (as well as the deliberate reduction of the role of public enterprises in the economy) was the unleashing of the country's entrepreneurial "animal spirits," which drove growth to unprecedented levels.

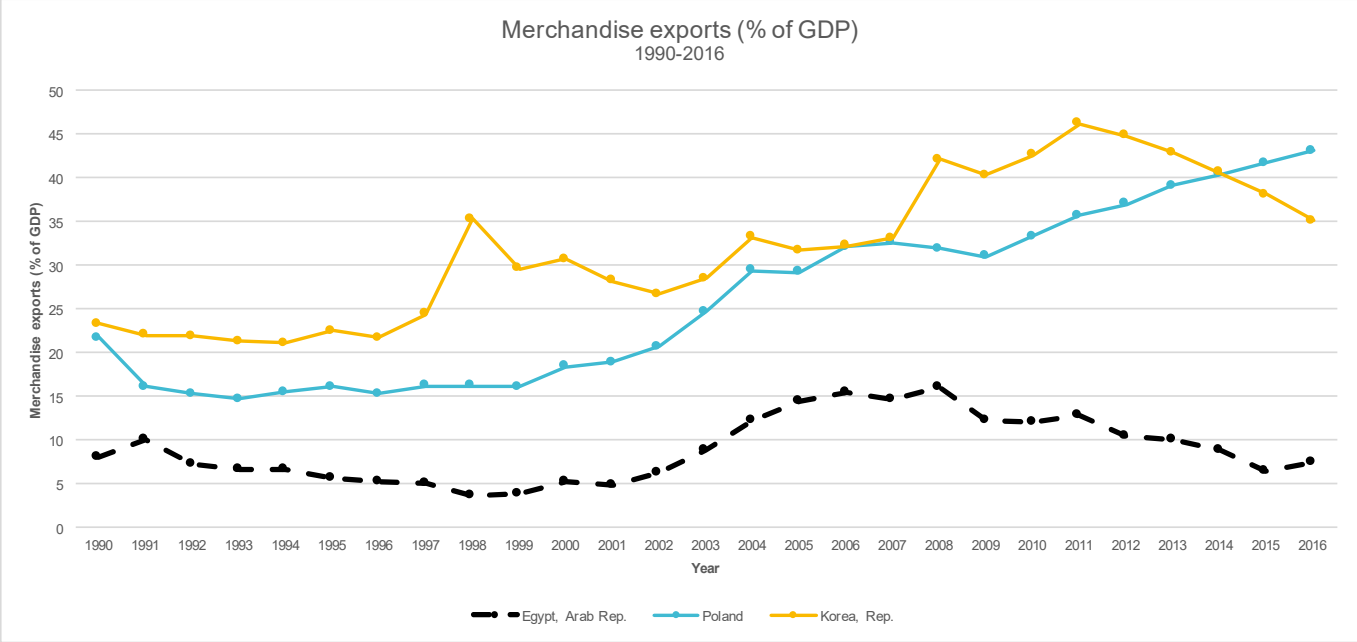
75. While the Egyptian government's expenditure structure is largely comprised of non-discretionary spending (such as wages) and dominated by non-negotiable interest expenses, there is scope to introduce stronger controls on spending as well as monitoring systems in order to effectively widen the fiscal space. Policy options could include shifting to a top-down rather than bottom-up approach to budgeting and adopting program budgeting (with six line ministries in Egypt having already taken part in a pilot project to test out this approach). Korea adopted such measures relatively early in its development process in efforts to ensure that the government maintained fiscal discipline.

76. Additionally, the implementation of controls to impose greater discipline and surveillance surrounding the government's capital investment program would allow Egypt to optimize its limited fiscal resources. For example, this could entail a cross-ministerial framework to evaluate the various investment proposals as well as developing a robust mechanism to monitor the performance of investments on an on-going basis and track the distribution of benefits to targeted constituencies (particularly if the investment efforts are aligned with those areas needing more resources as shown by the SDG trajectory analysis in the preceding sections). In this regard, a strong capacity to gather, evaluate, and monitor household and regional-level economic data is crucial to enable the government to better design its policy interventions and measure their impact.

77. As a prime example of the Asian model of economic development, Korea has powered its rapid and sustained growth on the back of investment and exports. Figure 9 depicts Korea's much higher investment to GDP ratio compared to Poland and Egypt. In addition, the role of merchandise exports, as shown in Figure 10, illustrates that both Korea and Poland quickly developed successful export platforms in the early phase of their development, while Egypt has primarily been inward-looking (merchandise exports make up less than 10 percent of GDP and manufactured exports also represent a far lower proportion of merchandise exports in Egypt's case). The outward orientation of the Korean and Polish economies – in each case supported by a competitive, market-based exchange rate regime – was instrumental in forcing the economic actors in these countries to focus on productivity in order to compete internationally.[27]

[27] Dani Rodrik argues in a study published by the Brookings Institution titled "The Real Exchange and Economic Growth" that an undervalued exchange rate in a developing country setting might be justified as a way for compensating the tradable sector for institutional weaknesses and existing product-market failures (Rodrik 2008).

Figure 10. Egypt, Poland, and Korea – Merchandise exports as percent of GDP, 1990-2016



Section 4: Conclusion

78. The purpose of this note is to illustrate a framework that is intended to assist individual countries to translate the global 2030 Agenda and the SDGs into feasible development plans by allowing policy makers to identify policies that, while taking into account initial conditions, focus on those SDGs that appear to be lagging. While the selection of SDG indicators (mostly due to the limitation of data availability) only paints a partial picture, it illustrates the framework and initiates a discussion on Egypt's current and future SDG progress.

79. Egypt's availability of internationally comparable data is limited, particularly with respect to education. Table 1 provides a summary of indicators for which data are missing. This situation poses a serious challenge to both policy makers and analysts alike as it precludes a comprehensive picture of the current socio-economic climate in Egypt, with the lack of information making it difficult to design effective policy recommendations or monitor their impacts. Strengthening statistical capacity is therefore vital to the achievement of the SDGs: the availability of data that will enable the government to make effective expenditure decisions, which in turn will have a direct bearing on the success or failure of reaching the Agenda 2030 goals.

80. As summarized in Table 2, the current projections indicate that of the 17 SDGs, Egypt is performing better than expected given GNI per capita in nine. The country is under-performing in five, and performing as expected on one SDG; there is very limited statistical data to evaluate Egypt's performance on the remaining two and therefore we exclude them from the diagnostic. Of the indicators that are currently performing worse than expected, four indicators have also observed a decrease in country ranking since 2000: *wasted children, underweight children and debt to export ratio.* Egypt's GNI per capita ranking has also decreased since 2000 as the per capita growth rate over 2010-2015 increased by only 0.1 percent annually.

81. In addition, Table 3 shows that for the majority of the selected indicators, the relationship to GNI per capita appears to be tight. Henceforth, improvements in these SDGs will likely continue along with GNI per capita growth and can be further enhanced through increases in resources and capabilities, and/or better policies and institutional settings. However, it should be noted that for some of these SDGs (wasted children, underweight children and debt), Egypt's percentile ranking has deteriorated at a rate faster than GNI per capita growth, suggesting that the efficiency of policies through which resources are translated into SDG outcomes may be lagging. Indeed, the presence of a tight relationship to GNI per capita suggests that future improvements depend on a combination of rapid growth and better policies.

82. Special attention to policies is necessary for those indicators in which the relationship between the SDG and GNI per capita is loose. Their loose relationships to GNI per capita suggest these indicators should not be expected to improve strongly or systematically through accelerated growth in GNI per capita but rather, primarily depend on country-specific conditions and policies and, potentially, also on external support.

83. In terms of financing for development, including fiscal space, a general shift from consumption expenditures to investment expenditures is likely to be important to induce higher and more sustainable rate of growth. One of Egypt's main problems is the poor structure of expenditures. Continuing reforms to reduce interest expense and subsidies – creating more room for pro-growth spending – will therefore be critical. The main source of additional financial resources for development may be higher taxes (given Egypt's weak performance in this area compared to peer countries) even though other sources such as increased ODA and further efficiency improvements may also contribute. While Egypt will continue to be burdened by a comparatively very large debt burden, efforts to expand the availability of and access to both private domestic and external sources of financing (as well as more effective sources of public external grants and aid) are key to pursuing development and achieving progress on the SDG goals.

84. Although growth oriented policies will assist Egypt with the achievement of a significant number of SDGs, such policies must be complemented with initiatives that especially support indicators that are loosely correlated with GNI per capita (Table 3 and 5). Those SDGs for which Egypt is under-performing are suggested to be prioritized and targeted first. The execution of policies and their associated programs require strong institutions, including those that coordinate the implementation of the 2030 Agenda at all levels of government. Effective institutions are especially necessary to ensure that the interrelatedness of the SDGs is considered and that prioritization as well as sequencing is done accordingly to maximize impact.

85. Finally, the analysis in this diagnostic identifies outliers on which policy makers could usefully focus first; however, the assessment does not identify policies that are necessary to fulfill the SDGs. In other words, this paper is an attempt to prioritize the SDGs targets by providing initial guidance as to which SDGs to focus on and to identify potential resources available to finance their attainment.

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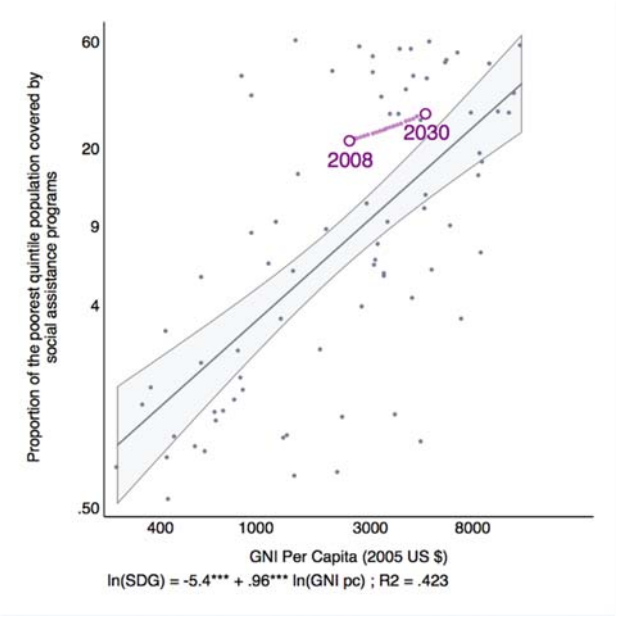
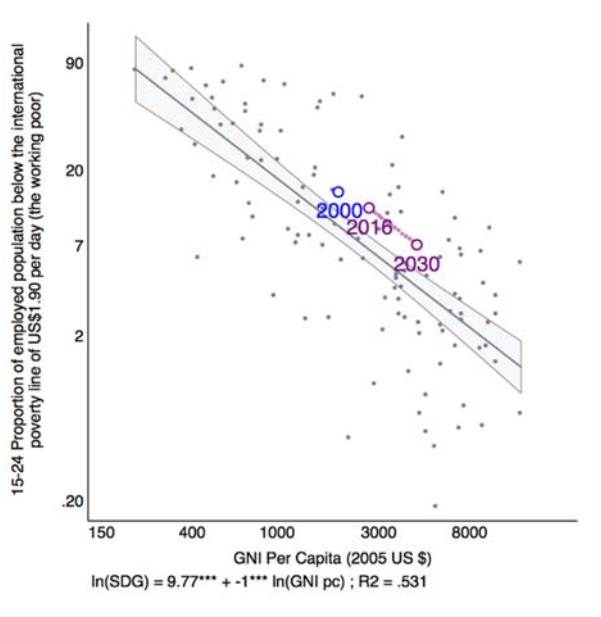
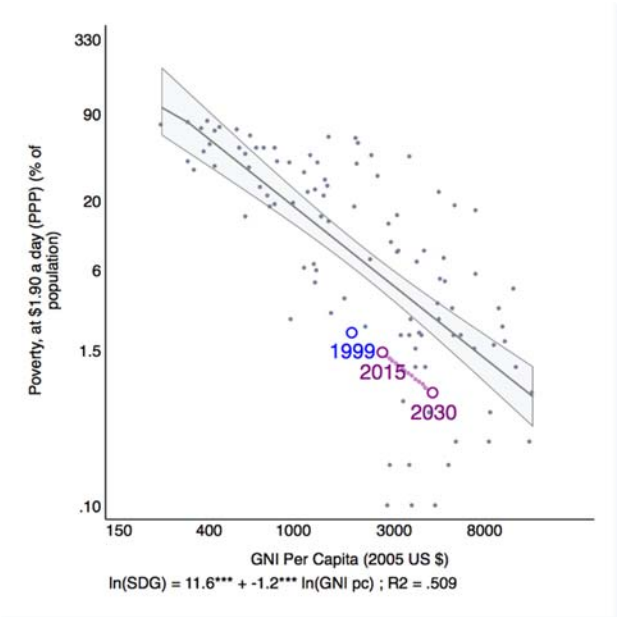
Annex 1. Egypt, SDG Indicators (log scale) versus GNI per capita in a cross-country setting (log scale)

Highlighted observations are for Egypt at different years, while the non-highlighted country observations are the most recent observation for other low + middle-income countries

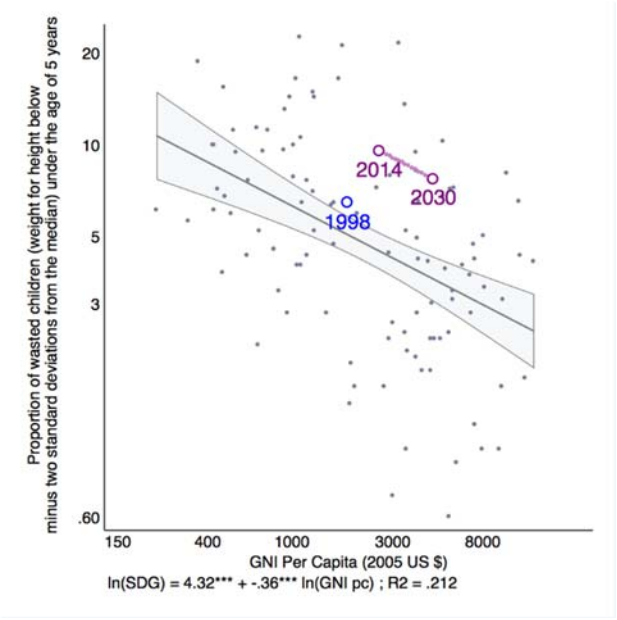
SDG Goal 1: No Poverty

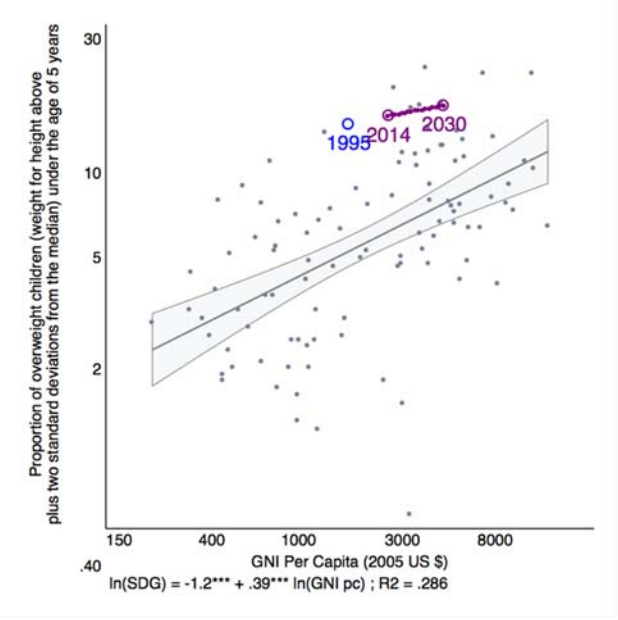




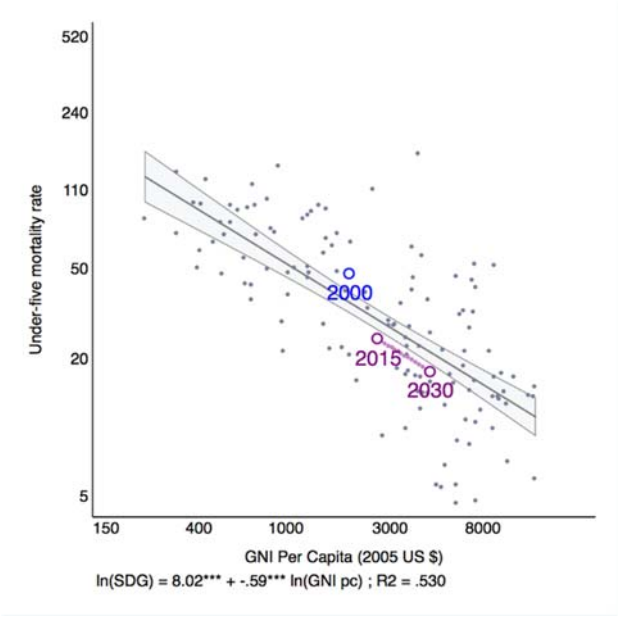


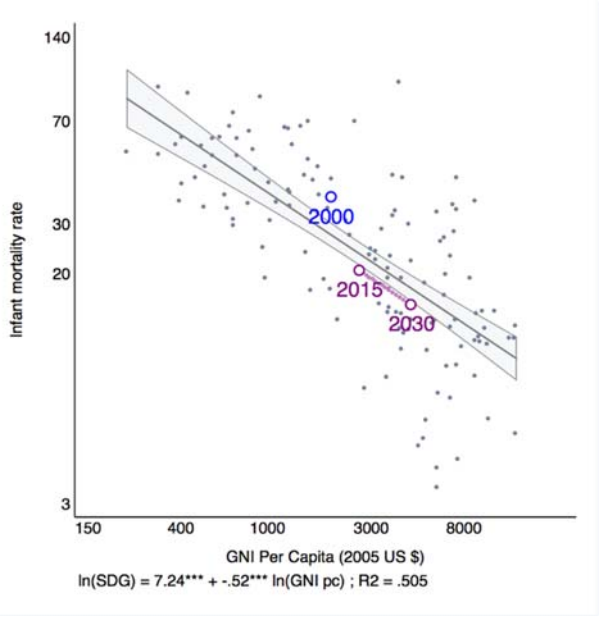
SDG Goal 2: Zero Hunger

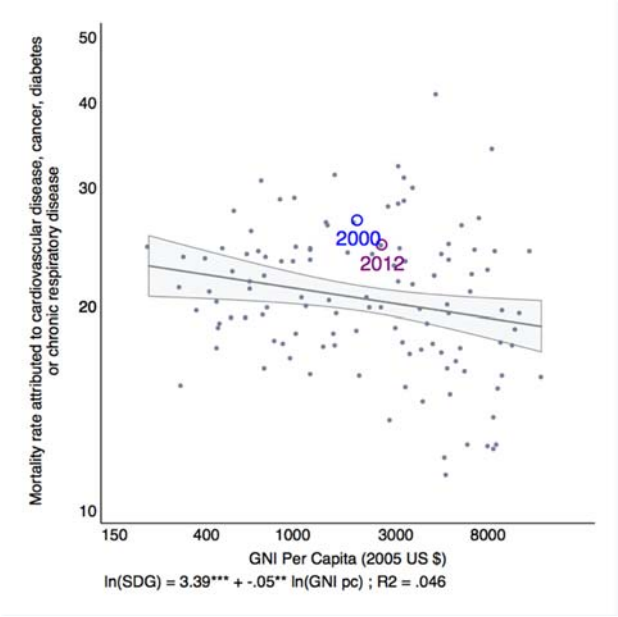




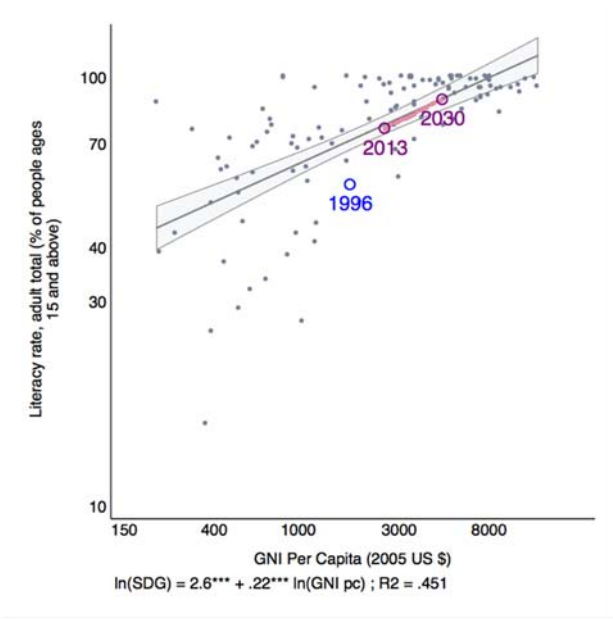
SDG Goal 3: Good Health and Well-Being

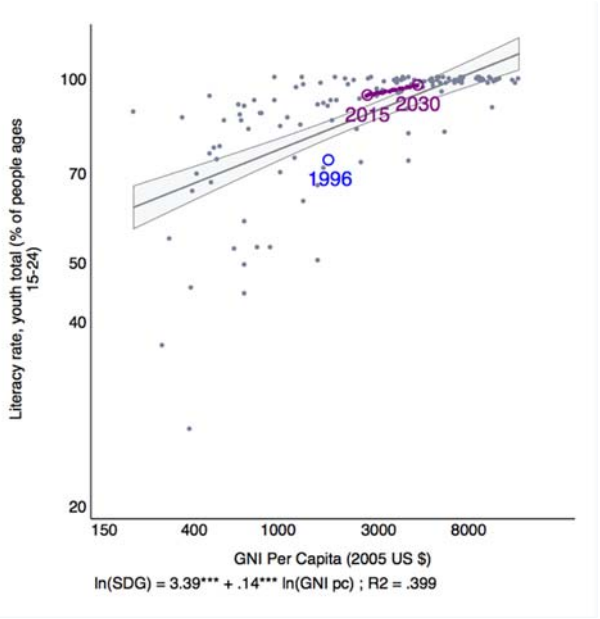


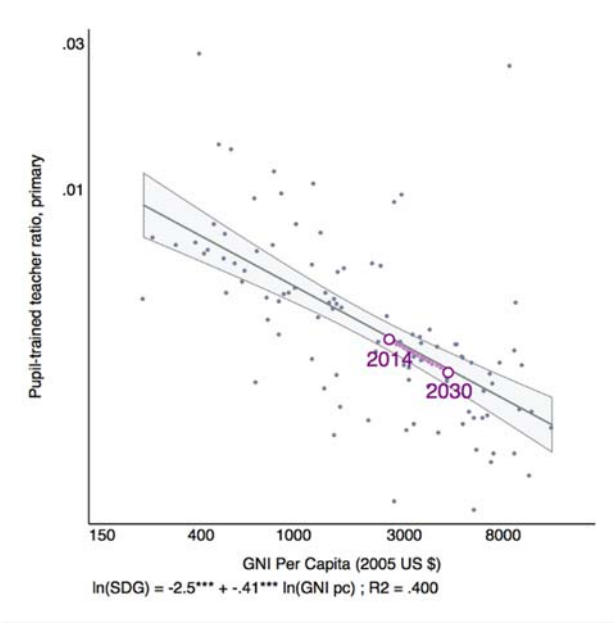


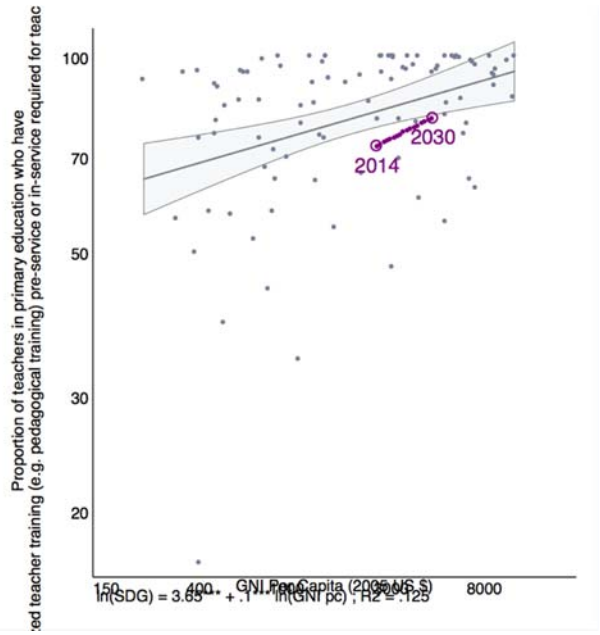


SDG Goal 4: Quality Education

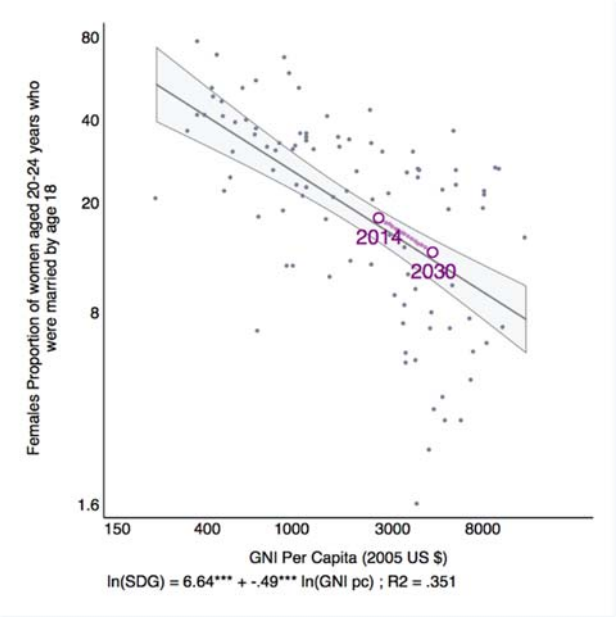




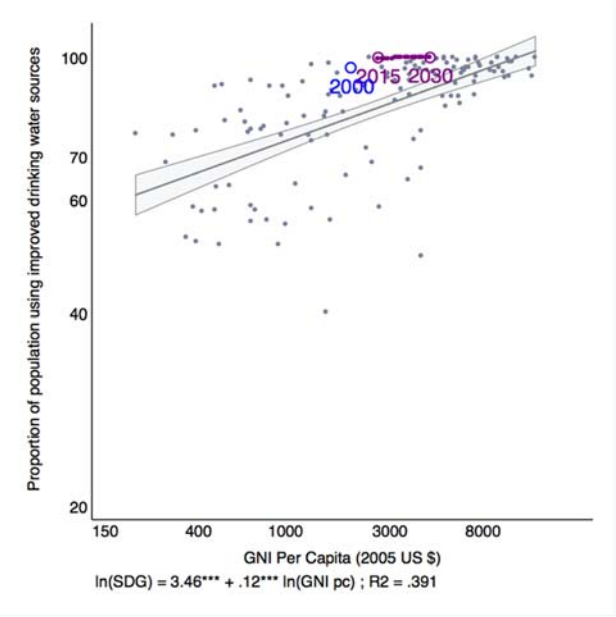


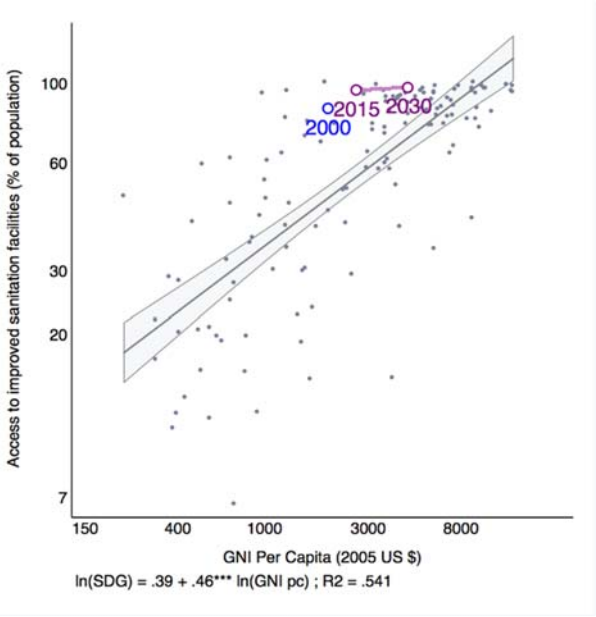


SDG Goal 5: Gender Equality

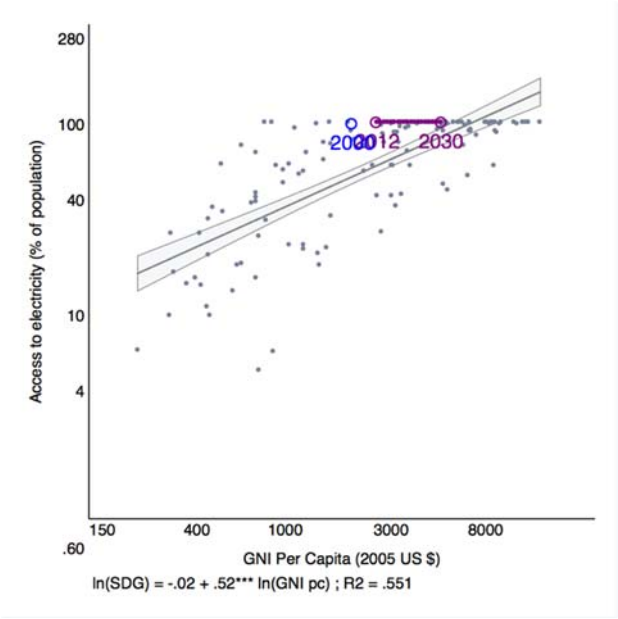


SDG Goal 6: Clean Water and Sanitation

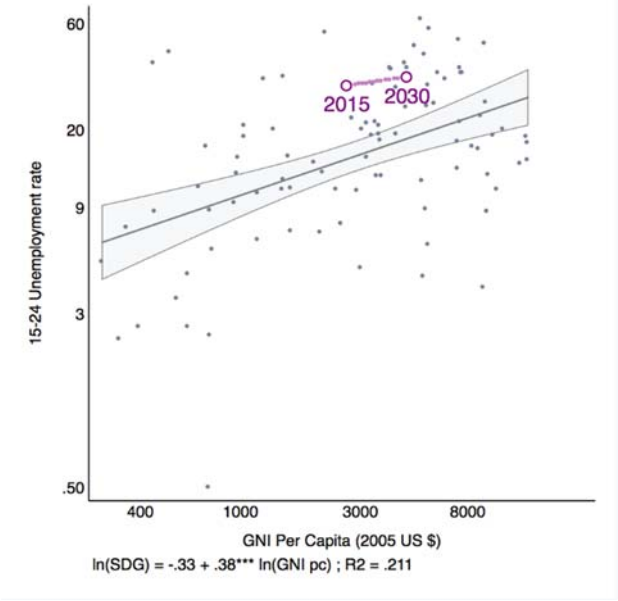


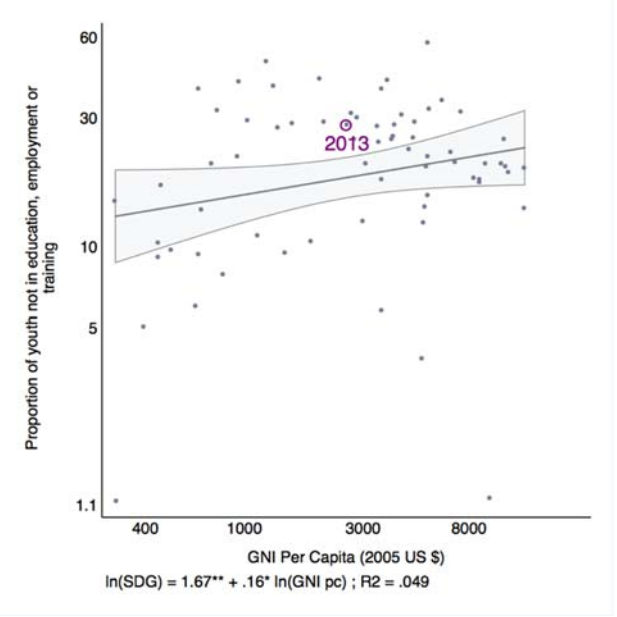


SDG Goal 7: Affordable and Clean Energy

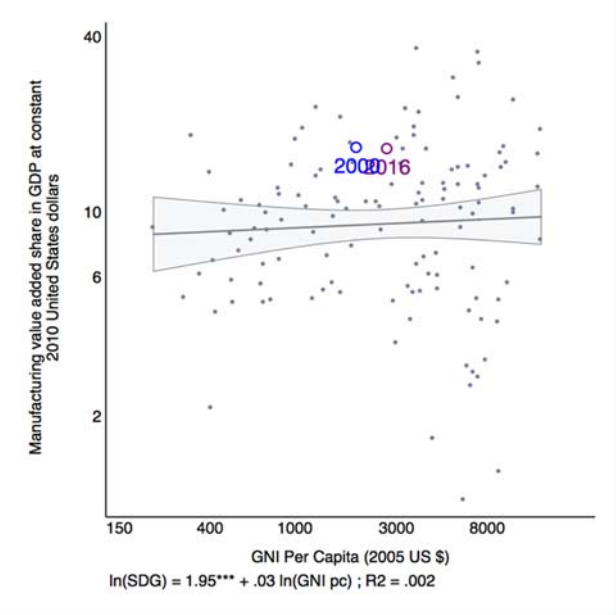


SDG Goal 8: Decent Work and Economic Growth

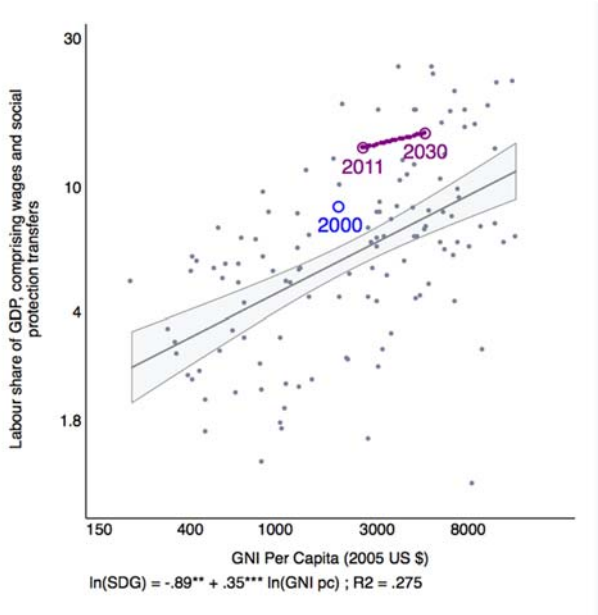




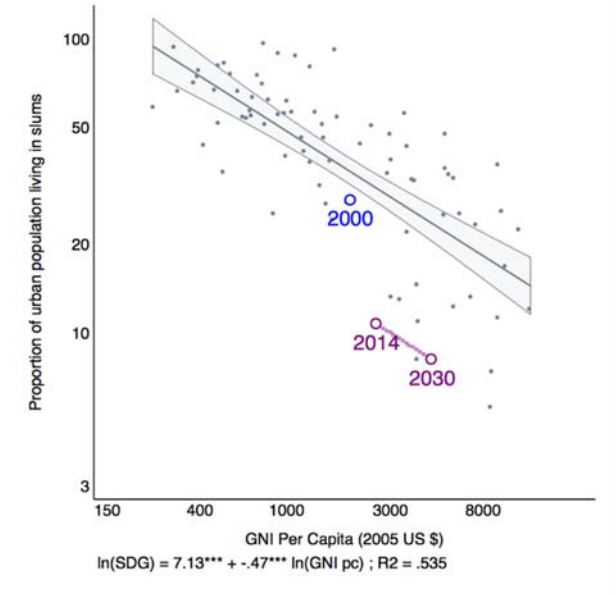
SDG Goal 9: Industry, Innovation, and Infrastructure



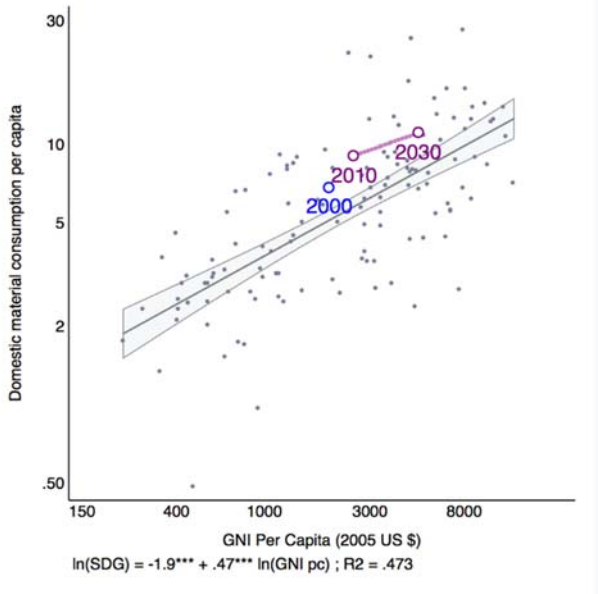
SDG Goal 10: Reduced Inequalities



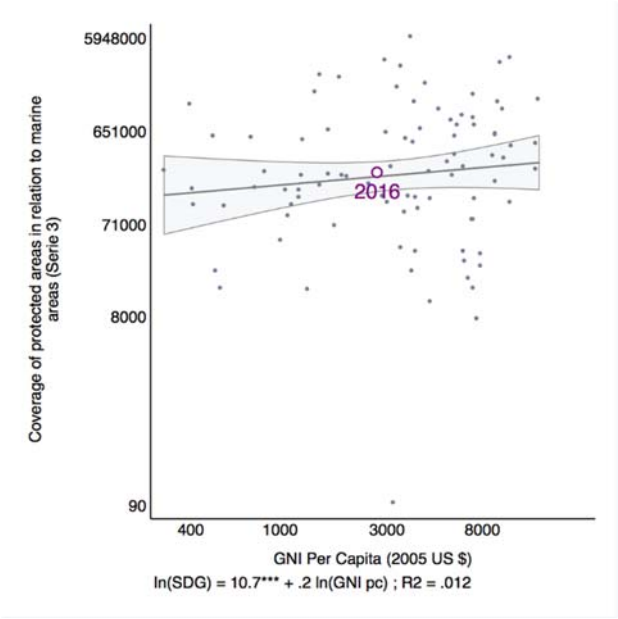
SDG Goal 11: Sustainable Cities and Production



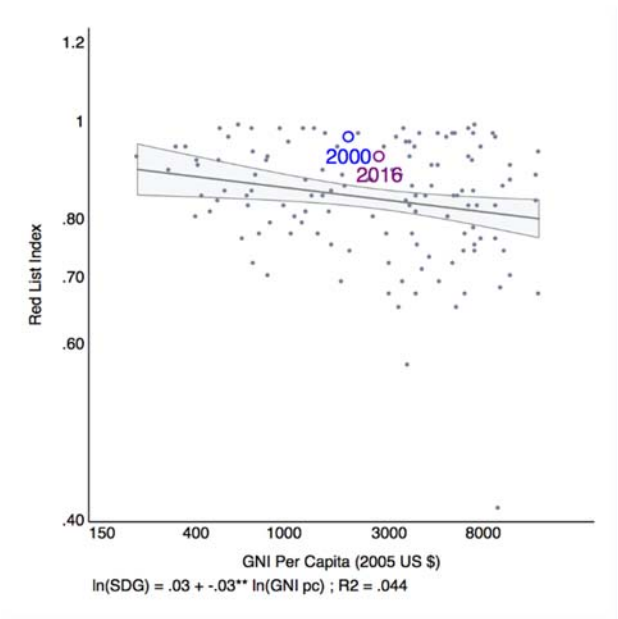
SDG 12: Responsible Consumption and Communities



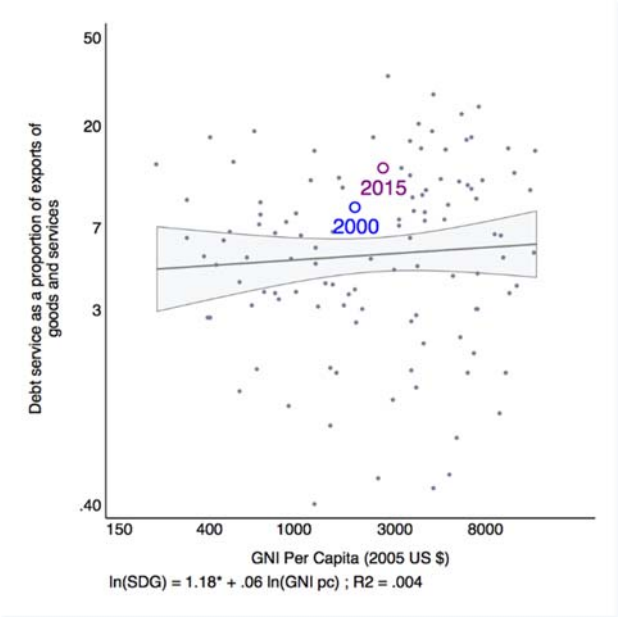
SDG Goal 14: Life Below Water



SDG Goal 15: Life on Land



SDG Goal 17: Partnerships for the Goals

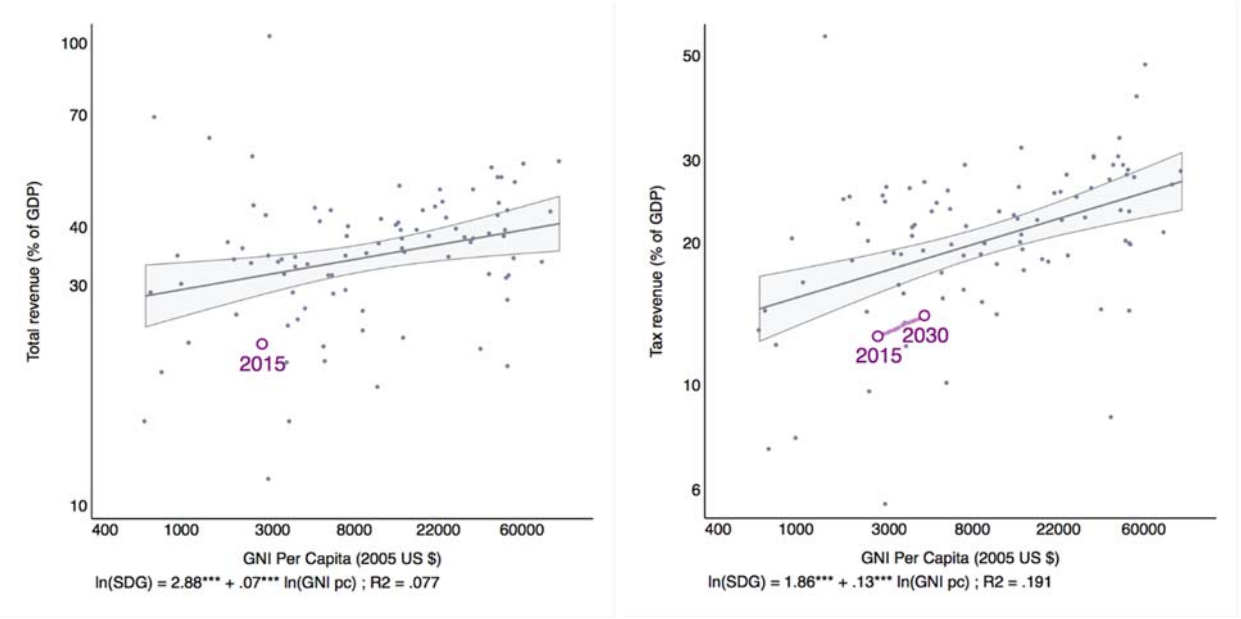


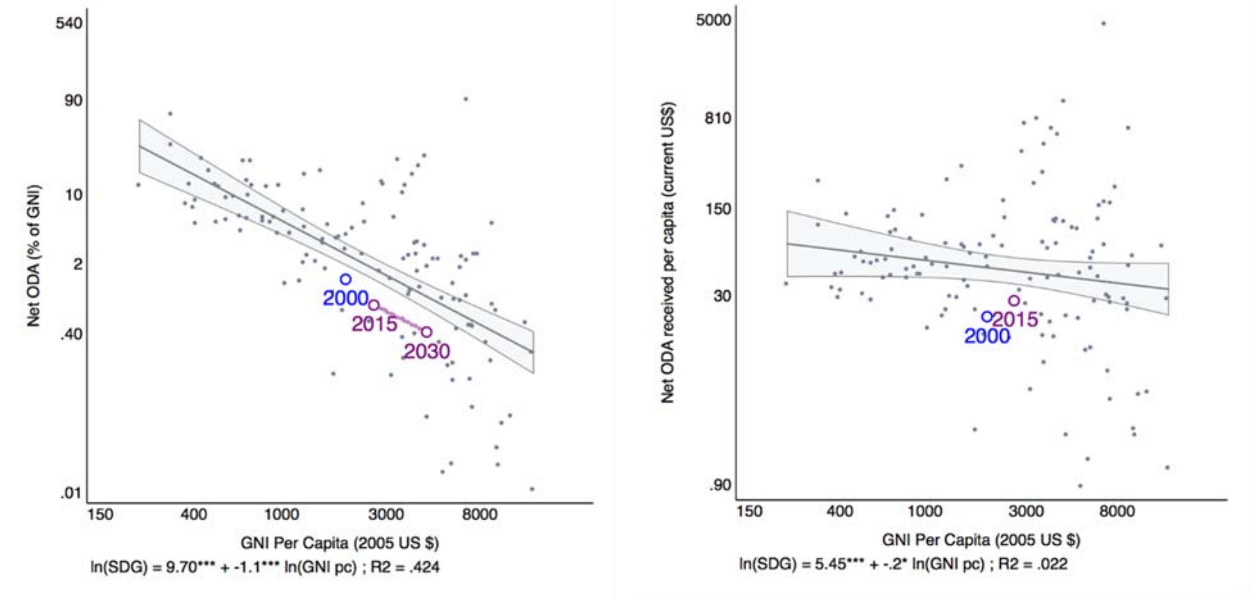
Annex 2. Egypt –Financing for Development indicators and GNI per capita in a cross-country setting.

Highlighted observations are for Egypt in different years, while the non-highlighted country observations are the most recent observation for other low and middle-income countries.

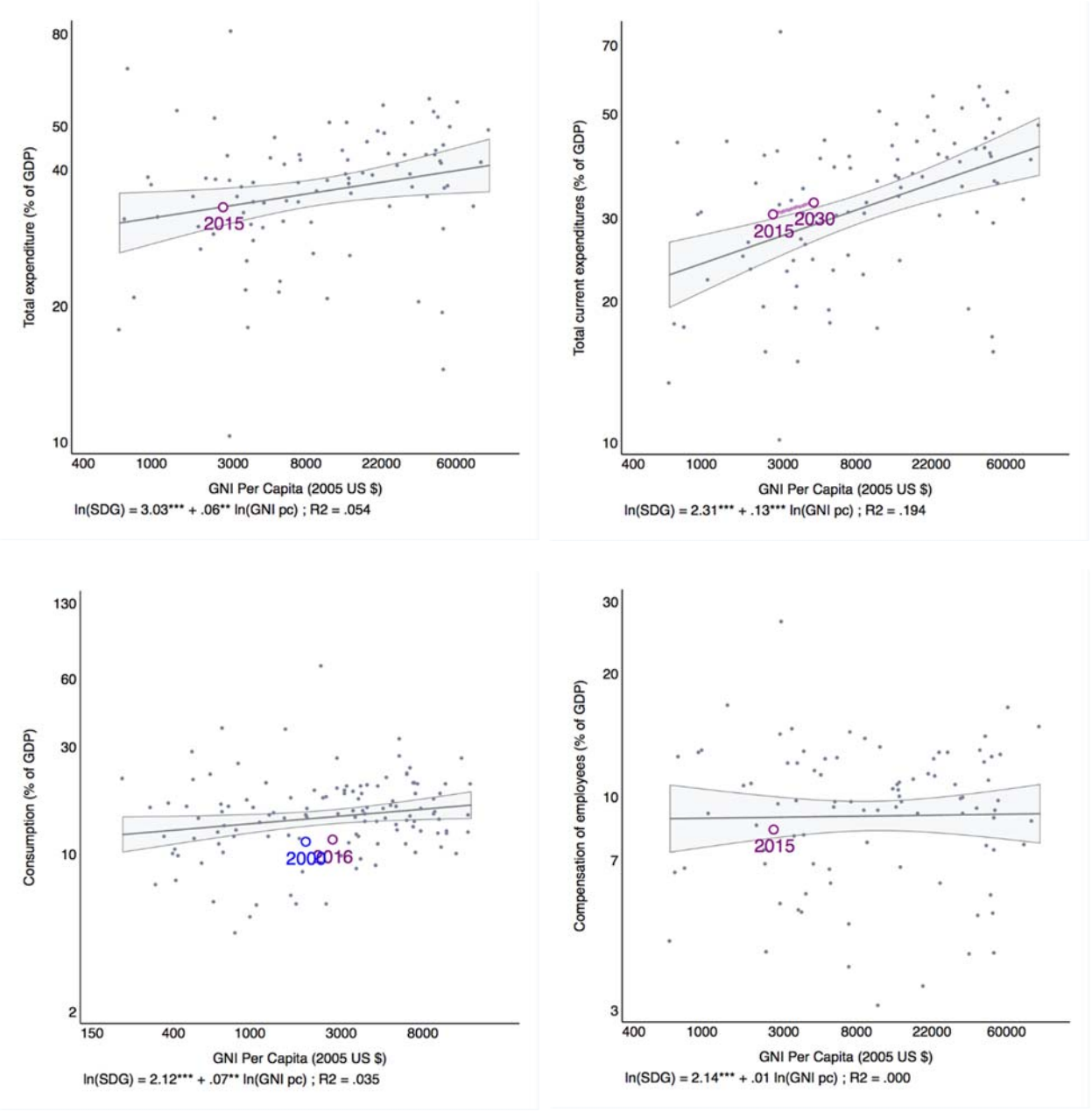
1. General Government Space

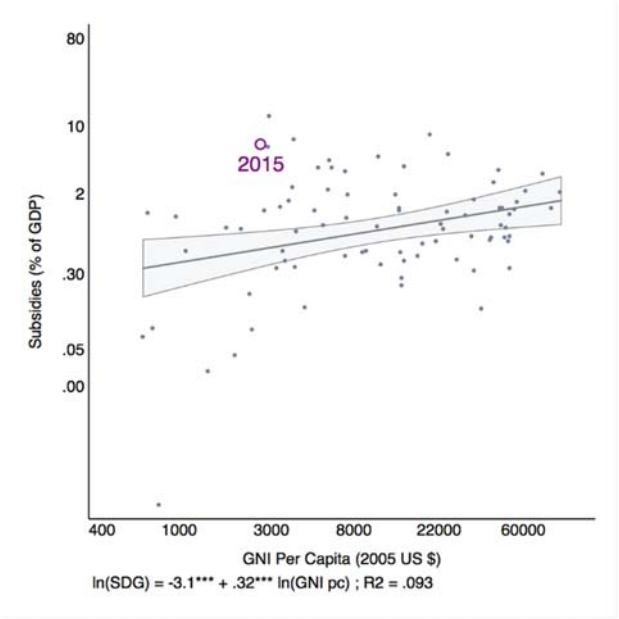
a. *General government revenue*

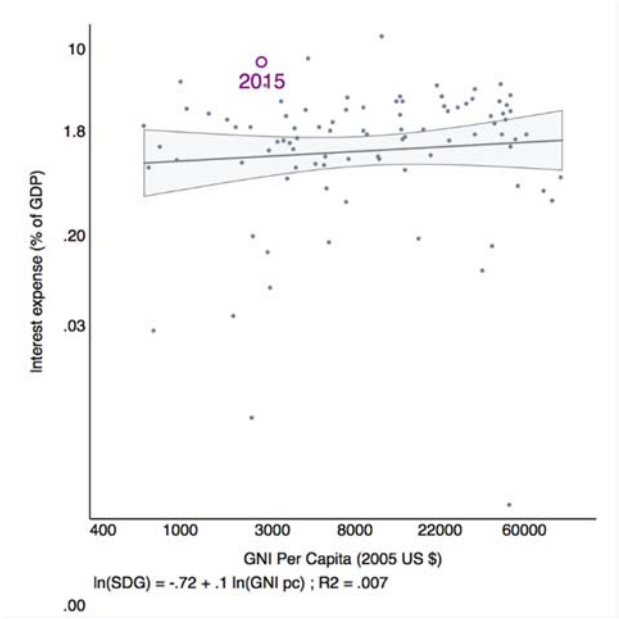


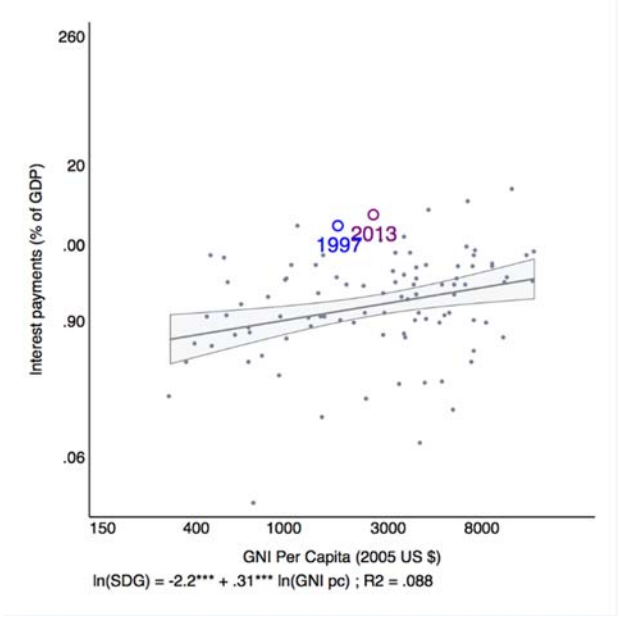


b. *General government expenditure*

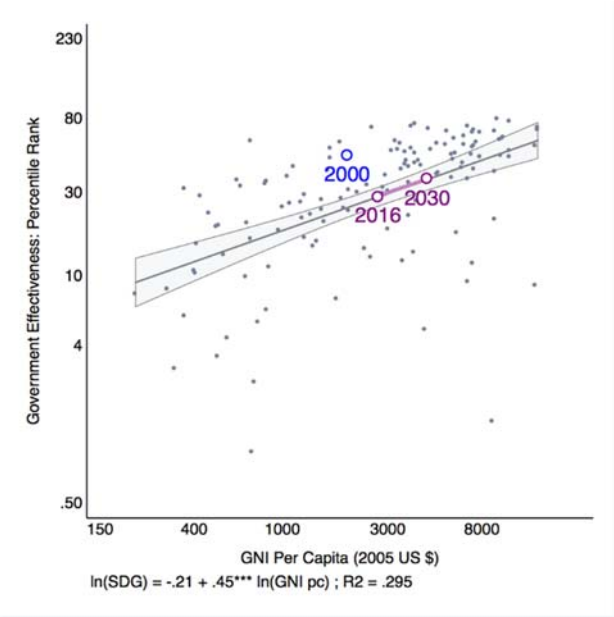


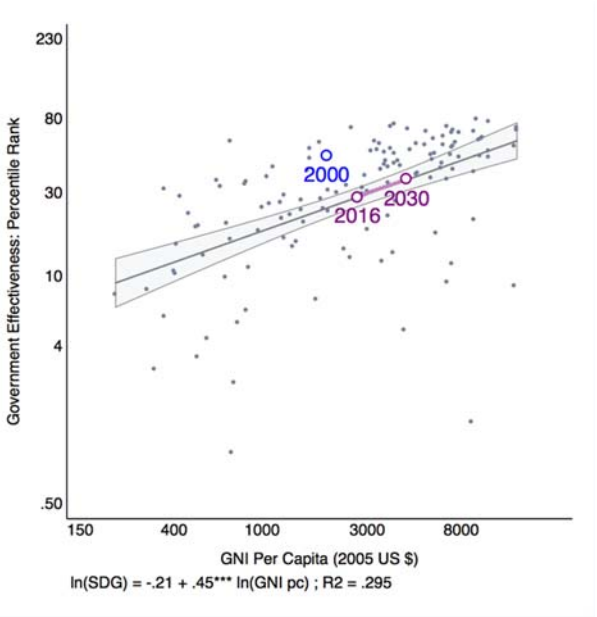

Subsidies (% of GDP)
80
10
2
.30
.05
.00
2015
400
1000
3000
8000
22000
60000
GNI Per Capita (2005 US $)
ln(SDG) = -3.1*** + .32*** ln(GNI pc) ; R2 = .093


Interest expense (% of GDP)
10
1.8
.20
.03
.00
2015
400
1000
3000
8000
22000
60000
GNI Per Capita (2005 US $)
ln(SDG) = -.72 + .1 ln(GNI pc) ; R2 = .007


Interest payments (% of GDP)
260
20
.00
.90
.06
1997
2013
150
400
1000
3000
8000
GNI Per Capita (2005 US $)
ln(SDG) = -2.2*** + .31*** ln(GNI pc) ; R2 = .088

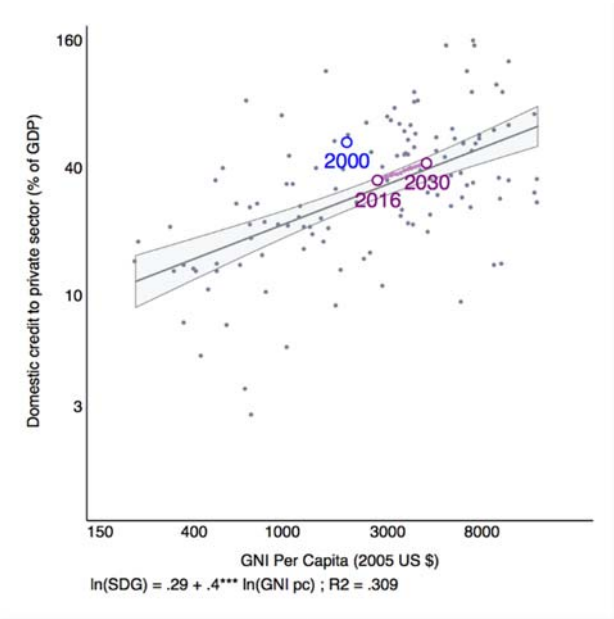
c. *Governance and government efficiency*

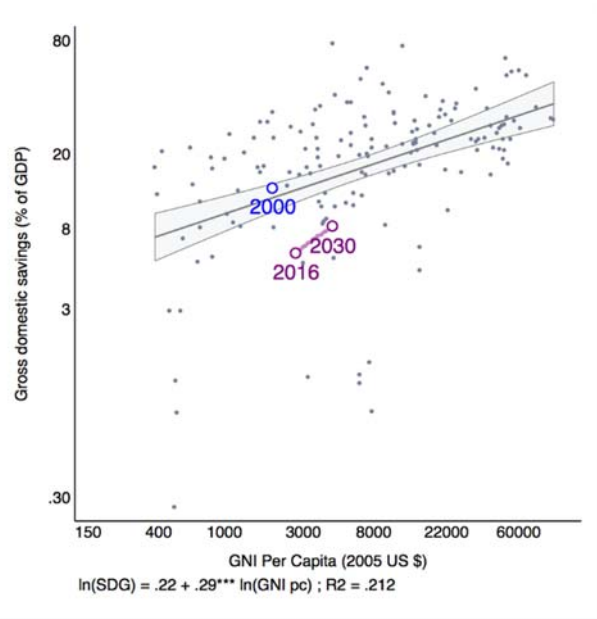


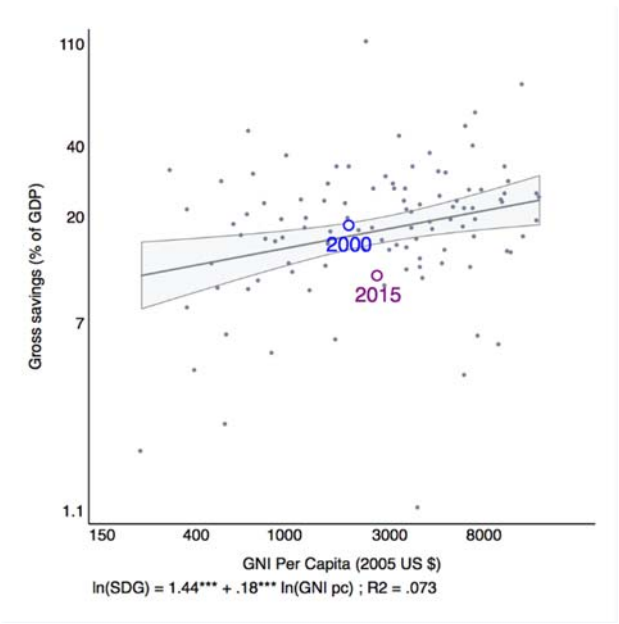


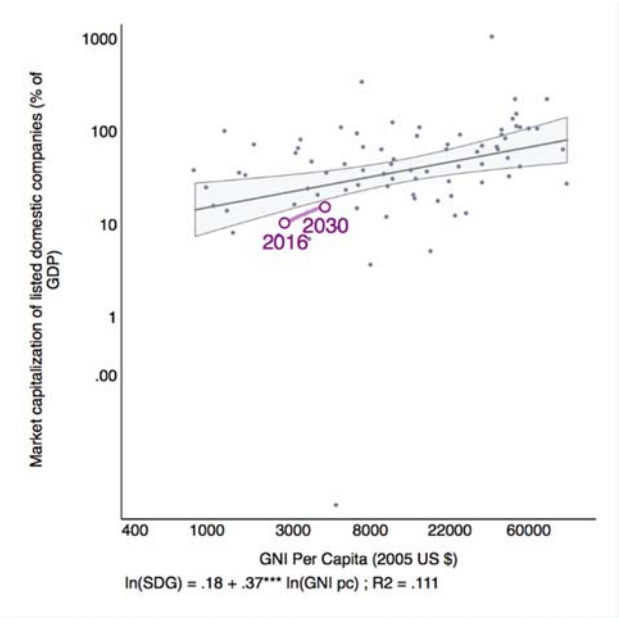
2. Private Source Space

a. *Domestic private*

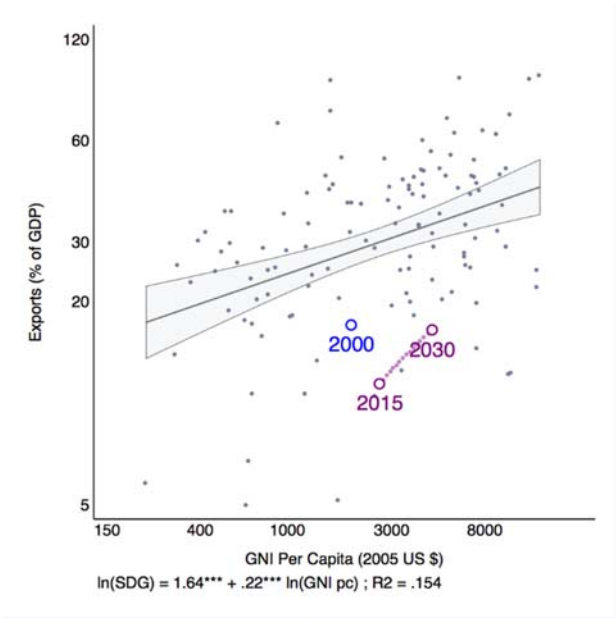


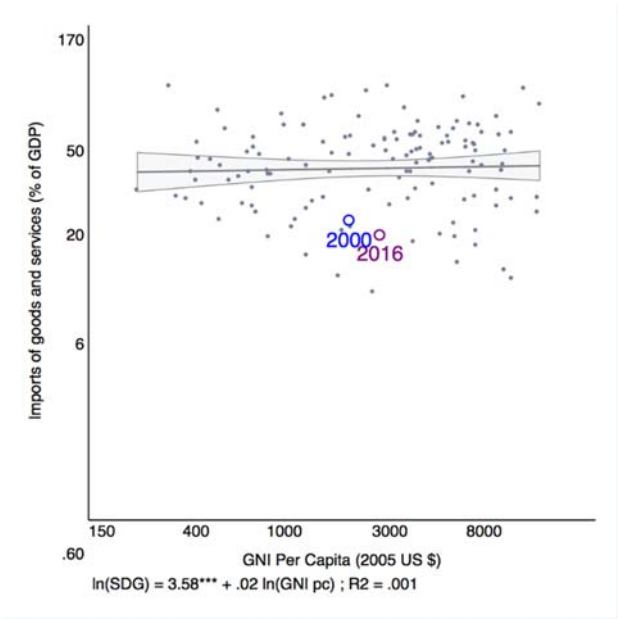


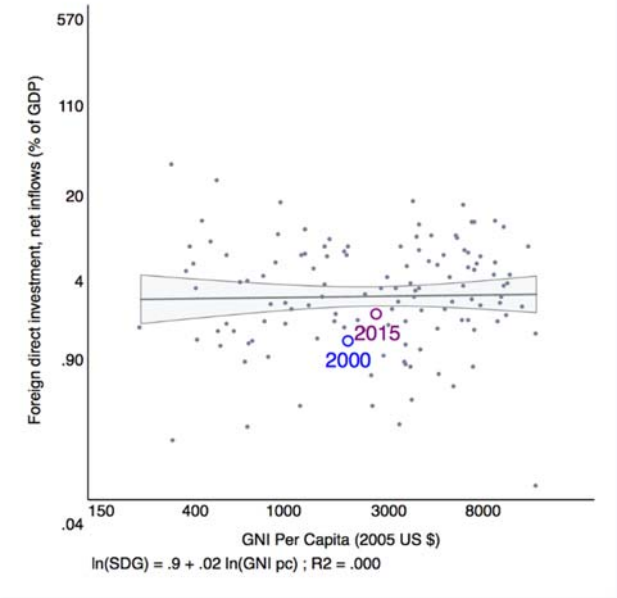

110
40
20
7
1.1
Gross savings (% of GDP)
2000
2015
150
400
1000
3000
8000
GNI Per Capita (2005 US $)
ln(SDG) = 1.44*** + .18*** ln(GNI pc) ; R2 = .073


1000
100
10
1
.00
Market capitalization of listed domestic companies (% of GDP)
2030
2016
400
1000
3000
8000
22000
60000
GNI Per Capita (2005 US $)
ln(SDG) = .18 + .37*** ln(GNI pc) ; R2 = .111

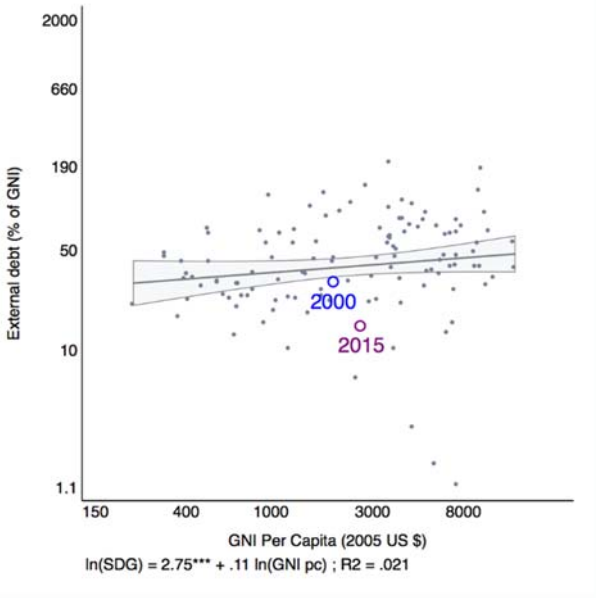
b. *External private*

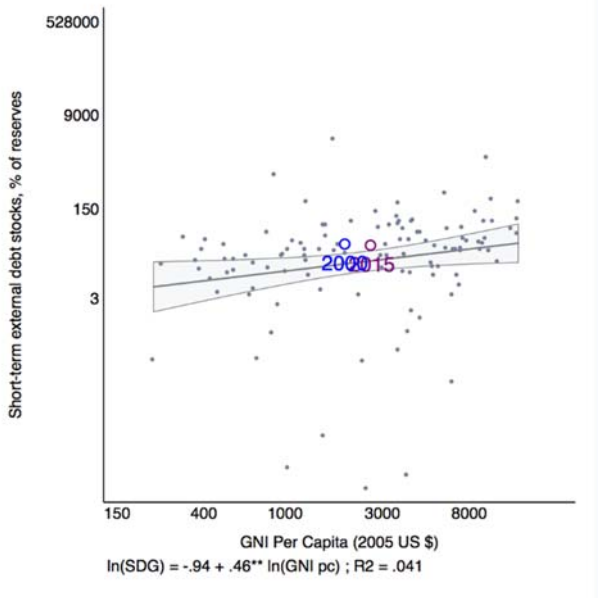


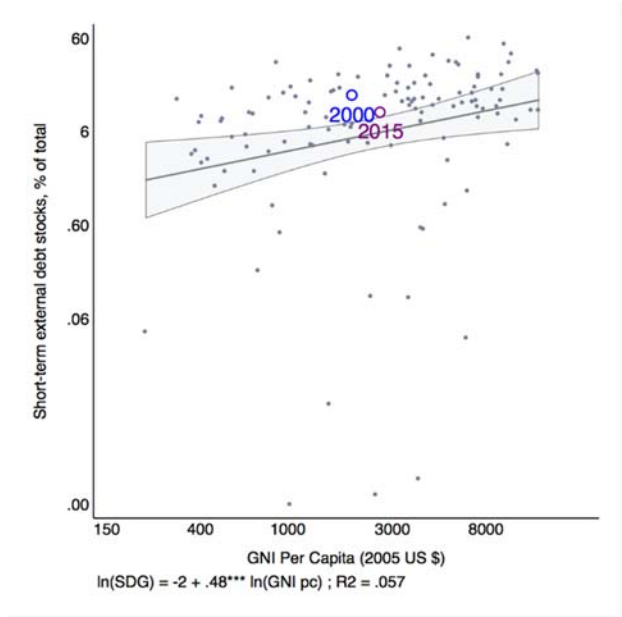




c. *External debt sustainability*







d. *Government debt sustainability*