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Course of Political Economy of Development

**A 10-Year Development Plan for Egypt:
Balancing Economic Growth with Social Development**

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ABSTRACT

This thesis examines Egypt's current development model, highlighting the government's disproportionate investment in large-scale infrastructure at the expense of constitutionally mandated spending on education and healthcare. Drawing on historical trends, socioeconomic indicators, and comparative analysis, the study argues that this investment imbalance is not only socially damaging but also economically unsustainable. Findings reveal that Egypt consistently underinvests in both public education and healthcare, with funding levels falling below constitutional requirements. This neglect perpetuates systemic inequality: inadequate schooling leaves large segments of the population underprepared for the workforce, trapping them in low-wage, informal jobs and reinforcing cycles of poverty. Similarly, the chronic underfunding of public healthcare has created a stark divide between public and private systems, leaving hospitals under-equipped and unable to respond to rising health challenges such as non-communicable diseases and population growth. These human development failures directly impact Egypt's economic potential. Poor education, widespread illness, absenteeism, and presenteeism collectively reduce productivity, suppress labor market participation, and constrain long-term GDP growth. Empirical evidence from comparable economies confirms that nations which prioritize physical capital over human capital often experience stagnation, rising inequality, and weakened social cohesion. The paper argues that Egypt's focus on debt-fueled construction and elite-centred development, especially under President Abdel Fattah El-Sisi, has achieved short-term GDP growth at the expense of inclusive, long-term well-being. While Egypt is forecasted to become the 7th largest economy by 2075, this trajectory depends on a profound reform of fiscal priorities and governance strategies. Thus, this thesis looks at different development paths for Egypt, and concludes by proposing a 10-Year Plan grounded in sustainable development theory. The main takeaway is clear: only through balanced, people-centred development can the nation realize its projected future as a global economic power.

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INTRODUCTION

Egypt stands at a developmental crossroads. Though currently grappling with high inflation, youth unemployment, and social inequality, the country is projected—under the right conditions—to become the world’s seventh-largest economy by 2075¹. This ambitious forecast, however, hinges on a critical and urgent shift in national priorities: from debt-driven infrastructure megaprojects to strategic investments in human capital.

This thesis explores why such a shift is not only desirable but necessary. It aims to demonstrate how Egypt’s current trajectory, driven largely by elite-centered economic planning and authoritarian governance, is not only socially unsustainable but also economically shortsighted. Over the past decade, Egypt’s economic trajectory has been shaped by cycles of liberalization, state dominance, and IMF-backed stabilization—often pursued without corresponding investments in health, education, or institutional equity. By emphasizing physical capital over human capital, the government has achieved short-term GDP gains at the expense of long-term development. The current government, under President Abdel Fattah El-Sisi, has prioritized large-scale construction and military-led economic ventures while sidelining the foundational pillars of long-term development. The core hypothesis of this research is simple: without immediate and ambitious reforms focused on human development, Egypt risks squandering its demographic and economic potential.

To understand the roots and consequences of this imbalance, the first part of this research examines Egypt’s historical economic development, highlighting how shifts in political regimes—from Nasser’s state socialism to Hosni Mubarak’s neoliberalism and El-Sisi’s military capitalism—have shaped the country’s priorities and performance. This section also looks at economic indicators to analyze the nation’s current economy and also unpacks the structural dependencies and policy choices that continue to shape Egypt’s fiscal landscape today.

Building on this foundation, the research turns its attention to the social dimensions of economic policy, focusing on the state of healthcare and education in contemporary Egypt. Through an analysis of key indicators—such as life expectancy, physician density, literacy rates, and youth unemployment—this part demonstrates how underinvestment in social sectors has not

¹ Kevin Daly, “The Path to 2075 — Slower Global Growth, but Convergence Remains Intact,” Goldmansachs.com, 2025, <https://www.goldmansachs.com/static-libraries/pdf-redirect/prod/index.html?path=/pdfs/insights/pages/gs-research/the-path-to-2075-slower-global-growth-but-convergence-remains-intact/report.pdf&originalQuery=&referrer=https://www.google.com/>.

only harmed public well-being but also curtailed productivity and widened inequality, to ultimately show how the resulting social cost is immense and persistent.

To further deepen and contextualize this critique, the next section draws on economic development theories and comparative analysis. Frameworks such as the Kuznets Curve and the Solow Growth Model are applied to assess whether Egypt's current growth trajectory aligns with patterns observed in other emerging economies. By looking at international examples—both successful and failed—this part of the research highlights the importance of robust institutions, redistribution policies, and long-term human development in sustaining economic progress.

Against this backdrop, this thesis makes the case for a 10-Year Plan that centers on education reform, universal healthcare, governance transparency, and fiscal reallocation. These recommendations are not idealistic—they are backed by international development theory, comparative case studies, and macroeconomic projections. The introduction of this plan, however, must contend with political realities: in an authoritarian regime, reforms that enhance population awareness, economic equity, and civic autonomy may threaten the very structure of power.

Chapter 1: EGYPT'S ECONOMIC LANDSCAPE – ACHIEVEMENTS AND GAPS

1.1. Overview of Egypt's Economic Development

1.1.1 Historical Overview of Egypt's Economy (past 50–100 years)

Inevitably, a country's history greatly affects its position in the current economic and political landscape. Many of Egypt's current economic issues, like debt dependency, unemployment, and infrastructure focus, have historical roots. Hence, understanding Egypt's economic cycles, growth patterns, and policy shifts not only informs present-day economic decisions and their impact, but they also become crucial in understanding what strategies were effective and why. These findings help justify the need for the proposed changes in health and education, and consequently become particularly important for creating realistic recommendations for the 10-Year Plan.

Dobronogov and Iqbal have identified five phases of economic transformation in Egypt². In Phase I, dating between 1961 and 1973, Egypt experienced low growth and divergence from OECD (Organisation for Economic Co-operation and Development) countries. During this phase, the economy was state-dominated, and there was a low share of the private sector in GDP. Due to the wars of 1967 and 1973, there was a large military expenditure and a large investment in public infrastructure and social services (including health and education). In spite of the large investment in social services, they could not sustain economic growth. This phase also marked a period of stagnating business efficiency and labor productivity. This resulted in high growth and convergence with the OECD.

In Phase II (1974-1985), the Open Door Policy meant a partial liberalization of the trade sector, which allowed for a greater role of the private sector. An increase in revenues from the Suez Canal and petroleum exports also meant a boost in national income. In fact, between 1975 and 1985, their joint value-added share increased from 3.7% to 12.5%, and their share in government revenues from 5% to 35%. Additionally, there was a rapid growth in tourism revenues and workers' remittances from abroad. However, with the rapid growth of GDP, came the deterioration of fiscal institutions.

² Anton Dobronogov and Farrukh Iqbal, "StackPath," erf.org.eg, n.d., https://erf.org.eg/app/uploads/2017/04/0420_final.pdf

By 1986 to 1991 (Phase III), Egypt was yet again diverging from the OECD and was in a low-growth phase. The collapse in oil prices of 1986 revealed the unsustainability of prevailing fiscal policies, thus leading to a collapse in revenues. After this collapse, Egypt transitioned from a public sector-dominated economy to a private sector-led and market-oriented economy³. At this point, fiscal deficits averaged 15% of GDP. Such deficits were then accommodated through expansionary monetary policies, which resulted in inflation rates rising above 20%. This endangered Egypt's ability to serve its external debt. The government's effort to maintain a fixed exchange rate resulted in two peaks in the black market premium, when it exceeded 70%. Here, output had decelerated and fell short of population rates. The stagnating growth and widening macroeconomic imbalances reflected substantial fiscal deficits, expansionary monetary policy, and market inefficiencies fostered by administrative restrictions. The financial sector suffered from segmentation, limits on competition, mandatory and subsidized credit allocations and negative real rates of interest. Additionally, the private sector was crowded out by a development strategy that relied on large-scale public ownership combined with import substitution and limited focus on export promotion. As evidenced by weak social indicators, this phase also marked a low investment in human capital.

By Phase III, three consistent trends are notable. The first trend is that there is a strong positive correlation between growth rates in Egypt and in OECD. The second is that there is a downward trend in growth differentials between OECD and Egypt, and that its growth rate surpassed that of the OECD in the mid-1990s. Lastly, there was a reduction in overall growth volatility. In 1990, the economy had moved towards greater openness through a reduction in tariff rates.

Phase IV, between 1992 and 1998, saw a high convergence with OECD. In 1992, a successful stabilization effort had been launched. As a result, fiscal deficit fell from 15% to 1.3% of GDP, and inflation returned to single-digit values. This phase also marked the devaluation of the pound. This was the first successful implementation of a macroeconomic adjustment program. Aiming at revitalizing the economy, the government embarked on an ambitious program of structural reforms, as the population also rapidly increased⁴. By 1998, the government had launched privatization efforts, where one-third of all state-owned enterprise assets had been privatized. By easing capital account restrictions, a foreign exchange market for

³ Howard Handy, Peter Allum, and Et Al, *Egypt : Beyond Stabilization, toward a Dynamic Market Economy* (Washington, D.C.: International Monetary Fund, 1998).

⁴ Howard Handy, Peter Allum, and Et Al, *Egypt : Beyond Stabilization, toward a Dynamic Market Economy* (Washington, D.C.: International Monetary Fund, 1998).

current account transactions had been established. Into the next phase, trade liberalization continued as the stock market began to grow rapidly.

This last phase (V, 1991-2003) was marked by lower growth and a deceleration in convergence with the OECD. There had been numerous events, including the negative shocks from the global financial crisis, domestic scandals, and terrorist attacks alike, which had severe repercussions for Egypt and sent the economy into a decelerating growth phase.

Another important point in Egypt’s history is the President Abdel Fattah El-Sisi’s rise to power. Between 2011 and 2014, which was the Arab Spring in Egypt, was a period of political instability that led to economic difficulties. However, since the start of El-Sisi’s tenure, GDP has seen an increase⁵:

(Figure 1.) Real GDP Annual Variation Over Time (2014-present)	
Year	Real GDP Annual Variation (%)
2014	2.9
2015	4.4
2016	4.3
2017	4.2
2018	5.3
2019	5.5
2020	3.6
2021	3.2
2022	6.7
2023	3.8
2024	2.4

In recent years, the Egyptian economy has been growing at its fastest quarterly pace in more than 2 years. In fact, the IMF projects the following real GDP growths: 4.1% in 2025, 5.1% in 2026, 5.2% in 2027, and 5.6% in 2028⁶.

⁵ “Egypt GDP,” FocusEconomics, April 25, 2024, <https://www.focus-economics.com/country-indicator/Egypt/gdp/>.

⁶ “<https://www.imf.org/External/Datamapper/Profile/EGY>,” www.imf.org, October 2024, <https://www.imf.org/external/datamapper/profile/EGY>.

1.1.2 Relationship Between Economic Growth and Political Regime

Egypt's political regimes have significantly shaped its economic policies and development strategies. Additionally, political stability or the lack thereof directly affects investor confidence, foreign direct investment (FDI), and economic growth. Understanding the relationship between economic growth and the political regime is thus vital in understanding the various aspects of the economy, prioritized by different political regimes. Considering that political transitions often lead to shifts in economic direction, impacting long-term development goals, understanding this relationship helps identify barriers to sustainable growth and opportunities for policy alignment. Political regimes also influence how economic gains are distributed.

President Gamal Abdel Nasser was known for combining Arab socialism with centralized planning. He introduced agrarian reforms which included land redistribution, weakening arab feudal elites, and bringing 12% of arable land under state control. His tenure also marked a period of industrialization, primarily through the Aswan High Dam and Helwan steelworkers, which expanded energy and industrial output. In 1956, he nationalized the Suez Canal and foreign assets, which jointly boosted state revenue but deterred foreign investment. However, 1956 was a period of stagnation due to overextension. By 1970, public debt had reached 90% of GDP⁷.

Between 1970 and 1981, President Sadat Infitah introduced the "Open Door Policy" which pivoted market liberalization. With the oil/Gulf boom, GDP growth hit 9.4% from oil exports, remittances, and the reopening of the Suez Canal⁸. And by 1980, stifling competition, business military alliances controlled 60% of non-oil GDP.

Hosni Mubarak's presidency was one of neoliberal authoritarianism. Between 1991 and 2010, he introduced IMF-backed reforms with mixed outcomes. The first consequence was macro destabilization marked by debt falling from 100% to 80% of GDP. Secondly, interest payments consumed 36% of revenues. Thirdly, it was a period filled with privatization failures where, between 1991 and 2005, 314 state firms had been sold, in spite of military conglomerates retaining 40% of manufacturing. Moreover, youth unemployment hit 25%, and poverty affected 22% of households⁹.

⁷ K Nagarajan, "Egypt's Political Economy and the Downfall of the Mubarak Regime," *International Journal of Humanities and Social Science* 3, no. 10 (May 2013), https://www.ijhssnet.com/journals/Vol_3_No_10_Special_Issue_May_2013/3.pdf.

⁸ Anton Dobronogov and Farrukh Iqbal, "StackPath," erf.org.eg, n.d., https://erf.org.eg/app/uploads/2017/04/0420_final.pdf.

⁹ Anton Dobronogov and Farrukh Iqbal, "StackPath," erf.org.eg, n.d., https://erf.org.eg/app/uploads/2017/04/0420_final.pdf.

Lastly, El-Sisi's regime adopted an IMF (International Monetary Fund) shock therapy¹⁰. This included a \$12 billion loan, which brought VAT, subsidy cuts, currency floatation, and stabilized reserves at \$44 billion by 2023 and spiked inflation to 33%. El-Sisi also introduced Gulf-backed megaprojects, where the \$23 billion in UAE and Saudi investments funded the new capital and other infrastructure projects. El-Sisi's tenure is marked by military economic dominance. In fact, the armed forces control around 60% of construction and 40% of manufacturing, crowding out SMEs. However, it must be noted that the government is facing unprecedented challenges. Among other persistent challenges faced by the current regime is debt dependency. Interest payments consume 45% of state revenues despite the debt reduction to 87% of GDP by 2023. Another challenge is that of population growth. Recent trends show that the annual population growth of 21% requires 6% of sustained GDP growth to stabilize living standards. Among other challenges is that of Red Sea disruptions, which cost \$700 million in Suez Canal revenues.

Overall, authoritarian regimes have repeatedly used external financing and selective reforms to manage crises. Defining both El-Sisi's and former President Mubarak's era is that of neoliberal urbanization, commodifying public assets to generate profit¹¹.

Evidently, political regimes also influence how economic gains are distributed. Authoritarian regimes tend to achieve growth at the expense of human rights or equitable development. This ties directly to the main argument of this paper: the costs of prioritizing economic growth over health and education.

1.1.3 President El-Sisi's Priorities

El-Sisi's presidency marks a significant shift in Egypt's economic strategy, with a strong focus on infrastructure projects, mega-developments, and energy investments. Understanding the policies sets the stage for analyzing the policies and consequently helps to evaluate their effectiveness, sustainability, and alignment with long-term development goals. Considering the 10-Year Plan aims to propose a shift in priorities, understanding the current government's strategic focus allows to suggest realistic and impactful policy changes.

¹⁰ Michele Dunne, "Egypt: Trends in Politics, Economics, and Human Rights," [carnegieendowment.org](https://carnegieendowment.org/posts/2020/09/egypt-trends-in-politics-economics-and-human-rights?lang=en), September 9, 2020, <https://carnegieendowment.org/posts/2020/09/egypt-trends-in-politics-economics-and-human-rights?lang=en>.

¹¹ Yasser Elsheshtawy, "Selling Egypt by the Pound: 'Gulfication' and the Ras Al-Hekma Land Deal," [DAWN](https://dawnmena.org/selling-egypt-by-the-pound-gulfication-and-the-ras-al-hekma-land-deal/), June 21, 2024, <https://dawnmena.org/selling-egypt-by-the-pound-gulfication-and-the-ras-al-hekma-land-deal/>.

Although El-Sisi is privatising the sector, his regime is helping military companies crowd out the private sector to divert scarce government resources away from the critical needs of the Egyptian people and towards arms purchases and vanity megaprojects¹². Over the past 5 years, the Egyptian people have been launched into ever greater poverty, yet El-Sisi has poured resources into megaprojects, including building a new administrative capital at the estimated cost of \$58 billion.

Considering the current regime is authoritarian, civilian institutions have been stripped of independence. This includes the judiciary, the legislature, the central auditing authority, and the diplomatic corps. Military officers with veto power have been placed alongside high-ranking civilian officials, including ministers and governors. As for elections, opposition candidates have been excluded, and few voters show up, except for those desperate for food. Independent political parties, youth movements, media, and civil society organizations have been crushed, all to facilitate carrying out his military agenda. Essentially, the military has been placed in every sector of society. Military companies benefit from conscript labor, the tax-free status, and free access to vast tracts of government land. Now, the military has also moved into profitable sectors previously owned by private companies, including steel, cement, and media.

El-Sisi's priorities are megaprojects and arms purchases to build his stature and enrich the officers through authoritarian means.

1.1.4 The Government's Key Areas of Investment

Egypt has been heavily focusing on the industrial and tourist sectors, investing EGP 8.3 billion in tourism development and EGP 5 billion in strategic industries, amounting to approximately \$1.5 billion for the two areas. They have also been allocating EGP 78.1 billion for boosting economic productivity with investments in manufacturing, transportation, and energy transitions, –including converting vehicles to natural gas. This exemplifies how the government's strategy appears focused on short-term economic competitiveness through industrial output and tourism.

Nevertheless, infrastructural projects remain the main area of investment. Egypt has been heavily investing in real estate projects in the North Coast, particularly Ras El-Hekma, a project spanning over 171 square kilometres. The focus here is on attracting and creating a new urban

¹² Michele Dunne, "Egypt: Trends in Politics, Economics, and Human Rights," [carnegieendowment.org](https://carnegieendowment.org/posts/2020/09/egypt-trends-in-politics-economics-and-human-rights?lang=en), September 9, 2020, <https://carnegieendowment.org/posts/2020/09/egypt-trends-in-politics-economics-and-human-rights?lang=en>.

hub, with the aim of boosting Egypt's economy and establishing the North Coast as a year-round destination. Prime Minister Mustafa Madbouli stated that they "expect the new city to attract 8 million tourists to Egypt" and this will be complemented by a new "dedicated international airport for tourists". The UAE's investment of nearly \$105 billion throughout all the phases of this project marks the biggest FDI deal in Egypt's history. This means \$35 billion into the national economy. According to Walid Abbas, deputy chairman of the New Urban Communities Authority for planning and projects, "total investments are likely to exceed \$500 billion over the next 15 years"¹³.

Since the Ras El-Hekma deals, El-Sisi has been planning to strike like deals to develop other North Coast cities like Alamein, New Saloum, Sidi Barrani, New Nagila and Dabaa. With the help of partners such as Modon Properties (Saudi real estate company) and Talaat Mostafa Group, –one of the biggest real estate companies in Egypt, –the aim, as stated by the managing director and Chief Executive Officer of the Abu Dhabi Development Holding Company (ADQ), Mohammed Hassan Al-Suwaidi, is to develop the region into Egypt's most attractive coastal destinations by enabling mega-infrastructure and development projects¹⁴.

Another project along the North Coast has been the El-Sahel road, a highway which has been expanded from 4 lanes to 12 with an additional four two-way service roads constructed on each side. The project expanded with nine multi-lane roundabouts that have been added to "facilitate" traffic flow. This has been part of a larger project that includes a high-speed electric train linking various North Coast cities. Although the goal was to reduce traffic collisions by increasing the overall capacity of the highway, multiple issues have emerged. The 12-lane highway and the "flying doughnuts" or multi-lane roundabouts are considered very confusing, useless, and causing more confusion and collisions¹⁵.

The New Administrative Capital is another project that has been deemed ineffective and useless by most of the population. This was a \$58 billion plan¹⁶, with millions of dollars borrowed to finance the city. Although the city is meant to be for 6 million people, political analyst Maged Mandour says that realistically, there are not 6 million people able to afford the

¹³

Gamal Essam El-Din, "Unlocking the North Coast - Economy - Al-Ahram Weekly," Ahram Online , February 27, 2024, <https://english.ahram.org.eg/NewsContent/50/1202/518514/AlAhram-Weekly/Economy/Unlocking-the-North-Coast.aspx>.

¹⁴

Gamal Essam El-Din, "Unlocking the North Coast - Economy - Al-Ahram Weekly," Ahram Online , February 27, 2024, <https://english.ahram.org.eg/NewsContent/50/1202/518514/AlAhram-Weekly/Economy/Unlocking-the-North-Coast.aspx>.

¹⁵The Wall Street Journal, "Why Egypt Can't Afford Its \$58B New Capital City | WSJ Breaking Ground," www.youtube.com, October 27, 2023, <https://www.youtube.com/watch?v=5XRpZGKifIk>.

¹⁶The Wall Street Journal, "Why Egypt Can't Afford Its \$58B New Capital City | WSJ Breaking Ground," www.youtube.com, October 27, 2023, <https://www.youtube.com/watch?v=5XRpZGKifIk>.

city¹⁷. The goal was to shift people to the new capital in light of the growing population. Currently, 100 million people live in the very narrow valley around the Nile, resulting in traffic and overcrowdedness. However, the wealth gap is very prevalent in the area. Allongside housing space, according to the Egyptian housing minister, Mostafa Madbouly, “the project will produce 1.7 million new employment opportunities¹⁸. However, in spite of the goal, moving people to the new capital is very unrealistic as it has been characterized as a city for the rich, with the starting price for an apartment being \$80,000. Moreover, the Project on Middle East Democracy report finds that most of what has been spent to fund the new administrative capital has come from public funds¹⁹. This means that money from the public funds has gone to financing what is considered to be a ghost town²⁰.

Overall, El-Sisi's infrastructure projects have caused a lot of controversies. The North Coast projects have been seen as way for the government to bail out, following the costly and unnecessary megaprojects which have bankrupted Egypt, –including the New Administrative Capital. Another controversy has been that the Egyptian culture and heritage is seen as being sold to outside investors. For instance, the Marassi compound in the North Coast having been sold to EMAAR, the global real estate company. Additionally, Egyptian authorities are seen as disregarding the other costs of the investment projects. These costs include the forced displacement of local communities, such as the 10,000 people who had been residing in Ras El-Hekma, facing the threat of eviction and displacement. A Bedouin resident explains that “[they] have been living there since the British [occupation], and these olive trees are older than Madbouly, Sisi, and even the UAE itself”²¹. Not to mention the environmental costs of the projects. The Egyptian National Water Research Center outlines the following environmental costs: including the shoreline displacement attributed to activities of unplanned costal development including uncontrolled coastal urbanization, the development of tourist resorts, recreational facilities, a lack of commitment to setback regulations for building constructions, habitat loss, and the destruction of the natural protection system. One of the most notable

¹⁷The Wall Street Journal, “Why Egypt Can’t Afford Its \$58B New Capital City | WSJ Breaking Ground,” [www.youtube.com](https://www.youtube.com/watch?v=5XRpZGKifk), October 27, 2023, <https://www.youtube.com/watch?v=5XRpZGKifk>.

¹⁸The Wall Street Journal, “Why Egypt Can’t Afford Its \$58B New Capital City | WSJ Breaking Ground,” [www.youtube.com](https://www.youtube.com/watch?v=5XRpZGKifk), October 27, 2023, <https://www.youtube.com/watch?v=5XRpZGKifk>.

¹⁹The Wall Street Journal, “Why Egypt Can’t Afford Its \$58B New Capital City | WSJ Breaking Ground,” [www.youtube.com](https://www.youtube.com/watch?v=5XRpZGKifk), October 27, 2023, <https://www.youtube.com/watch?v=5XRpZGKifk>.

²⁰The Wall Street Journal, “Why Egypt Can’t Afford Its \$58B New Capital City | WSJ Breaking Ground,” [www.youtube.com](https://www.youtube.com/watch?v=5XRpZGKifk), October 27, 2023, <https://www.youtube.com/watch?v=5XRpZGKifk>.

²¹Yasser Elsheshtawy, “Selling Egypt by the Pound: ‘Gulfication’ and the Ras Al-Hekma Land Deal,” DAWN, June 21, 2024, <https://dawnmena.org/selling-egypt-by-the-pound-gulfication-and-the-ras-al-hekma-land-deal/>.

repercussions of such projects is the intensification of inequality, widening the gap between rich and poor²².

Although the projects are likely to create jobs, the jobs are precarious labor or low-wage essential work, perpetuating structural servitude, working-class exploitation, and the shadow workforce. Additionally, to make Ras El-Hekma viable as an urban centre, the Egyptian state will be required to spend billions to finance the construction of more necessary infrastructure to make the place livable, –including water, desalination plants, power, and transportation. In an effort to “refill Egypt’s empty coffers,” the government is essentially putting any land or building on the market independently of its cultural significance or its place in modern Egyptian history²³. As stipulated by Timothy Kaldas from the Tahrir Institute for Middle East Policy, “all this is doing is lighting money on fire for an unsustainable economic model, one that’s hampered by sustaining an insatiable patronage network at the expense of the public interest”²⁴. This is a deeply flawed model that seeks to turn Egypt into an enclave for the ruling elite, the wealthy, and their Gulf benefactors. In essence, Egypt is seen as going through a process of “gulfication” or “dubaization”, a dystopian vision where the vast majority of Egyptians are forgotten and left impoverished²⁵.

1.2 Egypt’s Growth Trends and Position in the Global Economy

1.2.1 Key Drivers of GDP Growth Rates

Understanding the key drivers of GDP growth rate highlights what sectors are propelling economic expansion. Additionally, analyzing whether GDP growth is reliant on infrastructure spending and remittances, rather than diversified growth, could help signal unsustainable development and show how economic growth has been prioritized over human development.

Infrastructure and construction are evidently key factors behind Egypt’s economic growth. In fact, Egypt has Africa’s largest construction sector, which has grown annually at 8% between 2020 and 2024²⁶. This has been driven by megaprojects, like the New Administrative

²² Yasser Elsheshtawy, “Selling Egypt by the Pound: ‘Gulfication’ and the Ras Al-Hekma Land Deal,” DAWN, June 21, 2024, <https://dawnmena.org/selling-egypt-by-the-pound-gulfication-and-the-ras-al-hekma-land-deal/>.

²³ Gamal Essam El-Din, “Unlocking the North Coast - Economy - Al-Ahram Weekly,” Ahram Online , February 27, 2024, <https://english.ahram.org.eg/NewsContent/50/1202/518514/AlAhram-Weekly/Economy/Unlocking-the-North-Coast.aspx>.

²⁴ Yasser Elsheshtawy, “Selling Egypt by the Pound: ‘Gulfication’ and the Ras Al-Hekma Land Deal,” DAWN, June 21, 2024, <https://dawnmena.org/selling-egypt-by-the-pound-gulfication-and-the-ras-al-hekma-land-deal/>.

²⁵ Yasser Elsheshtawy, “Selling Egypt by the Pound: ‘Gulfication’ and the Ras Al-Hekma Land Deal,” DAWN, June 21, 2024, <https://dawnmena.org/selling-egypt-by-the-pound-gulfication-and-the-ras-al-hekma-land-deal/>.

²⁶ Yara Abi Farraj, “Egypt GDP: Challenges, Trends and Future Outlook,” Economy Middle East, February 17, 2025, <https://economymiddleeast.com/egypt-gdp/>.

Capital and the new Suez Canal expansion. The Suez Canal Economic Zone (SCZONE), aims to attract \$30 billion in investments, whilst infrastructure projects have already contributed \$515 billion to Egypt's unawared project pipeline²⁷. The industry sector, including manufacturing, contributes to 15% of GDP. By 2030, the government aims to raise the manufacturing share to 20%. Egypt is Africa's leading manufacturer, with an output valued at \$59.6 billion in 2023 and is the largest construction industry in the continent²⁸. The construction industry is projected to grow at over 8% annually until 2029, following the upcoming major projects, including new cities and infrastructure. The government is also planning to expand industrial complexes from 17 in 2023 to 32 by 2030 with the aim of boosting the local component in manufacturing to 60-80%²⁹.

As aforementioned, the service sector is the largest driver, accounting for 50% of GDP. This is because it includes tourism, Suez Canal revenues, wholesale, retail trade, transport, finance, and logistics. The revenues near \$19.6 billion. Considering Egypt's extensive history and culture, tourism has also been placed at the forefront of El-Sisi's policies for economic growth. Post-pandemic, tourism rebounded, leading to a 4% contribution to GDP and growing to 18% by Quarter four of 2024³⁰. As for Suez Canal revenues, in the FY2022/2023, it generated record revenues of \$9.4 billion³¹. The expansion projects, including the parallel shipping lines aimed at doubling daily transit capacity to 97 ships and reducing waiting times, further increased Suez Canal revenues³². Similarly, trade-related transport resulted in 17.7% of GDP in 2024, whilst services, such as wholesale/retail, transport, and finance, accounted for 47.5% of GDP³³. The reasons for this sector being a key driver are that it benefits from Egypt's location, strong logistics, infrastructure, growing financial services, and IT services alike.

Another important sector is the energy sector, which is projected to grow from \$7.48 billion in 2024 to \$8.68 billion by 2029³⁴. Oil and gas production have already surged, with LNG

²⁷ Yara Abi Farraj, "Egypt GDP: Challenges, Trends and Future Outlook," Economy Middle East, February 17, 2025, <https://economymiddleeast.com/egypt-gdp/>.

²⁸ "Egypt Topped Africa's Manufacturing Sector with Nearly \$60 Billion Output in 2023 - Intelpoint," Intelpoint, August 31, 2024, <https://intelpoint.co/insights/egypt-topped-africas-manufacturing-sector-with-nearly-60-billion-output-in-2023/>.

²⁹ "Egypt Targets to Increase Agricultural Production by 30% in 2024," EgyptToday, June 22, 2021, <https://www.egypttoday.com/Article/3/105279/Egypt-targets-to-increase-agricultural-production-by-30-in-2024>.

³⁰ "Egypt GDP Annual Growth Rate | 1992-2019 Data | 2020-2022 Forecast | Historical," tradingeconomics.com, n.d., <https://tradingeconomics.com/egypt/gdp-growth-annual>.

³¹ Yara Abi Farraj, "Egypt GDP: Challenges, Trends and Future Outlook," Economy Middle East, February 17, 2025, <https://economymiddleeast.com/egypt-gdp/>.

³² Ezzat Kenawy, "The Economic Impacts of the New Suez Canal," www.iemed.org, 2016, <https://www.iemed.org/publication/the-economic-impacts-of-the-new-suez-canal/>.

³³ "Egypt GDP Annual Growth Rate | 1992-2019 Data | 2020-2022 Forecast | Historical," tradingeconomics.com, n.d., <https://tradingeconomics.com/egypt/gdp-growth-annual>.

³⁴ Yara Abi Farraj, "Egypt GDP: Challenges, Trends and Future Outlook," Economy Middle East, February 17, 2025, <https://economymiddleeast.com/egypt-gdp/>.

exports reaching 8.9 billion cubic meters in 2023³⁵. Egypt's energy self-sufficiency improved from 83% in 2016 to 96% in 2021, reducing important reliance and boosting export capacity.

Although Egypt has a diversified economy, agriculture contributes to 11.6%-12% of GDP³⁶. This sector employs 18.1%-28% of the workforce and is a source of jobs for those in rural areas³⁷. As such, the government aims to increase agricultural production by 30% and raise the sector's share of GDP to 12% by 2025³⁸. As a result, agricultural exports are projected to reach \$14 billion by 2030, which is up from the 17% total exports in 2020. Although agriculture is a key driver, it consists of outdated practices and perpetuates inequality by offering low wages.

Lastly, remittances and FDI are also key drivers of GDP growth. Remittances from Egyptians abroad are considered a critical income source³⁹, and the same with FDI driven by privatization and infrastructure incentives which rose from 17% year-over-year in 2024⁴⁰.

1.2.2 Trade Relationships (major partners, exports, imports)

Understanding Egypt's trade relations reveals its economic dependencies and vulnerabilities alike and helps show which sectors are globally competitive and which are lagging. It also exposes any major barriers to sustainable development, which in turn helps critique whether current strategies are truly benefiting Egypt's economy or just deepening dependencies.

Egypt has major trade partners both in terms of its exports and imports. The top export destinations include Turkey, Spain, Italy, Saudi Arabia, and the US, whilst its main import sources are China, Saudi Arabia, Russia, Germany, and the US⁴¹.

Overall, the UAE is Egypt's largest trading partner, accounting for \$9.3 billion in total trade, where \$3.7 billion are exports and \$5.6 billion are imports. The US is Egypt's second-largest trading partner, with \$7.5 billion in total trade. Saudi Arabia and China both total to \$7.2 billion, whilst Germany amounts to \$5.2 billion⁴².

³⁵ John Benny, "Egypt Announces New Incentives to Halt Oil and Gas Output Decline," The National, August 29, 2024, <https://www.thenationalnews.com/business/energy/2024/08/29/egypt-oil-gas/>.

³⁶ "Egypt Aims to Raise Agricultural Sector's Contribution to GDP to 12% by 2024," Mubasher.info, June 22, 2021, <https://english.mubasher.info/news/3822479/Egypt-aims-to-raise-agricultural-sector-s-contribution-to-gdp-to-12-by-2024/>.

³⁷ Yara Abi Farraj, "Egypt GDP: Challenges, Trends and Future Outlook," Economy Middle East, February 17, 2025, <https://economymiddleeast.com/egypt-gdp/>.

³⁸ "Egypt Targets to Increase Agricultural Production by 30% in 2024," EgyptToday, June 22, 2021,

<https://www.egypttoday.com/Article/3/105279/Egypt-targets-to-increase-agricultural-production-by-30-in-2024>.

³⁹ Ezzat Kenawy, "The Economic Impacts of the New Suez Canal," www.iemed.org, 2016, <https://www.iemed.org/publication/the-economic-impacts-of-the-new-suez-canal/>.

⁴⁰ Yara Abi Farraj, "Egypt GDP: Challenges, Trends and Future Outlook," Economy Middle East, February 17, 2025, <https://economymiddleeast.com/egypt-gdp/>.

⁴¹ "Egypt, Arab Rep. Trade Balance, Exports, Imports by Country 2019 | WITS Data," Worldbank.org, 2019, <https://wits.worldbank.org/CountryProfile/en/Country/EGY/Year/LTST/TradeFlow/EXPIMP/Partner/by-country>.

⁴² Hossam Mounir, "Egypt's Foreign Trade Surpasses \$104.7bn in FY 2023/24: CBE," Dailynewsegypt, January 13, 2025, <https://www.dailynewsegypt.com/2025/01/13/egypts-foreign-trade-surpasses-104-7bn-in-fy-2023-24-cbe/>.

Egypt's key exports include petroleum and petroleum products⁴³, chemicals⁴⁴, agricultural products, textiles⁴⁵, and food products. Whilst its main imports are machinery and equipment, vehicles, foodstuffs, chemicals, and mineral fuels⁴⁶.

What is important to note is Egypt's infrastructure-specific trade and partnerships, considering the government's infrastructural priority. Evidently, the UAE is a significant partner in infrastructure, given the \$35 billion Ras El-Hekma Peninsula deal with Abu Dhabi's ADQ. This includes \$24 billion for land rights, extensive urban development, infrastructure, energy, and waste products. In this, UAE's Modon Holding and Egypt's Orascom Construction are key players⁴⁷. The European Union, and specifically France, are also key players in the infrastructure trade. In fact, a \$290 million agreement with both France and the EU had been made in 2025 to finance major infrastructure projects, which include wastewater treatment plants in Alexandria and Cairo. In this, the EU and French Development Agency have been long-term infrastructure financiers⁴⁸. Similarly, partners in Asia have also been key contributors to Egypt's infrastructural advancement. South Korea has provided \$1 billion in infrastructure finance. Moreover, the World Bank, EBRD, Asian Infrastructure Investment Bank, and the Kuwaiti-based Arab Fund have helped fund projects in transport, energy, water, and industry⁴⁹.

As for the World Bank, it has advised Public Private Partnerships (PPPs) for 11 Egyptian airports⁵⁰, with the aim to attract global investors and improve airport infrastructure. Lastly, Africa has also been a major partner, with the goal of collectively expanding the road and rail networks, like constructing the Egypt-Libya-Chad Corridor, and the Cape Town to Cairo Railway⁵¹. As such, Egyptian construction firms have been involved in large-scale African projects.

⁴³ "Foreign Trade Figures of Egypt - Economic and Political Overview - International Trade Portal International Trade Portal," www.lloydsbanktrade.com, n.d., <https://www.lloydsbanktrade.com/en/market-potential/egypt/trade-profile>.

⁴⁴ "Foreign Trade Figures of Egypt - Economic and Political Overview - International Trade Portal International Trade Portal," www.lloydsbanktrade.com, n.d., <https://www.lloydsbanktrade.com/en/market-potential/egypt/trade-profile>.

⁴⁵ "Egypt's New Trade Order: Friendshoring, Energy and AI," accessed May 26, 2025, https://impact.economist.com/projects/trade-in-transition/pdfs/Trade_in_Transition_Report-2025_Egypt.pdf.

⁴⁶ "Foreign Trade Figures of Egypt - Economic and Political Overview - International Trade Portal International Trade Portal," www.lloydsbanktrade.com, n.d., <https://www.lloydsbanktrade.com/en/market-potential/egypt/trade-profile>.

⁴⁷ "Egypt to Target Foreign Investment to Drive Infrastructure and Construction Growth," Fitch Solutions, 2024, <https://www.fitchsolutions.com/bmi/infrastructure/egypt-target-foreign-investment-drive-infrastructure-and-construction-growth-20-11-2024>.

⁴⁸ Pramod Kumar, "Egypt Secures France and EU Funds to Build Infrastructure," AGBI, April 9, 2025, <https://www.agbi.com/infrastructure/2025/04/egypt-secures-france-and-eu-funds-to-build-infrastructure/>.

⁴⁹ "Egypt Looks to International Partners to Finance Infrastructure Development - Africa 2022 - Oxford Business Group," Oxford Business Group, July 12, 2022, <https://oxfordbusinessgroup.com/reports/egypt/2022-report/economy/financing-drive-the-government-turns-to-international-partners-to-fund-its-infrastructure-development-programmes>.

⁵⁰ "Egypt Partners with IFC to Introduce Public Private Partnerships at 11 Airports," IFC, March 24, 2025, <https://www.ifc.org/en/pressroom/2025/egypt-partners-with-ifc-to-introduce-public-private-partnerships-at-11-airports>.

⁵¹ Paul Cochrane, "Bolstering Egypt's Trade with Africa," AGBI, March 18, 2025, <https://www.agbi.com/trade/2025/03/cib-egypt-special-report-bolstering-egypts-trade-with-africa/>.

Recently, Egypt has been scaling back public spending on infrastructure and has been prioritizing foreign direct investment and private sector participation, aiming for the private sector to have a 65% share in total investments⁵². Although this aligns with IMF requirements, it is also important to consider that the majority of companies operating successfully within the private sector are military-owned.

1.2.3 GDP Growth Trends Over the Last Decade

Considering GDP growth is a primary indicator of economic performance, analyzing Egypt’s growth trends over the last decade helps assess how well the economy expanded, stagnated, or contracted during key political and economic shifts. Thus, tracking trends alongside major policies, like IMF agreements, infrastructure projects, and subsidy reforms, helps evaluate the effectiveness of government strategies and offers insights into where Egypt is lagging or excelling. Ultimately, it will give the foundation for understanding why a shift towards education and health investment is necessary for sustainable, inclusive development.

According to Figure 2, the average growth rate in 2022 was 4.2%, whilst the real GDP was at 6.7%. These figures are above the 2.0% average for the Middle East and North Africa region⁵³.

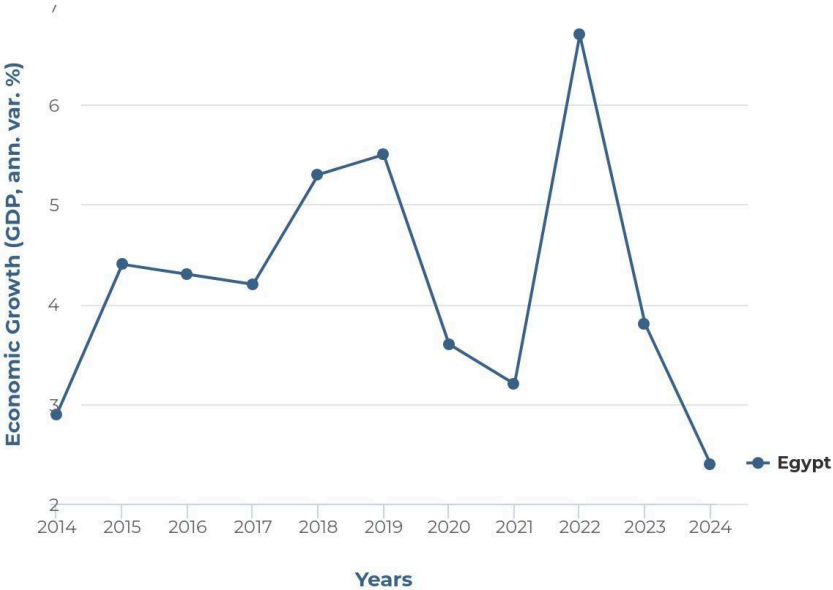


Figure 2. Egypt’s Economic Growth (Real GDP) Over the Last Decade⁵⁴

⁵² “Egypt to Target Foreign Investment to Drive Infrastructure and Construction Growth,” Fitch Solutions, 2024, <https://www.fitchsolutions.com/bmi/infrastructure/egypt-target-foreign-investment-drive-infrastructure-and-construction-growth-20-11-2024>.
⁵³ “Egypt GDP,” FocusEconomics, April 25, 2024, <https://www.focus-economics.com/countrv-indicator/Egypt/gdp/>.
⁵⁴ “Egypt GDP,” FocusEconomics, April 25, 2024, <https://www.focus-economics.com/countrv-indicator/Egypt/gdp/>.

Between 2015 and 2019, the real GDP growth rate steadily increased, with annual growth rate variations ranging between 4.2% and 5.4%. The COVID-19 crisis between 2019 and 2021 led to a sharp decrease in annual real GDP variance. Whilst it was still a positive growth, the rate of growth was slowing down. After 2021, the global economy began to recover, and so did Egypt's. By 2022, it recorded its highest growth rate of the decade, driven by strong performances in sectors like tourism, construction, and manufacturing. However, after 2022, the real GDP starkly plummeted to 3.8% in 2023 and 2.4% in 2024. This could be due to the Suez Canal contractions, where geopolitical tensions, particularly in the Red Sea region, led to a 68% decline in Suez Canal activity, a critical revenue source. Additionally, the global economic uncertainty also reduced trade and shipping disruptions, thus exacerbating Egypt's reliance on external demand⁵⁵. Moreover, this was also due to domestic contractionary policies in response to inflation and currency pressures⁵⁶.

1.3 Other Key Economic Indicators

To fully comprehend the everyday realities faced by the Egyptian population, it is essential to look beyond merely growth figures and examine a broader set of economic indicators. Factors such as inflation, unemployment, currency fluctuations, public debt, fiscal policy trends, and the distribution of income and wealth offer critical insights into the country's socio-economic fabric. Together, these indicators reveal how economic policies—particularly the government's emphasis on infrastructure development and short-term gains—translate into tangible impacts on living standards. By analyzing these dimensions, we can better understand the real-world consequences of Egypt's recent economic strategies on the well-being of its citizens.

1.3.1 Public Debt and Fiscal Policy Trends

Egypt's public debt levels are a vital aspect to consider as they significantly influence government spending. High debt burdens limit government spending on essential services like education and healthcare. Analyzing debt trends helps assess whether Egypt's current growth model is sustainable. Considering that servicing public debt often consumes a large portion of Egypt's budget, it in turn reduces the funds available for development projects. Understanding

⁵⁵ "Egypt's GDP Developments for the Fourth Quarter and FY 2023/2024," Mped.gov.eg, October 3, 2024, <https://mped.gov.eg/singlenews?id=5718&lang=en>.

⁵⁶ "Egypt GDP," FocusEconomics, April 25, 2024, <https://www.focus-economics.com/countrv-indicator/Egypt/edp/>.

this dynamic will help justify the need for reallocating towards long-term human development. Similarly, fiscal policies reveal government priorities and whether spending is directed towards infrastructure, military, subsidies, or social services. Finally, to propose realistic economic reforms, it is necessary to understand Egypt’s fiscal limitations and debt obligations.

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Egypt currently faces a very high public debt; in fact the public debt-to-GDP ratio reached 95.8% in 2023⁵⁷. The public debt-to-GDP ratio increased because of the devaluation of the pound⁵⁸. The debt service payments represent a great portion of government spending. According to the proposed FY 2024/2025 budget, debt servicing accounts for roughly 47.4%. In 2023, the fiscal deficit decreased slightly to 6.0% of GDP. However, this was buoyed by higher tax revenues that raised the primary surplus to an estimated 1.6% of GDP⁵⁹. According to the IMF, gross debts consist of all liabilities that require payment or payments of interest and or principal by the debtor to the creditor at a date or dates in the future⁶⁰. As of June 2024, the national government debt stood at \$261.9 billion, down from \$313.9 billion in the previous quarter. Nevertheless, public debt remains a central challenge for fiscal policy. In 2025, the debt service costs are projected at \$22.46 billion, which is an increase from the \$900 million from earlier estimates and from the \$13.78 billion and \$8.66 billion in the first and second half of

⁵⁷ “Egypt Government Debt to GDP | 2002-2019 Data | 2020-2021 Forecast | Historical,” tradingeconomics.com, n.d.,

<https://tradingeconomics.com/egypt/government-debt-to-gdp>.

⁵⁸ African Development Bank, “Egypt Economic Outlook,” African Development Bank - Building today, a better Africa tomorrow, March 26, 2019,

<https://www.afdb.org/en/countries/north-africa/egypt/egypt-economic-outlook>.

⁵⁹ African Development Bank, “Egypt Economic Outlook,” African Development Bank - Building today, a better Africa tomorrow, March 26, 2019,

<https://www.afdb.org/en/countries/north-africa/egypt/egypt-economic-outlook>.

⁶⁰ “Egypt - National Debt in Relation to Gross Domestic Product (GDP) 2027,” Statista, n.d.,

<https://www.statista.com/statistics/377984/national-debt-of-egypt-in-relation-to-gross-domestic-product-gdp/>.

2025. In fact, the national debt is predicted to increase from \$276.11 billion in 2024, to \$316 billion by the end of 2025⁶¹.

The budget of the fiscal year (FY) 2025/2026 totals to 4.6 trillion EGP (\$91 billion)⁶², which is an 18% increase from the budget of the previous year. The focus for this year's budget is on fiscal discipline, social protection and growth-oriented spending. To sustain this, the government targets revenues of 3.1 trillion EGP (\$61.3 billion), which is a 19% increase from the previous year. With this, the projected deficit will be of 1.5 trillion EGP (\$29.66 billion)⁶³.

The primary surplus target is set at 4% of GDP (795 billion EGP), which is a 3.5% increase from the previous year. This aligns with the IMF benchmark, which indicates a move towards fiscal sustainability⁶⁴. The government has also been implementing some fiscal consolidation measures, including broadening the tax base, reducing energy subsidies, cutting public investment, and increasing the VAT on certain products. The government also introduced a new tax incentive for small enterprises, with the aim of fostering a more vibrant business environment and encouraging compliance⁶⁵. Although there have been improvements in the fiscal budget, the total budget deficit still remains high. In the FY2025, it is expected to be at 6.8% of GDP, mainly due to a heavy interest burden, which consumed 47% of government revenues in FY2024. By FY2025, it is expected to rise to 55%, which is the highest among emerging markets. The fiscal performance for FY2025 was supported by the exceptional inflows, including the \$24 billion from the Ras El-Hekma deal with the UAE. However, such a fiscal performance is not expected to recur⁶⁶. The government has been extending maturities and taking advantage of falling interest rates to manage the debt, however, the process remains slow.

Looking at previous trends, economic recovery is underway as GDP growth is expected to go from 4.3% in the FY2024/2025 to 4.7% in the FY2025/2026. Such an increase is said to be driven by manufacturing, transportation, storage and tourism⁶⁷. The fact that fiscal policy

⁶¹ Lia Galindo, "Unhealthy Economy, Unhealthy Bodies: Egypt's Obesity Epidemic," Harvard International Review, June 5, 2024,

<https://hir.harvard.edu/unhealthy-economy-unhealthy-bodies-egypts-obesity-epidemic-2/>.

⁶² "Egypt Approves Budget for FY2025-26 amidst IMF Pressure," Middle East Briefing, April 1, 2025,

<https://www.middleeastbriefing.com/news/egypt-approves-budget-fy2025-26-amidst-imf-pressure/>.

⁶³ "Egypt Approves Budget for FY2025-26 amidst IMF Pressure," Middle East Briefing, April 1, 2025,

<https://www.middleeastbriefing.com/news/egypt-approves-budget-fy2025-26-amidst-imf-pressure/>.

⁶⁴ Reuters Staff, "Egypt Approves \$91 Billion Budget for 2025/26," *Reuters*, March 26, 2025,

<https://www.reuters.com/world/africa/egypt-approves-91-billion-budget-2025-03-26/>.

⁶⁵ "Egypt Introduces Tax Incentives and Benefits for Small Enterprises," *Ey.com*, February 28, 2025,

<https://globaltaxnews.ey.com/news/2025-0577-egypt-introduces-tax-incentives-and-benefits-for-small-enterprises>.

⁶⁶ "Egypt to Target Foreign Investment to Drive Infrastructure and Construction Growth," Fitch Solutions, 2024,

<https://www.fitchsolutions.com/bmi/infrastructure/egypt-target-foreign-investment-drive-infrastructure-and-construction-growth-20-11-2024>.

⁶⁷ Brandcom Partner, "Egypt's Bold Economic Leap 2025/2026: Powered by Reform and Strategic Investment," @CNBCAfrica (CNBC Africa, February 26, 2025),

<https://www.cnbc.com/2025/egypts-bold-economic-leap-2025-2026-powered-by-reform-and-strategic-investment/>.

remains closely aligned with IMF-backed reforms emphasises Egypt’s fiscal discipline, social protection, and targeted investments in productivity and infrastructure⁶⁸.

Indicator	FY2024/25	FY2025/26	Change
Budget size (US\$ bn)	77.12	90.97	+18%
Revenue (US\$ bn)	51.41	61.3	+19%
Projected Deficit (US\$ bn)	25.71	29.66	+15%
Primary Surplus (% of GDP)	3.5%	45	+0.5 pts
Public Debt (% of GDP)	92%	82.9%	-9.1 pts

Figure 3. Egypt’s Fiscal Outlook: Key Budget Indicators for FY2024/25 and FY2025/26

Over the decades, there has been a shift in debt composition. External debt rose from \$114 billion in 2019 to \$163.1 billion in 2022⁶⁹, and reached a record high of \$168 billion by 2023⁷⁰. Between 2010 and 2017, there has been a rapid increase in Egypt’s general government public debt, reaching another high of 103% of GDP by 2017⁷¹. This surge was driven by persistent budget deficits, increased domestic borrowing, and a growing reliance on external financing. Moreover, between 2015 and 2021, national government debt increased from \$281 billion in 2015 to \$373.3 billion in June 2021⁷². The period between 2018 and 2025 marks the period of stabilization and decline, which was largely due to improved economic growth, primary balances⁷³, and also due to fiscal consolidation efforts⁷⁴.

1.3.3 Currency Fluctuations

Currency fluctuations are a great indicator of inflation, as sharp fluctuations in the Egyptian pound have historically led to inflation spikes, increased debt burdens, and reduced purchasing power for citizens. A volatile currency influences FDI, imports and exports, the

⁶⁸ “Egypt Approves Budget for FY2025-26 amidst IMF Pressure,” Middle East Briefing, April 1, 2025, <https://www.middleeastbriefing.com/news/egypt-approves-budget-fy2025-26-amidst-imf-pressure/>.

⁶⁹ “Egypt External Debt 1970-2024,” Macrotrends.net, 2024, <https://www.macrotrends.net/global-metrics/countries/EGY/egypt/external-debt-stock>.

⁷⁰ “Egypt External Debt, 1997 – 2023 | CEIC Data,” www.ceicdata.com, n.d., <https://www.ceicdata.com/en/indicator/egypt/external-debt>.

⁷¹ “Egypt Government Debt to GDP | 2002-2019 Data | 2020-2021 Forecast | Historical,” tradingeconomics.com, n.d., <https://tradingeconomics.com/egypt/government-debt-to-gdp>.

⁷² “Egypt National Government Debt,” Ceicdata.com (CEICdata.com, 2024), <https://www.ceicdata.com/en/indicator/egypt/national-government-debt>.

⁷³ “Public Debt and Debt Stabilizing Scenarios for Egypt,” December 30, 2020, https://www.unescwa.org/sites/default/files/inline-files/L2000584_Egypt_0.pdf.

⁷⁴ “Egypt Government Debt to GDP | 2002-2019 Data | 2020-2021 Forecast | Historical,” tradingeconomics.com, n.d., <https://tradingeconomics.com/egypt/government-debt-to-gdp>.

ability to pay off foreign debt, and inevitably strains government budgets, impacting public services.

The USD-EGP spot exchange rate specifies how much the USD is currently worth in terms of the EGP. It remains debatable whether sharply increasing interest rates and moving to a floating exchange rate will facilitate the economic growth needed to sustain the massive levels of government debt accrued to finance El-Sisi’s ambitious investments in infrastructure⁷⁵. A sharply devalued EGP (Egyptian Pound) will make the country’s exports, like cotton, more competitive and will improve its trade deficit. However, this will also diminish the purchasing power of a population of whom 30% live in poverty. It is expected that the EGP will continue fluctuating throughout 2025. In fact, the research arm of Fitch Solutions projects that it will trade between 50-55 EGP against the USD⁷⁶.

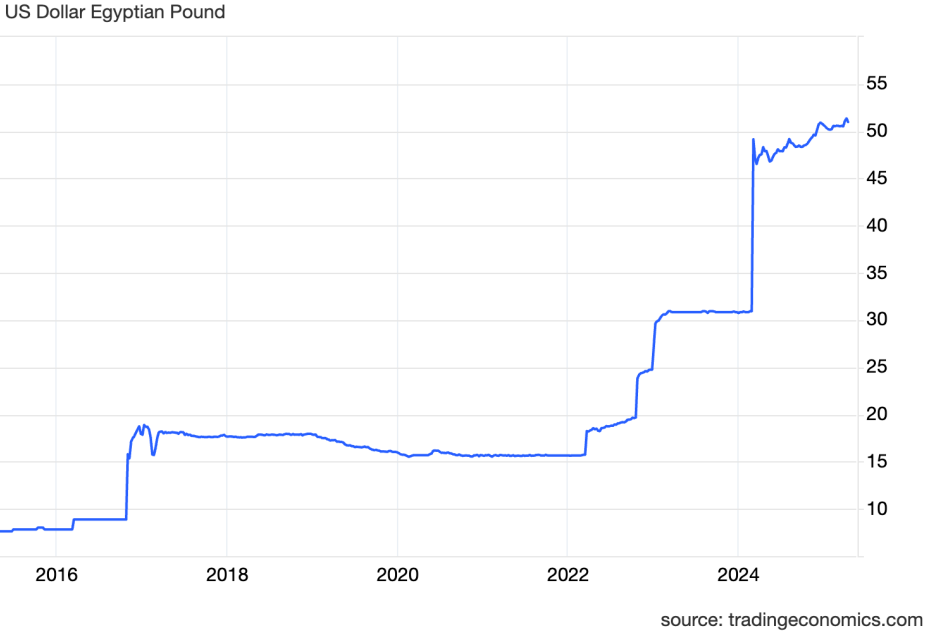


Figure 4. The US Dollar (USD) - Egyptian Pound (EGP) Exchange Rate Between 2016-2024⁷⁷

⁷⁵ Pham Binh, “Egypt Devalues Currency, Hikes Interest Rates but Will Reforms Stick?,” Global Finance Magazine, March 18, 2024, <https://gfmag.com/economics-policy-regulation/egypt-devalues-currency-raises-interest-rates-imf-deal-8-billion/>.
⁷⁶ “EGP to Face Continued Fluctuations in 2025 | BMI Research- Business Today,” Business Today, January 28, 2025, <https://www.businesstodayegypt.com/Article/1/5945/EGP-to-face-continued-fluctuations-in-2025-BMI-Research>.
⁷⁷ Trading Economics, “Egyptian Pound | 1992-2020 Data | 2021-2022 Forecast | Quote | Chart | Historical,” tradingeconomics.com, n.d., <https://tradingeconomics.com/egypt/currency>.

According to Figure 4, between March 2024 and 2025, the EGP depreciated by 10.90% relative to the USD. The USD appreciated by 12.23% relative to the EGP⁷⁸. This led to eroding confidence in the official exchange rate, prompting business and individuals to seek an alternative source for foreign currency. As a result, the black market foreign exchange skyrocketed and nearly doubled the official rate⁷⁹. This led to a sharp divergence and severe implications. An immediate consequence of this dual exchange rate was rising inflation. The weaker pound made imported goods significantly more expensive, driving up the overall prices for consumers and straining everyday life for citizens.

1.3.4 Inflation and Unemployment Rates

Inflation and unemployment are key measures of economic stability and living standards. As inflation erodes purchasing power, high unemployment reflects economic inefficiencies and social challenges. Examining trends of inflation and unemployment allows to measure the effectiveness of government policies. Additionally, both indicators are tightly connected to poverty levels, income inequality, and overall quality of life. High inflation disproportionately affects low-income families, while unemployment stifles economic mobility. Thus, addressing these areas in the 10-Year Plan would demonstrate a pathway to greater economic stability.

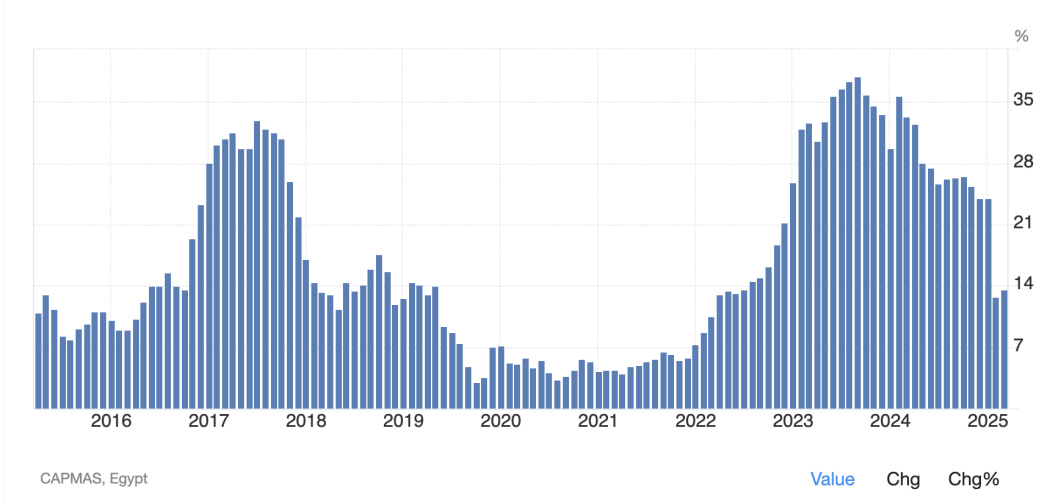


Figure 5. Inflation Rates (%) of the Last Decade in Egypt⁸⁰

⁷⁸ “DataViz,” dataviz.vam.wfp.org, n.d., <https://dataviz.vam.wfp.org/the-middle-east-and-northern-africa/egypt/economic/exchange-rates>.
⁷⁹ Eymen Errais, “Decoding Egypt’s Exchange Rate Puzzle: What It Means and Where It’s Headed,” DevTech Systems, Inc., March 11, 2025, <https://devtechsys.com/insights/2025/03/11/decoding-egypts-exchange-rate-puzzle-what-it-means-and-where-its-headed/>.
⁸⁰ Czyrill Jean, “Egypt Inflation Rate Lowest since 2022,” Tradingeconomics.com (TRADING ECONOMICS, February 10, 2025), <https://tradingeconomics.com/egypt/inflation-cpi/news/447270>.

Firstly, according to Figure 5, Egypt's annual urban inflation rate slowed to 24% in January 2025. This was a slight decrease from 24.1% in December 2024, which marked the lowest reading since December 2022⁸¹. By February 2025, inflation eased to 12.8% for the fourth consecutive month⁸². In March 2025, urban inflation accelerated to 13.6% up from 12.8% in February. This was the first acceleration in inflation in 5 months. During this period, food prices rose to 6.6% from the lowest level since May 2021 of 3.7%, and consumer prices climbed 1.5% on a monthly basis in January 2025⁸³.

In addition to inflation rates, the Consumer Price Index (CPI) is another important indicator to understanding the quality of life in Egypt, to better understand the levels of poverty. CPI measures the change in the cost of a fixed basket of goods and services that are purchased by a representative sample of households from urban areas, in this case: Cairo and Alexandria, Urban Lower Egypt, Urban Upper Egypt, Canal cities, and Frontier governates⁸⁴. Considering CPI demonstrates whether the cost of goods and services for consumers is rising, the higher the CPI, the higher the inflation. A high index reflects a faster increase in price compared to a lower one⁸⁵. For Egyptian households, the most important categories for measuring CPI, are food and beverages (32% of total weight), housing, water, electricity, gas and other fuels (19%), medical care (8%), transportation (7%), education (5%), clothing and footwear (4%), furnishings, household equipment, routine maintenance of the dwelling (4%), miscellaneous goods and services (4%), tobacco and related products (4%), communications (3%), and recreation and culture (2%)⁸⁶.

⁸¹ Czyrill Jean, "Egypt Inflation Rate Lowest since 2022," Tradingeconomics.com (TRADING ECONOMICS, February 10, 2025),

<https://tradingeconomics.com/egypt/inflation-cpi/news/447270>.

⁸² Chusnul Chotimah, "Egypt Inflation Rate at near 3-Year Low," Tradingeconomics.com (TRADING ECONOMICS, March 10, 2025),

<https://tradingeconomics.com/egypt/inflation-cpi/news/450872>.

⁸³ Chusnul Chotimah, "Egypt Inflation Rate above Forecasts," Tradingeconomics.com (TRADING ECONOMICS, April 10, 2025),

<https://tradingeconomics.com/egypt/inflation-cpi/news/454714>.

⁸⁴ Trading economics, "Egypt Inflation Rate | 1958-2020 Data | 2021-2022 Forecast | Calendar | Historical," tradingeconomics.com, 2023,

<https://tradingeconomics.com/egypt/inflation-cpi>.

⁸⁵ "Egypt Consumer Price Index (CPI) | 1957-2020 Data | 2021-2022 Forecast | Historical," tradingeconomics.com, n.d.,

<https://tradingeconomics.com/egypt/consumer-price-index-cpi>.

⁸⁶ Trading economics, "Egypt Inflation Rate | 1958-2020 Data | 2021-2022 Forecast | Calendar | Historical," tradingeconomics.com, 2023,

<https://tradingeconomics.com/egypt/inflation-cpi>.

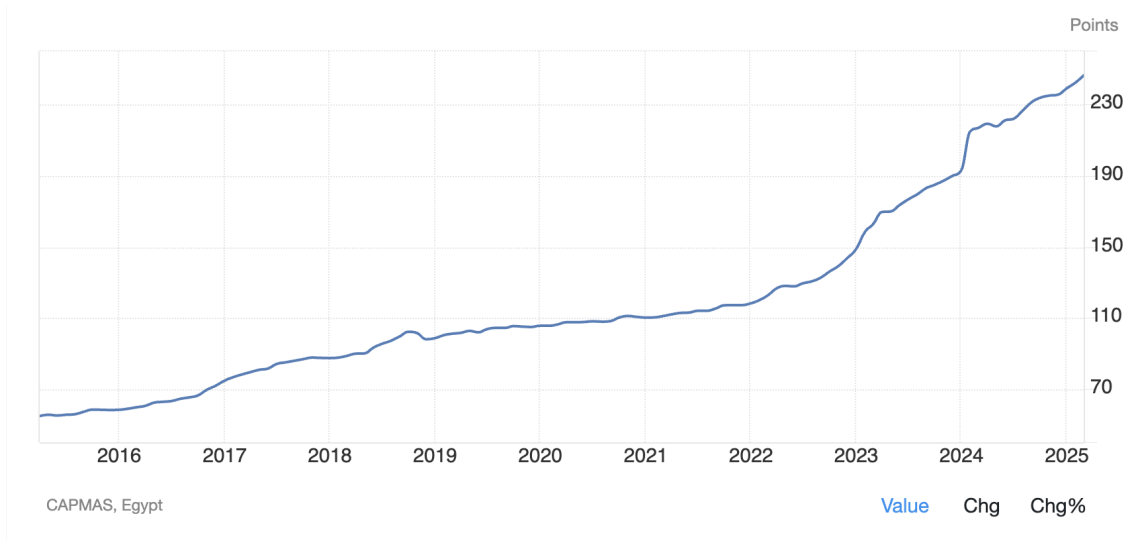


Figure 6. Egypt’s Consumer Price Index (CPI) Over the Last Decade

According to Figure 6, CPI in Egypt increased to 246.50 points in March, from 242.50 points in February of 2025. This means that in just a month, inflation worsened. In February 1957, an all time low of 0.40 points had been recorded. Between 1957 and 2025, CPI in Egypt averaged at 26.40 points, until it reached an all time high of 246.50 by March 2025.

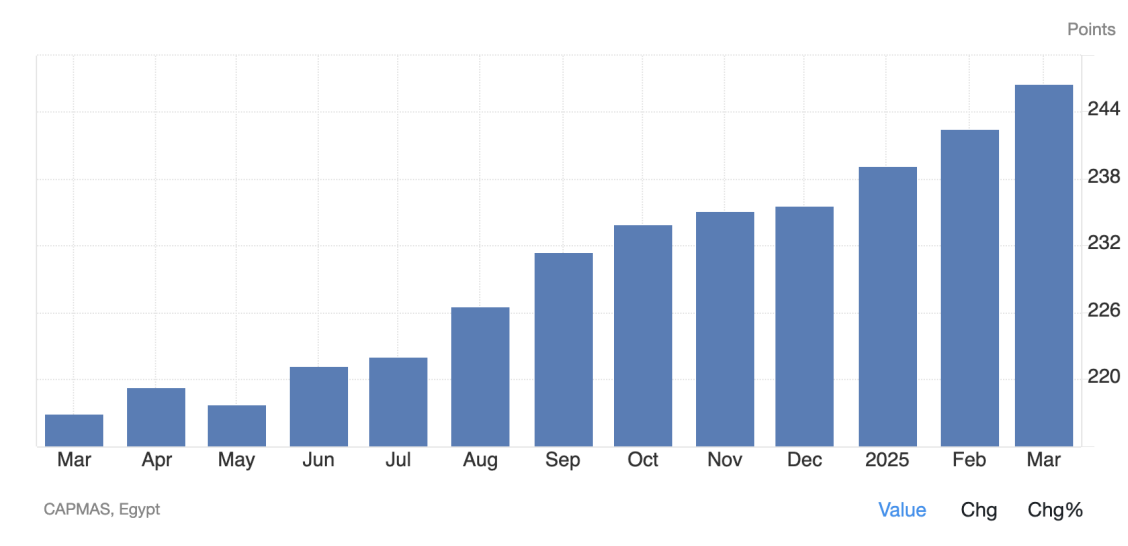


Figure 7. The Change in Egypt’s Consumer Price Index (CPI) in 2025⁸⁷

⁸⁷ “Egypt Consumer Price Index (CPI) | 1957-2020 Data | 2021-2022 Forecast | Historical,” tradingeconomics.com, n.d., <https://tradingeconomics.com/egypt/consumer-price-index-cpi>.

Figure 7, shows the change in CPI over the course of just one year. This rapid increase in CPI indicates a high rate of inflation as consumers find that their money has a reduced purchasing power, effectively reducing their real income and living standards. This drastic one-year CPI increase signals a significant inflationary environment.

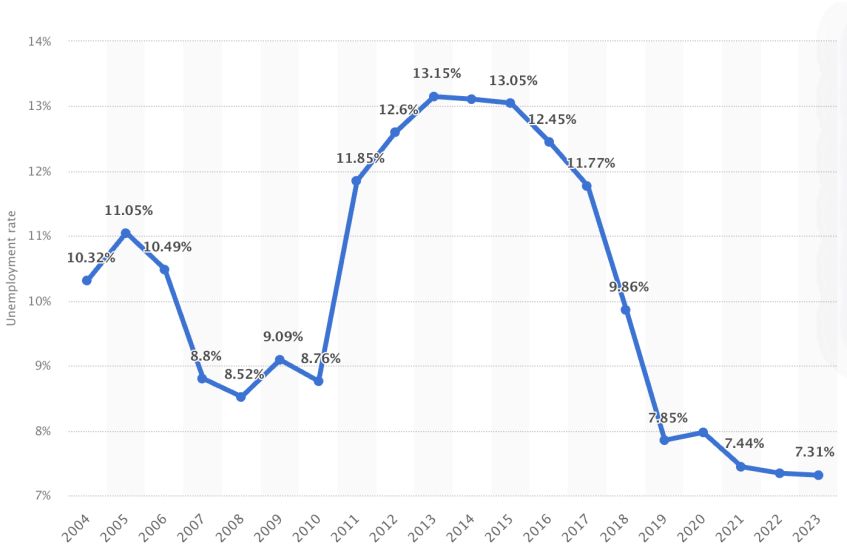


Figure 8. Egypt Unemployment Rates (%) Between 2004-2023⁸⁸

Unemployment rates are also important indicators for understanding the Egyptian society and to understanding poverty levels and living standards. As shown by Figure 8, since El-Sisi came to power, unemployment rates have been declining. In fact, 2023 saw the lowest unemployment rate in a decade, 7.31%⁸⁹.

However, looking at unemployment rates as a figure does not show the full picture. One must note that falling unemployment rates do not necessarily mean that ‘good’ or ‘stable’ jobs are being created. In Egypt, data support that much of the employment growth is in low-wage, informal, or precarious jobs rather than in decent, secure employment. The majority of the job creation has been in sectors like construction, retail, agriculture, and public works, which are generally low-wage and vulnerable to economic shocks. Whilst government-led infrastructure projects may generate short-term employment, they fail to offer long-term solutions. The informal sector employs around 60% or more, depending on the estimate, of the workforce. Jobs in the informal sector typically lack contracts, social insurance, health benefits, and job security.

⁸⁸ Statista, “Egypt - Unemployment Rate 2018 | Statista,” Statista (Statista, 2018), <https://www.statista.com/statistics/377343/unemployment-rate-in-egypt/>.

⁸⁹ Statista, “Egypt - Unemployment Rate 2018 | Statista,” Statista (Statista, 2018), <https://www.statista.com/statistics/377343/unemployment-rate-in-egypt/>.

Here, many people are counted as “employed” even though they are working a few hours a week in unstable or underpaid positions. Although informal labor is not accounted in unemployment rates, it still remains an important aspect to consider. Many Egyptians, although employed, remain underemployed, working fewer hours than they would like, or doing work that fails to match their qualifications. This means that a lot of workers are considered to be a part of the “working poor”, earning below the national poverty line despite being employed. A reason behind the decrease in unemployment rates is also due to the decrease in labor force participation rates. Individuals who stop actively looking for work are no longer counted in the labor force and thus are not counted as being unemployed, in spite of their jobless status. This artificially lowers the unemployment rate while masking deeper structural problems in the economy. A common phenomenon in Egypt is that graduates tend to wait out better opportunities, thus staying out of the workforce. Studies have shown that the number of NEETs (Not in Employment, Education or Training) is growing. This constitutes one-fourth of Egyptian youth (26.3%) who are neither employed nor enrolled in education nor training⁹⁰. Additionally, reduced unemployment rates are also due to the normalization of informal employment, which is not accounted for as a part of the labor force nor in the unemployment statistics. By 2020, 40% of workers worked in the informal economy, where 5.8% were unpaid family workers⁹¹.

$$\text{Unemployment rate} = \frac{\text{Unemployed People}}{\text{Labor Force}} \times 100$$

In essence, if labor force participation decreases, the unemployment rate may fall even if job creation is weak or job quality is poor. If fewer people are in the labor force (the denominator shrinks) and unemployed people are reclassified as ‘inactive’, meaning the rate drops even though there have been no improvements. A falling unemployment rate can be misleading and does not reflect genuine economic opportunity.

Moreover, there are social and cultural pressures on women pushing them away from formal employment, a phenomenon perpetuated by low education. The female participation in the labor force is very low at just 15%. Even when women are working, they are usually working in the informal sector or find themselves doing unpaid family work.

⁹⁰ “ILO – ERF Launch Event of the Egypt Policy Note ‘toward More Job-Rich Growth: The Case of Egypt’ | International Labour Organization,” www.ilo.org, May 31, 2023, <https://www.ilo.org/resource/news/ilo-erf-launch-event-egypt-policy-note-toward-more-job-rich-growth-case>.

⁹¹ “ILO – ERF Launch Event of the Egypt Policy Note ‘toward More Job-Rich Growth: The Case of Egypt’ | International Labour Organization,” www.ilo.org, May 31, 2023, <https://www.ilo.org/resource/news/ilo-erf-launch-event-egypt-policy-note-toward-more-job-rich-growth-case>.

As a result, the combination of NEETs not being part of the statistics, the decreasing number of women in the labor force, and those working in informal employment not being accounted for, all lead to a decreasing unemployment rate. Unemployment decline is primarily the cause of reduced labour market participation and a temporary reduction in demographic pressures rather than an actual improvement in job creation⁹².

1.3.5 Income Inequality and Distribution of Wealth

Measuring income inequality and the distribution of wealth is key to understanding whether economic growth is benefiting the broader population or just a concentrated few. Moreover, it highlights disparities in wealth distribution, which shows the uneven impact of economic policies, including those focused on large-scale infrastructure. Considering high income inequality often correlates with limited access to education, healthcare, and economic opportunities, analyzing wealth distribution will help identify which areas are neglected and require targeted development in the 10-Year Plan.

From 2012 to 2015, the Gini coefficient rose from 0.29 to 0.32, nearing its peak of 32.8% in 1999⁹³. However, recent estimates suggest higher inequality with a Gini coefficient of 0.57 for income and 0.77 for wealth in 2024⁹⁴. Similar statistics indicate that the top 1% of Egyptians receive half of the total income and hold one-third of the wealth, whereas the bottom 50% account for just 18% of income and 4% of wealth⁹⁵. Additionally, regional inequality accounts for 70% of overall inequality⁹⁶.

In addition to income inequality, the distribution of wealth helps understand the long-term economic positioning, which helps expose deeper imbalances. Wealth inequality far exceeds income inequality, exposing an extreme wealth concentration⁹⁷. This is driven by a shrinking formal private sector and a growth in military-linked enterprises⁹⁸. This extreme wealth concentration is also exacerbated by the fact that 71% of private-sector wage earners live below

⁹² Caroline Krafft et al., "The Evolution of Labour Supply in Egypt - Economic Research Forum (ERF)," Economic Research Forum (ERF), November 19, 2024, <https://theforum.eref.org/2024/11/19/the-evolution-of-labour-supply-in-egypt/>.

⁹³ "Egypt | EG: Gini Coefficient (GINI Index): World Bank Estimate | Economic Indicators," www.ceicdata.com, n.d., <https://www.ceicdata.com/en/egypt/poverty/eg-gini-coefficient-gini-index-world-bank-estimate>.

⁹⁴ Hossam Bahgat, "The Erosion of Economic and Social Rights in Egypt," November 20, 2024, https://upr-info.org/sites/default/files/country-document/2024-11/EgyptianInitiativeforPersonalRights_EIPR_PPT.pdf.

⁹⁵ Hossam Bahgat, "The Erosion of Economic and Social Rights in Egypt," November 20, 2024, https://upr-info.org/sites/default/files/country-document/2024-11/EgyptianInitiativeforPersonalRights_EIPR_PPT.pdf.

⁹⁶ Francesco Savoia et al., *Regional Income Inequality in Egypt*, 2023.

⁹⁷ Hossam Bahgat, "The Erosion of Economic and Social Rights in Egypt," November 20, 2024, https://upr-info.org/sites/default/files/country-document/2024-11/EgyptianInitiativeforPersonalRights_EIPR_PPT.pdf.

⁹⁸ "The Prosperity of the Middle Class in 2025, How Does Al-Sisi's Regime Deceive the Egyptians? - Al-Estiklal Newspaper," Al-Estiklal.net, 2021, <https://www.alestiklal.net/en/article/dep-news-1620562881>.

the poverty line⁹⁹. However, Fitch solutions predicts that the middle class, –those with an annual income of \$4,960 to \$9,920, –will grow to 58.2% by 2025, which is up from 34.3% in 2021¹⁰⁰. Nevertheless, it is important to note that although the middle class is projected to increase, this growth primarily benefits the elites tied to state infrastructure projects rather than the broad-based population. As for inequality within different governorates, studies show that urban areas, including Cairo and Giza, have higher inequality than rural regions¹⁰¹, potentially due to their large population.

A key issue to consider is that 62% of public spending is consumed by debt servicing¹⁰², which indicates that a massive portion of the government’s budget is locked into repaying debt rather than supporting social programs like health, education, unemployment benefits, or social security. Such a lack of investment in social protection leaves the vulnerable population exposed to poverty and thus further widens the gap between the rich and the poor. In essence, it shows how those already disadvantaged remain trapped in cycles of poverty and are unable to improve their socioeconomic status. Another important aspect to consider is that two-thirds of workers lack stable contracts, demonstrating the dominance of precarious informal jobs¹⁰³. Here, the issue is that these informal jobs fail to provide a pathway to financial stability or upward mobility, hence perpetuating income inequality and reinforcing structural inequality.

1.4 Government Policies and Development Goals

1.4.1 Egypt’s Vision 2030: Objectives and Progress

In this section, Egypt’s objectives will be analyzed to understand whether current policies are aligned with the nation’s vision plan for 2030 and if they are effectively addressing Egypt’s socio-economic challenges. By reviewing the progress of the vision for 2030, we can distinguish between which objectives are on track and which are falling short. The analysis of said initiatives and objectives will help identify gaps to then propose targeted reforms in the 10-Year Plan.

⁹⁹ Hossam Bahgat, “The Erosion of Economic and Social Rights in Egypt,” November 20, 2024, https://upr-info.org/sites/default/files/country-document/2024-11/EgyptianInitiativeforPersonalRights_EIPR_PPT.pdf

¹⁰⁰ “The Prosperity of the Middle Class in 2025, How Does Al-Sisi’s Regime Deceive the Egyptians? - Al-Estiklal Newspaper,” Alestiklal.net, 2021, <https://www.alestiklal.net/en/article/dep-news-1620562881>.

¹⁰¹ Francesco Savoia et al., *Regional Income Inequality in Egypt*, 2023.

¹⁰² Hossam Bahgat, “The Erosion of Economic and Social Rights in Egypt,” November 20, 2024, https://upr-info.org/sites/default/files/country-document/2024-11/EgyptianInitiativeforPersonalRights_EIPR_PPT.pdf.

¹⁰³ Hossam Bahgat, “The Erosion of Economic and Social Rights in Egypt,” November 20, 2024, https://upr-info.org/sites/default/files/country-document/2024-11/EgyptianInitiativeforPersonalRights_EIPR_PPT.pdf.

Egypt's current plan and objectives are in alignment with the UN's 2030 Agenda for Sustainable Development and also the African Union's Agenda for 2063¹⁰⁴. The plan aims to create a competitive, balanced, and diversified economy based on knowledge and innovation. The core objectives to realise the aim include improving the quality of life, raising living standards, eradicating poverty, creating food security, having quality healthcare and education, providing adequate housing, and lastly, that of cultural enrichment¹⁰⁵. However, although the government's vision and objectives are in alignment with international standards, the contention remains on how much the government is really doing to achieve these goals.

The government, in its Vision for 2030, has stipulated its goal of achieving social justice, equality, and active citizenship, with an emphasis on inclusion and equal opportunities for all segments of society. Nevertheless, their policies only entrench the cycle of poverty and further worsen preexisting social inequalities. Similarly, in spite of their goals on sustainable development by proposing to develop an integrated and sustainable environmental system seems reasonable, their lack of policies to address issues regarding climate mitigation and other environmental factors makes such a vision seem rather utopic and distant. To achieve a diversified knowledge-based economy, the government is looking to encourage innovation, digital transformation, and support for high-productivity sectors. As explored in the previous sections, the government has been looking to develop infrastructure by building and modernizing infrastructure to support economic growth and improve connectivity. However, the results of such measures have proven the inefficiency in the government's ability to carry out effective urban planning. Similarly, the essence of having the goal of enhancing government transparency and partnerships across public and private sectors to empower local administrations means little when the government is founded on corruption and a lack of transparency.

In order to alleviate inequality, the government has introduced the *Haya Karima* ("Dignified Life") megaproject targeting rural and vulnerable populations. This project is said to provide housing, healthcare, education, and infrastructure to improve the living standards for 60 million Egyptians¹⁰⁶. In spite of their efforts, this project has received a lot of criticism. Critiques argue that the limited community participation in decision-making may result in a misalignment

¹⁰⁴MPED, "The National Agenda for Sustainable Development Egypt's Updated Vision 2030," 2023, https://mped.gov.eg/Files/Egypt_Vision_2030_EnglishDigitalUse.pdf.

¹⁰⁵ MPED, "The National Agenda for Sustainable Development Egypt's Updated Vision 2030," 2023, https://mped.gov.eg/Files/Egypt_Vision_2030_EnglishDigitalUse.pdf.

¹⁰⁶ "Haya Karima Initiative to Develop Egyptian Countryside Biggest Project to Follow UN SDGs: WYF," EgyptToday, July 17, 2021, <https://www.egypttoday.com/Article/1/106148/Haya-Karima-initiative-to-develop-Egyptian-countryside-biggest-project-to>.

with actual village needs¹⁰⁷. Additionally, there has been evidence of uneven resource distributions, where some villages received disproportionate attention compared to others¹⁰⁸. Moreover, some skeptics also highlight the fact that 64% of phase-one funding went to water and sanitation, whereas only 2% and 9% went to education and health¹⁰⁹. This exemplifies the government's neglect of human capital development, which is essential for sustained poverty reduction. Among other critiques, lies that of job creation that emerged from the construction of this mega project. Critiques contest the quality of the 71,000 jobs created, expressing concern about the temporary nature of these construction roles versus long-term employment¹¹⁰.

Similar critiques have emerged in light of the transformative urban development project of the New Administrative Capital¹¹¹. Although seeking to modernize governance, attract investment and relieve congestion in Cairo, it remains an inefficient ghost town, yet again, providing short-term low-wage employment.

Other policies which have been implemented to achieve the set goals include the Green Economy and Climate Action, and the Military Production Modernization, which seeks to upgrade military manufacturing for domestic needs and exports¹¹².

As for the progress of the goals, poverty rates have declined for the first time in two decades, falling from 32.5%, to 29.7% and with the aim of eliminating poverty by 2030¹¹³. As outlined in the previous sections, through major investment in transportation, urban development and digital infrastructure, infrastructure has been expanding¹¹⁴. This includes the Suez Canal expansion and the construction of new cities. Although access to healthcare, education and social protection was expanded through the *Haya Karima* project and other initiatives, it has been expanded at a very slow and inefficient rate that compromises long-term development¹¹⁵. Likewise, there has been evident progress in terms of job creation and enhanced economic

¹⁰⁷ Salwa Thabet Mekky, "Haya Karima Initiative in Honolulu - Opinion," *Ahram Online*, 2025,

<https://english.ahram.org.eg/NewsContent/4/0/484273/Opinion/Haya-Karima-Initiative-in-Honolulu-.aspx>.

¹⁰⁸ "The Beginning of a New Republic": Egypt Launches Largest Anti-Poverty Initiative," *Egyptian Streets*, July 16, 2021,

<https://egyptianstreets.com/2021/07/16/the-beginning-of-a-new-republic-egypt-launches-largest-anti-poverty-decent-life-initiative/>.

¹⁰⁹ Mariam Raouf et al., "Egypt's Haya Karima Initiative: An Assessment of Its Rural and Economywide Impacts" (Ministry of Planning and Economic Development, December 2023), <https://cgsp.cegair.org/server/api/core/bitstreams/49f914a8-2c16-496f-b337-4f24dadfc995/content>.

¹¹⁰ Selma Khalil and Amr Hamzawy, "Egypt's Challenges and Opportunities in Climate-Related Finance and Governance," *Carnegie Endowment for International Peace*, March 13, 2025, <https://carnegieendowment.org/research/2025/03/egypts-challenges-and-opportunities-in-climate-related-finance-and-governance?lang=en>.

¹¹¹ "Egypt Vision 2030," *Wikipedia*, January 26, 2022, https://en.wikipedia.org/wiki/Egypt_Vision_2030.

¹¹² Mohamed Farag, "EGP 7.3bn Allocated to Developing Egypt's Military Production," *Dailynewsegypt*, December 8, 2020,

<https://www.dailynewsegypt.com/2020/12/05/egp-7-3bn-allocated-to-developing-egypts-military-production/>.

¹¹³ Doaa Moneim, "Egypt's Poverty Rate Declines to 29.7%: CAPMAS - Economy - Business," *Ahram Online* (Ahram Online, December 3, 2020),

<https://english.ahram.org.eg/NewsContent/3/12/396107/Business/Economy/Egypt%E2%80%99s-poverty-rate-declines-to--CAPMAS.aspx>.

¹¹⁴ MPED, "The National Agenda for Sustainable Development Egypt's Updated Vision 2030," 2023,

https://mped.gov.eg/Files/Egypt_Vision_2030_EnglishDigitalUse.pdf.

¹¹⁵ "Haya Karima Initiative to Develop Egyptian Countryside Biggest Project to Follow UN SDGs: WYF," *EgyptToday*, July 17, 2021,

<https://www.egypttoday.com/Article/1/106148/Haya-Karima-initiative-to-develop-Egyptian-countryside-biggest-project-to->

flexibility through progress in digital transformation, innovation, and support for SMEs, yet the jobs are either informal or low-wage and thus are not sustainable¹¹⁶.

1.4.2 Government Economic Reforms and Their Impact

Looking at the government's economic reforms, including the IMF-backed reforms, helps evaluate how much of Egypt's current economic model is externally driven, rather than tailored to the nation's long-term, inclusive development needs. Whilst these reforms have improved macroeconomic indicators, like investor confidence, they have often come at a high human and social cost, –including rising inflation, higher poverty rates, and erosion of middle-class purchasing power. As a result, economic growth is not being matched by social progress. Looking at the actual impact of reforms, will help with critically assessing whether Egypt's development trajectory is resilient or whether it prioritizes short-term stabilization. This section provides the evidence that while major reforms have been implemented and have brought some stability, many structural problems still persist as the foundational issues holding back human development, have not been addressed.

The first key economic reform was the IMF-backed reforms. In December 2022, a 46 month Extended Fund Facility (EFF) arrangement had been made with the IMF¹¹⁷, totaling the program size to \$8 billion¹¹⁸. The aim was to restore macroeconomic stability, reduce fiscal deficits and promote private sector-led growth. By March 2025, the IMF approved the fourth review of this program alongside a \$1.2 billion disbursement and endorsed an additional \$1.3 billion under the Resilience and Sustainability Facility (RSF)¹¹⁹. This was to support the efforts to manage external shocks and fiscal pressure amid a difficult regional environment. Moreover, the aim was to boost domestic revenues, improve the business environment, accelerate divestment, –including the privatization of state-owned enterprises, some military-linked, –enhance governance, and level the playing field for private sector.

The second major reform was a currency devaluation and exchange rate liberalization reform. As part of the IMF conditions, to address foreign exchange shortages and align the EGP

¹¹⁶ MPED, "The National Agenda for Sustainable Development Egypt's Updated Vision 2030," 2023, https://mped.gov.eg/Files/Egypt_Vision_2030_EnglishDigitalUse.pdf

¹¹⁷ "IMF Executive Board Completes the Fourth Review of the Extended Fund Facility Arrangement for Egypt, Approves the Request for an Arrangement under the Resilience and Sustainability Facility, and Concludes the 2025 Article IV Consultation," IMF, March 11, 2025, <https://www.imf.org/en/News/Articles/2025/03/11/pr-2558-egypt-imf-completes-4th-rev-eff-arrangement-under-rsf-concl-2025-art-iv-consult>.

¹¹⁸ Reuters Staff, "IMF Approves \$1.2 Billion for Egypt after Fourth Review," *Reuters*, March 11, 2025, <https://www.reuters.com/world/africa/imf-approves-12-billion-egypt-after-reform-programmes-fourth-review-2025-03-11/>.

¹¹⁹ "IMF Executive Board Completes the Fourth Review of the Extended Fund Facility Arrangement for Egypt, Approves the Request for an Arrangement under the Resilience and Sustainability Facility, and Concludes the 2025 Article IV Consultation," IMF, March 11, 2025, <https://www.imf.org/en/News/Articles/2025/03/11/pr-2558-egypt-imf-completes-4th-rev-eff-arrangement-under-rsf-concl-2025-art-iv-consult>.

with market realities, in March 2024, there was a significant currency devaluation. Since early 2022, the EGP had lost 34% of its value¹²⁰ and was expected to face further devaluation in 2025 as the government liberalized the exchange rate system. However, the devaluation helped improve trade relations and supply chain stability by allowing banks to settle outstanding dues to international suppliers. However, this intensified inflationary pressures, especially on imported goods, and came at a great social cost, which was that of worsening the cost of living for many Egyptians¹²¹.

Considering that surge of inflation following the devaluation and subsidy reforms, inflation came to its peak at 38% in September 2023¹²². By February 2025, it fell 12.8% because of tight fiscal and monetary policies, which had been implemented under the IMF program¹²³. In spite of this reform and the implementation of these policies, inflation still remains a significant burden on households. Real wages are lagging behind price increases, resulting in reduced purchasing power and social strain.

Another reform includes the government's fiscal consolidation and subsidy reforms. Here, the government cut energy subsidies and rationalized public spending. To mitigate the social impact of reforms, it increased allocations for social protection and wages. Additionally, a subsidy reduction on fuel and food had been implemented gradually to balance fiscal needs with social stability¹²⁴.

Lastly, there had been structural and governance reforms. The government privatized state-owned enterprises, including some military-affiliated firms, with the aim of improving efficiency and attracting private investment. Their ongoing priorities are those of transparency, tax reform, and customs improvements.

As a result of these reforms, there has been a positive but moderate economic growth. However, the growth has been constrained by inflation, currency pressures, and external shocks¹²⁵. Most importantly though, are the social challenges that emerged following these reforms. Inflation and currency depreciation are strains on household incomes. And

¹²⁰ Khalil Al-Anani, "Egypt and the IMF: Greater Foreign Debt and Deeper Economic Decline," Arab Center Washington DC, November 17, 2022, <https://arabcenterdc.org/resource/egypt-and-the-imf-greater-foreign-debt-and-deeper-economic-decline/>.

¹²¹ Laszlo Varnai, "Looking Back at 2024 and Bold Predictions for 2025," Recovery Advisers, January 29, 2025, <https://www.recoveryadvisers.com/insights/2024-and-2025/>.

¹²² Tamer Hafez, "Egypt's Economy: Inflation, Currency Challenges, and Global Pressures in 2025," Business Monthly, January 23, 2025, <https://businessmonthlyeg.com/egypts-economy-inflation-currency-challenges-and-global-pressures-in-2025/>.

¹²³ "Egypt Approves Budget for FY2025-26 amidst IMF Pressure," Middle East Briefing, April 1, 2025, <https://www.middleeastbriefing.com/news/egypt-approves-budget-fy2025-26-amidst-imf-pressure/>.

¹²⁴ "Egypt Approves Budget for FY2025-26 amidst IMF Pressure," Middle East Briefing, April 1, 2025, <https://www.middleeastbriefing.com/news/egypt-approves-budget-fy2025-26-amidst-imf-pressure/>.

¹²⁵ Mihaela Siritanu, "Economics Is Political: The IMF's Programme in Egypt Can't Succeed without Reforming Both - Bretton Woods Project," Bretton Woods Project, July 3, 2024, <https://www.brettonwoodsproject.org/2024/07/economics-is-political-egypts-imf-programme-cant-succeed-without-reforming-both/>.

subsequently, poverty reduction efforts are challenged by rising living costs¹²⁶. Thus, ultimately, to achieve sustained growth, the decisive implementation of structural reforms and social protection mechanisms, are necessary.

1.4.3 The Balance Between Short-term Economic Stabilization and Long-term Development

Considering this paper explores how Egypt has pursued rapid economic growth at the expense of health, education, and social well-being, finding the balance between the short-term and long-term is crucial for sustainable development that still includes economic growth. Finding the balance is vital as over-prioritizing short-term stability without parallel investments in human capital, can deepen social inequality, weaken public trust and lead to growth without development. Notably, true economic resilience comes from inclusive, long-term development rather than just short-term fiscal fixes. The tension between short-term stabilization and development is not an issue unique to Egypt, but rather it is a widespread global issue.

Egypt's immediate needs are primarily focused on macroeconomic stability including controlling inflation, stabilizing the currency and managing public debt¹²⁷. Key measures are controlling exchange rate volatility, reducing inflation, securing substantial support from international donors and the IMF alike, fiscal consolidation, –including limiting public investment, restraining spending and reducing public debt and deficits¹²⁸, –and also social protection such as targeted subsidies and social programs¹²⁹.

As for the long-term, Egypt needs to achieve sustainable growth. To do so, it requires structural transformation, human capital development (in education and health), a diversified value-added economy and an inclusive private sector-led growth¹³⁰. Current reforms aim to the private sector's share of investments to 65% of investments¹³¹. This would mean opening up state-owned assets to private investors, reducing state investment in non-strategic sectors, and encouraging private-led industrialization, export growth, and job creation. The core here lies in

¹²⁶ Tamer Hafez, "Egypt's Economy: Inflation, Currency Challenges, and Global Pressures in 2025," Business Monthly, January 23, 2025, <https://businessmonthlveg.com/egypts-economy-inflation-currency-challenges-and-global-pressures-in-2025/>.

¹²⁷ "Egypt Prioritizes Macroeconomic Stability, Private Sector Growth: Al-Mashat," Dailynewsegypt, February 8, 2025, <https://www.dailynewsegypt.com/2025/02/08/egypt-prioritizes-macroeconomic-stability-private-sector-growth-al-mashat/>.

¹²⁸ "Exploring the Depths of Egypt's Economic Reforms: An Overview of the IMF's Latest Report," encc-eg.org, April 2024, <https://encc-eg.org/en/pressroom/press.aspx?id=226>.

¹²⁹ Mohamed Beshary, "Sustainable Development Goals and Economic Dimensions in Egypt's Vision 2030," المنتدى الاستراتيجي للسياسات العامة ودراسات التنمية, September 9, 2023, <https://drava-eg.org/en/2023/09/09/sustainable-development-goals-and-economic-dimensions-in-egypts-vision-2030/>.

¹³⁰ Mohamed Beshary, "Sustainable Development Goals and Economic Dimensions in Egypt's Vision 2030," المنتدى الاستراتيجي للسياسات العامة ودراسات التنمية, September 9, 2023, <https://drava-eg.org/en/2023/09/09/sustainable-development-goals-and-economic-dimensions-in-egypts-vision-2030/>.

¹³¹ "Egypt Prioritizes Macroeconomic Stability, Private Sector Growth: Al-Mashat," Dailynewsegypt, February 8, 2025, <https://www.dailynewsegypt.com/2025/02/08/egypt-prioritizes-macroeconomic-stability-private-sector-growth-al-mashat/>.

the fact that a strong private sector can drive sustainable growth if supported by quality education, infrastructure, and access to capital. Considering that Egypt has long been import-heavy and reliant on low-value sectors, sustainable development needs building local industries, moving up the value chain, like processing raw materials domestically instead of exporting them cheaply, and supporting innovation. Evidently, Egypt cannot achieve sustained, inclusive growth if its population lacks access to quality education, healthcare and training and if public spending prioritizes debt repayment over people. As such, redirecting funds from debt servicing to education, health and productive sectors, is crucial for poverty reduction and intergenerational development¹³². Underinvestment in human capital, manifesting in insufficient education and healthcare funding, has led to poor outcomes, high illiteracy, skill mismatches, and health system inefficiencies. Such gaps threaten the country's ability to build a competitive workforce, reduce poverty, and achieve inclusive growth. Without a substantial shift in policy and resource allocation, Egypt risks falling further behind in human development and missing its Vision 2030 targets. Ultimately, sustainable growth is a gradual recovery that takes time, in which there is a trade-off between short-term pain and long-term gain. Sustainable development integration and achieving SDG require integrating social, economic, and environmental policies.

Chapter 2: THE SOCIAL COST OF ECONOMIC PRIORITIZATION

2.1 The State of Egypt's Healthcare

2.1.1 Healthcare Accessibility and Quality (Public vs. Private)

Analyzing the stark divide between the quality of healthcare received by different socio-economic groups helps demonstrate how uneven economic growth translates into unequal social outcomes which in turn perpetuate inequality. This demonstrates how budget priorities affect the healthcare choices of individuals, in turn affecting their productivity in the economy and ultimately showing how they have real human costs. This is important as poor access to quality healthcare reduces labor productivity, increases out-of-pocket costs, and keeps low-income households in cycles of poverty and vulnerability.

The healthcare system is overseen by the Ministry of Health and Population. As in most

¹³² Chahir Zaki, "Macroeconomic Policy-Making for Sustainable Development in Egypt - Economic Research Forum (ERF)," Economic Research Forum (ERF), December 10, 2024, <https://theforum.eref.org/2024/12/10/macroeconomic-policy-making-for-sustainable-development-in-egypt/>.

countries, there is public and private healthcare. However, a notable trend is the migration of the workforce from public to private, which exacerbates shortages in public hospitals. The healthcare system is structured into three tiers¹³³:

1. primary (general practitioners and clinics)
2. secondary (specialist consultations and diagnostics)
3. tertiary care (hospital-based treatments and surgeries)

The public health care is an extensive system. At least 95% of the population lives within 5 kilometers of a healthcare facility. The coverage is funded through general taxation and social health insurance, whereas the Health Insurance Organization covers about 60% of the population, including employees and students¹³⁴. Under public healthcare are some quasi-governmental and ministry-run hospitals which serve specific groups. Nevertheless, despite its broad accessibility, the quality of public healthcare is inconsistent¹³⁵. Urban areas have better-equipped facilities, whereas rural regions face a shortage of medical supplies and qualified professionals. A primary reason for this is that many healthcare workers prefer the better pay and conditions in the private sector and thus choose to migrate. Due to the underfunding of public hospitals, they remain neglected and furnished with outdated equipment, experience overcrowding, and long waiting lines. Thus, when possible, patients seek care from the private sector.

There have been reforms that have been implemented. This includes a Universal Health Insurance system to provide mandatory and comprehensive coverage for all Egyptians by 2027 and government subsidies for those unable to pay. However, the issue here lies in the fact that informal workers and the rural poor face barriers to enrollment and access. Among other reforms are digital health initiatives, using telemedicine and e-health platforms to expand¹³⁶. In 2024, a law was passed to accelerate the privatization of public hospitals. However, this threatens to exclude millions of low-income Egyptians from affordable care¹³⁷, and risks reducing access for 30% of uninsured Egyptians, particularly in rural populations dependent on public facilities.

¹³³ “An Overview of the Healthcare System in Egypt: Structure, Funding, and Oversight,” Generis Global Legal Services, November 13, 2024, <https://generisonline.com/an-overview-of-the-healthcare-system-in-egypt-structure-funding-and-oversight/>.

¹³⁴ Christian A. Gericke et al., “Health System in Egypt,” *Health Services Research*, 2018, 1–19, https://doi.org/10.1007/978-1-4614-6419-8_7-2.

¹³⁵ “InternationalHealth.com | Seguros de Salud,” Internationalhealth.com, 2024, <https://internationalhealth.com/en/Health-System-and-Medical-Insurance/Egypt>.

¹³⁶ “Telemedicine Market Forecast in Egypt 2030| Statista,” Statista, 2025, <https://www.statista.com/statistics/1558016/market-size-of-telemedicine-in-egypt/>.

¹³⁷ “Egypt: New Law Threatens to Reduce Access to Healthcare for Millions,” Amnesty International, July 30, 2024, <https://www.amnesty.org/en/latest/news/2024/07/egypt-new-law-threatens-to-reduce-access-to-healthcare-for-millions/>.

On the other side lies the private healthcare, which accounts for 60% of all healthcare services in Egypt¹³⁸. However, these private hospitals and clinics remain concentrated in urban centers like Cairo and Alexandria¹³⁹. An important mention is that these hospitals and clinics are generally accessible only to those who can afford out-of-pocket payments of private insurance. As a result, they are regarded as superior in terms of service quality, infrastructure, and patient experience. Considering many are internationally accredited, they also have advanced medical technologies and shorter waiting lines. Due to medical tourism and the demand from expatriates and wealthier Egyptians, this sector has grown substantially. Nevertheless, the high cost of private healthcare makes it very inaccessible for most of the population, as the out-of-pocket payments remain a big barrier to most.

As mentioned previously, the urban and rural divide remains significant. Both public and private facilities are better equipped in cities. As such, urban residents have greater access to high-quality care, including specialized and emergency services. The public facilities in rural areas often lack basic equipment and a trained staff, whereas the private options in rural areas are scarce or unaffordable. Only 10% of doctors practice in rural areas, where 57% of the population resides¹⁴⁰.

These discrepancies in both private and public healthcare and rural and urban ones, perpetuate pre-existing social inequalities and further entrench economic disparities.

2.1.2 Key Indicators: Life Expectancy, Infant Mortality, Physician Density, and Healthcare Infrastructure

The indicators that will be discussed in this sub-section are central to analyzing the population's well-being. They provide a quantitative snapshot of whether the country is meeting the basic health needs of its people. A poor well-being directly undermines development, as without good health and education, people cannot fully participate in the economy. Looking at these indicators can help reveal any systemic weaknesses, like whether the healthcare system is equipped to serve its growing population. Poor values in these indicators could suggest that the system is underfunded or inequitable, which are issues that must be addressed in long-term development planning. The key to designing effective reforms is understanding where the current gaps lie, which is what these indicators will help demonstrate.

¹³⁸ Amy Olassa, "7 Facts about Healthcare in Egypt," The Borgen Project, August 18, 2020, <https://borgenproject.org/healthcare-in-egypt/>.

¹³⁹ "InternationalHealth.com | Seguros de Salud," Internationalhealth.com, 2024, <https://internationalhealth.com/en/Health-System-and-Medical-Insurance/Egypt>.

¹⁴⁰ Alaa Hamed, "Over the Past Two Decades, Egypt Has Made Significant Strides in Improving Health Outcomes, as Evidenced by the Reduction in Fertility Rates, Maternal and Child Mortality, and Increased Access to Healthcare Services. However, a Substantial Urban-Rural Divide Persists, Impacting the Overall Health Eq," LinkedIn.com, September 2, 2024, <https://www.linkedin.com/pulse/addressing-persistent-urban-rural-health-divide-egypt-ala-hamed-vrmcf/>.

Life Expectancy

Life expectancy at birth

The average number of years that a newborn could expect to live.
Egypt, by sex, 2000 - 2021.

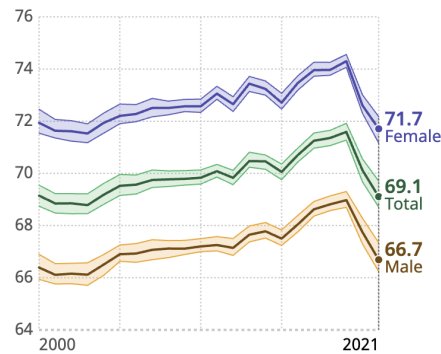


Figure 9. Life Expectancy at Birth in Egypt by Sex (2000-2021)¹⁴¹

Figure 9 shows that the total life expectancy at birth in 2000 was 69.1 years. This sank just a year later to 68.8 years. Until 2011, it followed an upward trend, reaching 70.1, and then sinking back to 69.8 in 2012. Following this small regression, it went back on an upward trend to 2014 when it reached 70.5. After a slight decrease the following year, it went back on an upward trend in 2019 after reaching 71.6 years. However, in 2020, it began to sink to 70.1 and then 69.1 in 2021, when the COVID-19 pandemic occurred. The COVID-19 pandemic exposed the existing weakness in Egypt's healthcare services, both private and public. The health care system did not have the space or medical capacity to treat the patients. As for 2024, the life expectancy reached an all-time high of 72.3 years¹⁴². However, compared to its counterparts, such an age still remains particularly low. In 2024, life expectancy at birth in Libya was 76.4 years, in Saudi Arabia it was 76.6, and in Israel it was 82.6. In spite of an increase in life expectancy at birth from the previous years, Egypt is ranked 96th out of 174 countries. Although this is nine positions above its position 10 years ago, it still remains alarming.

To better understand life expectancy at birth, it is also important to look at the main causes of death.

¹⁴¹“Egypt Data | World Health Organization,” World Health Organization, 2024, <https://data.who.int/countries/818>.

¹⁴²“Life Expectancy at Birth (Both Sexes) Rose 0.261% to 72.3 Years in Egypt in 2024,” Helgilibrary.com, April 10, 2024, <https://www.helgilibrary.com/charts/life-expectancy-at-birth-both-sexes-rose-0261-to-723-years-in-egypt-in-2024/>.

Top causes of death
Deaths per 100 000 population, Egypt, 2021

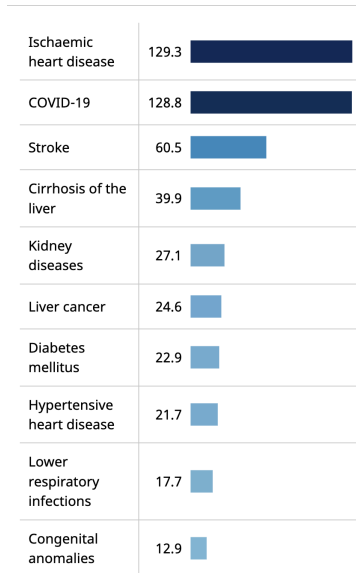


Figure 10. Top Causes of Death in Egypt 2021, per 100,000¹⁴³

The primary causes of death, as depicted in Figure 10, per a population of 100,000 in 2021, were ischaemic heart diseases. This amounted to 129.3 deaths. COVID-19-related deaths were 128.8, and deaths due to strokes were the third largest cause of deaths, amounting to 60.5¹⁴⁴.

High values in deaths resulting from ischaemic heart diseases and COVID, expose the underlying weaknesses of the health care system and its inability to effectively treat patients. Studies show that obesity rates are increasingly alarming in Egypt. By 2022, Egypt was ranked the seventh most obese country, totalling to 21,670,640 obese people¹⁴⁵. Although this dilemma affects all social classes, it primarily affects the low-income population. Thus, this statistic shows the deep-rooted social inequality. Food inflation being above 60% has forced citizens to adjust accordingly. Families are looking to prioritize feeling full over meeting nutritional requirements. Additionally, the government subsidizing sugar and oil-based products rather than healthier alternatives means that shops provide unhealthy snacks at a much lower cost¹⁴⁶, further exacerbating the unhealthy food choices that the lower-class is forced to take out of a survival mechanism. In fact, the subsidy program has been focused on subsidizing bread, wheat flour, sugar, and cooking oil for the last 25 years. The government’s food subsidy program is considered to be the number one cause of obesity in Egypt. Although the subsidy program affects 80% of the population independently of socioeconomic status, it disproportionately affects lower classes. By

¹⁴³ “Egypt Data | World Health Organization,” World Health Organization, 2024, <https://data.who.int/countries/818>

¹⁴⁴ “Egypt Data | World Health Organization,” World Health Organization, 2024, <https://data.who.int/countries/818>.

¹⁴⁵ “Renew Bariatrics,” Renew Bariatrics, October 19, 2022, <https://renewbariatrics.com/obesity-rank-by-countries/?ref=hir.harvard.edu>.

¹⁴⁶ Mona Mowafi et al., “Socioeconomic Status and Obesity in Cairo, Egypt: A Heavy Burden for All,” *Journal of Epidemiology and Global Health* 4, no. 1 (2013): 13, <https://doi.org/10.1016/j.jegh.2013.09.001>.

comparing statistics, a correlation between obesity rates and educational attainment becomes evident. Egyptians with lower education and financial status are three times more likely to be obese. This is because diets have transitioned to substitutes. In light of inflation rates and lower purchasing power, the government has advised people to substitute chicken meat with chicken feet because they cost less¹⁴⁷. This is a clear example of the government prioritizing economic growth and economic policies over population well-being. As a result, citizens are advised to make unhealthy choices and pick less nutritious alternatives due to financial limitations and out of fear of starvation and malnutrition. There is a confluence of low wealth, disproportionately high prices, and a low quality of life that currently coexist with a devastating obesity crisis. Ischaemic heart disease is a condition in which the heart is starved of oxygen due to reduced blood supply. This is most commonly due to a buildup of plaque, which is a fatty material plus cells¹⁴⁸. Hence, obesity can be seen as a factor leading to ischaemic heart diseases and consequently highlights the inability of health care systems to treat such crises, which in turn results in it being the number one cause of death.

Infant Mortality Rate

The infant mortality rate is the number of newborns who do not survive past the first 12 months of life and is a figure that also includes neonatal mortality, or deaths within the first 28 days of life. The 15.5 deaths per 1,000 live births for female infants in 2022 reflect the limited access to prenatal and postnatal care in rural and low-income areas and the gap in maternal and child health services. These rates remain relatively elevated compared to their upper-middle-class income peers. Although this is an improvement from previous years: –17.2 per 1,000 in 2019, 16.6 per 1,000 in 2020, and 16 per 1,000 in 2021, –it still remains alarming¹⁴⁹. Although, in 2022, the infant mortality rate in Egypt decreased by 0.5 deaths per 1,000 live births, reaching its lowest value in recent years, it still remains relatively high.

Physician Density

The healthcare system is in a severe shortage of medical professionals, which exacerbates healthcare access inequalities¹⁵⁰. In fact, in 2019, there were 0.75 physicians per 1,000 people. This was a sharp decline from 2.12 in 2000¹⁵¹. This ratio is less than one-third of WHO's recommended minimum threshold for adequate healthcare¹⁵². As such, the effective

¹⁴⁷ Michel Martin and Aya Batrawy, "Egypt Faces a Deepening Economic Crisis. Is the Government Taking Steps to Fix It?," NPR, March 28, 2023, <https://www.npr.org/2023/03/28/1166422786/egypt-the-middle-east-biggest-country-is-facing-a-deepening-economic-crisis?ref=hir.harvard.edu>.

¹⁴⁸ VICTOR CHANG, "Ischaemic Heart Disease: Symptoms, Causes and Treatment - Victor Chang Cardiac Research Institute," The Victor Chang Cardiac Research Institute, 2023, <https://www.victorchang.edu.au/heart-disease/ischaemic-heart-disease>.

¹⁴⁹ "Egypt - Infant Mortality Rate 2009-2019," Statista, n.d., <https://www.statista.com/statistics/806810/infant-mortality-in-egypt/>.

¹⁵⁰ "Egypt - Physicians (per 1,000 People)," www.indexmundi.com, n.d., <https://www.indexmundi.com/facts/egypt/indicator/SH.MED.PHYS.ZS>.

¹⁵¹ "Egypt - Physicians (per 1,000 People)," www.indexmundi.com, n.d., <https://www.indexmundi.com/facts/egypt/indicator/SH.MED.PHYS.ZS>.

¹⁵² "Egypt - Physicians (per 1,000 People)," www.indexmundi.com, n.d., <https://www.indexmundi.com/facts/egypt/indicator/SH.MED.PHYS.ZS>.

doctor-to-patient ratio is 1:1,333¹⁵³. This shortage forces an overreliance on overburdened public facilities and privatized care¹⁵⁴. By 2030, Egypt will need 88,000 additional doctors and 73,000 nurses to meet demands¹⁵⁵. This exemplifies the systemic underinvestment in medication education and retention, respectively.

Healthcare Infrastructure

Evidently, Egypt has a strained healthcare system with insufficient personnel and insufficient infrastructure compared to the growing population. Additionally, there is a very clear divide between public and private healthcare facilities¹⁵⁶, further entrenching socio-economic inequalities. As of 2021, Egypt had 664 public hospitals and 1,145 private ones, which are inaccessible to low-income populations. Nevertheless, both private and public hospitals remain equipped, both facing bed shortages. The bed density is 1.3 per 1,000 people, which remains far below the MENA average of 1.9¹⁵⁷. To meet this demand, Egypt needs 38,000-12,000 new beds by 2030, necessitating between \$8 and \$40 billion in investments. Alongside the disparity between public and private, are the regional disparities between healthcare in urban centers, like Cairo, which have better-equipped facilities, and rural areas that lack basic infrastructure¹⁵⁸. As a result, there are unequal health outcomes.

Overall, Egypt's various healthcare indicators reveal a system struggling with chronic underinvestment, geographic inequality, and workforce shortages. Declining physician density, inadequate infrastructure, and stagnant life expectancy synthesize the social cost of prioritizing fiscal consolidation and debt management over human capital development. These gaps not only jeopardize public health but also hinder long-term economic productivity, as a healthy workforce is essential for sustainable growth.

2.1.3 Government Healthcare Expenditure Compared to International Benchmarks

The government healthcare expenditure as a percentage of GDP falls below both the constitutional mandate and international benchmarks, reflecting a systemic underfunding.

¹⁵³“Egypt - Physicians (per 1,000 People),” [www.indexmundi.com](https://www.indexmundi.com/facts/egypt/indicator/SH.MED.PHYS.ZS), n.d., <https://www.indexmundi.com/facts/egypt/indicator/SH.MED.PHYS.ZS>.

¹⁵⁴“Topic: Healthcare in Egypt,” Statista, 2025, <https://www.statista.com/topics/13277/healthcare-in-egypt/>.

¹⁵⁵ Mansoor Ahmed, “Insight into Egypt’s Healthcare Sector,” Worldhealthexpo.com, November 8, 2021, <https://www.worldhealthexpo.com/insights/healthcare-management/insight-into-egypt-s-healthcare-sector>.

¹⁵⁶“Topic: Healthcare in Egypt,” Statista, 2025, <https://www.statista.com/topics/13277/healthcare-in-egypt/>.

¹⁵⁷ Mansoor Ahmed, “Insight into Egypt’s Healthcare Sector,” Worldhealthexpo.com, November 8, 2021, <https://www.worldhealthexpo.com/insights/healthcare-management/insight-into-egypt-s-healthcare-sector>.

¹⁵⁸“Topic: Healthcare in Egypt,” Statista, 2025, <https://www.statista.com/topics/13277/healthcare-in-egypt/>.

According to the 2014 constitutional mandate, at least 3% of GDP should be allocated to healthcare. However, as of FY2023/2024, only 1.2% of GDP has been spent on healthcare, and only 1.16% in FY2024/2025¹⁵⁹. The government has used a broadened definition of healthcare spending to include non-budgetary entities such as the military, police, and hospitals in order to facilitate meeting targets. Nevertheless, it still fails to comply with conditional obligations under either definition. However, it is important to note that this lack of spending in healthcare is inherent to the government type. Looking at the nature of the government, authoritarian military rule, it is in their interest to allocate more to the military, and it is intrinsic for them not to want to meet the constitutional requirements. However, as a result, over 50% of Egyptians lack health insurance, forcing out-of-pocket payments.

In comparison to WHO benchmarks, Egypt is lagging far behind. The WHO recommends at least 5% of GDP to achieve universal health coverage¹⁶⁰. This means that Egypt's public health expenditure is less than 25% of the WHO benchmark. However, it is important to note that 80% of countries fail to meet this benchmark for public health spending¹⁶¹. Moreover, looking at the total expenditure, public and private only reached 4.58% of GDP in 2024, but only 1.2% comes from government sources¹⁶². As a result, Egyptian households bear 60% of healthcare costs, yet again, far exceeding the 15-25% threshold of the WHO¹⁶³. Inevitably, this exacerbates inequality and medical impoverishment alike. Looking at Egypt's spending, it can be stipulated that its spending aligns with that of low-income nations, although it has a middle-income status. In comparison with its neighbours, Morocco, with 5.3% of GDP¹⁶⁴, and Tunisia with 7.1% of GDP, Egypt is yet to catch up¹⁶⁵. Two main issues arise from this inadequate spending in healthcare: the currency devaluation increased costs of imported medicine and equipment, meaning the healthcare is operating at a low quality, and secondly, the rise of non-communicable diseases, like diabetes, is further straining the already under-resourced system, and thus worsening the effects of the underfunding.

¹⁵⁹ Beesan Kassab, "New Budget: Health, Education Spending Less than Half Constitutionally Required Amount," Mada Masr, April 24, 2024, <https://www.madamasr.com/en/2024/04/24/news/u/new-budget-health-education-spending-less-than-half-constitutionally-required-amount/>.

¹⁶⁰ "Why the 2019 UN High-Level Meeting on Universal Health Coverage Should Encourage All Countries to Achieve This Target," Civil Society Engagement Mechanism, n.d., <https://csemonline.net/wp-content/uploads/2019/07/WHY-5-of-GDP-1.pdf>.

¹⁶¹ "Global Failures on Healthcare Funding | Human Rights Watch," Human Rights Watch, April 11, 2024, <https://www.hrw.org/news/2024/04/11/global-failures-healthcare-funding>.

¹⁶² "Topic: Healthcare in Egypt," Statista, 2025, <https://www.statista.com/topics/13277/healthcare-in-egypt/>.

¹⁶³ Matt Smith, "Egypt Misses Healthcare Targets as Population Ails," AGBI, May 10, 2024, <https://www.agbi.com/analysis/health/2024/05/egypt-misses-healthcare-targets-as-population-ails/>.

¹⁶⁴ "Current Health Expenditure (% of GDP)," Worldbank.org, April 7, 2023, <https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS>.

¹⁶⁵ "Current Health Expenditure (% of GDP)," Worldbank.org, April 7, 2023, <https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS>.

2.1.4 Major Health Crises and Systemic Weaknesses

In order to fully see the impact of Egypt’s healthcare system, this subsection will highlight the real consequences of healthcare underfunding in order to paint a human face on the existing policy gaps. By looking at how regional disparities exemplify unequal distribution, it becomes clearer that economic growth has not translated into equitable human development. In essence, these are all issues that stem from long-term policy neglect and underinvestment.

The major health crises expose systemic weaknesses. The multiple entities, –including the ministries of health, military, and hospital, –operating without coordination depict fragmented governance, which in turn leads to inefficiencies¹⁶⁶. The weak health information system hinders evidence-based policy-making, particularly in tracking disease burdens and source allocation¹⁶⁷.

The current health crises expose these deeply-rooted systemic weaknesses. A prominent issue is that the healthcare system is not ready to treat the over 750,000 Egyptians that suffer from non-communicable diseases like diabetes and cardiovascular diseases¹⁶⁸, nor the 4,953 medical evacuees from Gaza¹⁶⁹. With rural areas lacking specialist management and private healthcare being practically unaffordable for the majority of the population, means that with every patient, the healthcare system is even more strained. This strain is yet to worsen with the estimated 15,000 additional evacuees that will require urgent care in 2025, which, according to the WHO, will cost \$30 million to support¹⁷⁰.

2.2 The Education Crisis

2.2.1 Public vs. Private Education: Quality and Accessibility Disparities

Egypt’s education system is highly stratified, where wealthy families send their children to private schools, while the majority rely on underfunded public schools. This demonstrates how access to quality education is tied to income level, reinforcing long-term inequality and weakening social mobility.

¹⁶⁶WHO-Egypt Flash Appeal 2025 Responding to Escalation of Conflict in the Occupied Palestinian Territory,” February 2025, <https://www.emro.who.int/images/stories/egypt/WHO-Egypt-flash-appeal-2025.pdf>.

¹⁶⁷Basma Saleh et al., “Sustainability and Resilience in the Egyptian Health System EGYPT Principal Investigator: Hesham Dinana,” 2024, https://www3.weforum.org/docs/WEF_PHSSR_Egypt_2024.pdf.

¹⁶⁸WHO-Egypt Flash Appeal 2025 Responding to Escalation of Conflict in the Occupied Palestinian Territory,” February 2025, <https://www.emro.who.int/images/stories/egypt/WHO-Egypt-flash-appeal-2025.pdf>.

¹⁶⁹WHO-Egypt Flash Appeal 2025 Responding to Escalation of Conflict in the Occupied Palestinian Territory,” February 2025, <https://www.emro.who.int/images/stories/egypt/WHO-Egypt-flash-appeal-2025.pdf>.

¹⁷⁰WHO-Egypt Flash Appeal 2025 Responding to Escalation of Conflict in the Occupied Palestinian Territory,” February 2025, <https://www.emro.who.int/images/stories/egypt/WHO-Egypt-flash-appeal-2025.pdf>.

There is a stark divide between underfunded public schools and privatized alternatives. The constitution guarantees free education, however, chronic underinvestment and policy systems have entrenched a two-tier system that disproportionately affects the low-income and rural population.

Public education is officially free, however, families spend 1.6% of GDP on tutoring. Additionally, rural areas suffer from severe infrastructure gaps. In fact, only 23% of households have access to adequately equipped schools. In public schools, the average class size usually exceeds 50 and reaches more than 100 in some regions¹⁷¹. There is also a heavy reliance on outdated curricula, which leaves 35% of graduates unemployed and 70% of employers citing skills mismatch. As for teachers, they are poorly paid and rely on secondary income. And nearly 30% of them lack proper training¹⁷². A chronic underfunding is evident, with public schools receiving \$351.8 million annually compared to the \$481 million for private schools. As a result, there is a shortage of textbooks, technology, and trained staff¹⁷³. According to a UNICEF statistic, Egypt ranks last for primary education quality and 141st for basic education¹⁷⁴.

As for private education, tuition fees range from \$500 to \$10,000 annually, excluding hidden costs such as uniforms, transportation, and others. A core issue is that 80% of private schools are in urban areas, leaving rural areas underserved. Private schools tend to have much smaller classes, with 20 to 30 students on average. Additionally, they have modern facilities and technology-integrated curricula. Usually, they are also internationally accredited¹⁷⁵.

Looking at the discrepancy between public and private schools, some systemic drivers to these inequalities come to light. Sovereign funds invest \$27 million in private school chains¹⁷⁶, whilst public schools face budget cuts¹⁷⁷. Another driver of inequality is that public teachers extort families for tutoring fees. In fact, over 40% of households rely on tutoring for exam success. This leads to a \$2.2 billion shadow education market¹⁷⁸. Lastly, among other drivers of

¹⁷¹Robert Springborg, "Egypt Is Backing Private Schools, While Public Education Is Starved of Funds," Middle East Eye, May 3, 2022, <https://www.middleeasteye.net/opinion/egypt-public-education-neglected-backing-private-schools>.

¹⁷²"Egypt's Education System Is by Far the Largest in the Region —," Brussels Research Group, February 3, 2019, <https://brusselsresearchgroup.org/egypts-education-system-is-by-far-the-largest-in-the-region/>.

¹⁷³Robert Springborg, "Egypt Is Backing Private Schools, While Public Education Is Starved of Funds," Middle East Eye, May 3, 2022, <https://www.middleeasteye.net/opinion/egypt-public-education-neglected-backing-private-schools>.

¹⁷⁴"Egypt's Education System Is by Far the Largest in the Region —," Brussels Research Group, February 3, 2019, <https://brusselsresearchgroup.org/egypts-education-system-is-by-far-the-largest-in-the-region/>.

¹⁷⁵Bertrand Hauger, "Ranked Last Globally, Egypt's Public Education Creates Heavy Burden for Parents," Worldcrunch, July 5, 2024, <https://worldcrunch.com/culture-society/ranked-last-globally-egypt039s-public-education-creates-heavy-burden-for-parents/>.

¹⁷⁶Robert Springborg, "Egypt Is Backing Private Schools, While Public Education Is Starved of Funds," Middle East Eye, May 3, 2022, <https://www.middleeasteye.net/opinion/egypt-public-education-neglected-backing-private-schools>.

¹⁷⁷Bertrand Hauger, "Ranked Last Globally, Egypt's Public Education Creates Heavy Burden for Parents," Worldcrunch, July 5, 2024, <https://worldcrunch.com/culture-society/ranked-last-globally-egypt039s-public-education-creates-heavy-burden-for-parents/>.

¹⁷⁸Maia Sieverding, Caroline Kraft, and Asmaa Elbadawy, "An Exploration of the Drivers of Private Tutoring in Egypt," *Comparative Education Review* 63, no. 4 (October 10, 2019): 562–90, <https://doi.org/10.1086/705383>.

inequality, is that rural students are 40% less likely to transition to secondary education due to distance, cost, and the lack of private alternatives.

2.2.2 Funding Allocation and Government Spending on Education

Overall, human capital development, –education, and health, have not been prioritized at the level needed to drive inclusive growth. For the bigger picture, reallocating funds toward education is not just morally right, but it is also economically smart.

As of the FY2024/2025, 295 billion EGP, or about \$6 billion, have been spent on education, representing 1.7% of GDP¹⁷⁹. As aforementioned, this falls short of the 6% of GDP constitutional mandate, including 4% on pre-university education¹⁸⁰. According to the UNESCO and World Bank recommendations of 4-6% of GDP and 15-20% of public expenditure to education, Egypt is currently less than half of the average for lower-middle income countries. Lower-middle income countries usually spend about 3.4% of GDP and 13.1% of public expenditure on education¹⁸¹.

Over the years, education spending has declined in real terms and as a percentage of GDP. In FY2014/2015, it was 3.9% of GDP, in FY2020/2021, it was 2.3% of GDP, and now in FY2024/2025, it is 1.7% of GDP¹⁸². This reflects Egypt’s increased focus on infrastructure and the deprioritization of education in favor of security, military, and large infrastructure projects since the new government came in.

There are several impacts of educational underfunding. Firstly, there is a shortage of classrooms. Trends show that in 2024, 250,000 additional classrooms were needed in order to sustain the number of students per class. Although the average class size ranges from 43 to 55 students, in some schools, there were up to 200 students in a single classroom¹⁸³. Another impact is the teacher shortage. In 2024, there was a deficit of 469,000 students¹⁸⁴. Many newly hired teachers are on temporary contracts or salaries below minimum wage. Numerous teachers also

¹⁷⁹“Egypt: Declining Funding Undermines Education [EN/AR] - Egypt,” ReliefWeb, January 27, 2025, <https://reliefweb.int/report/egypt/egypt-declining-funding-undermines-education-enar>.

¹⁸⁰“Egypt: Declining Funding Undermines Education,” Human Rights Watch, January 27, 2025, <https://www.hrw.org/news/2025/01/27/egypt-declining-funding-undermines-education>.

¹⁸¹“Egypt: Declining Funding Undermines Education,” Human Rights Watch, January 27, 2025, <https://www.hrw.org/news/2025/01/27/egypt-declining-funding-undermines-education>.

¹⁸²“Egypt: Declining Funding Undermines Education,” Human Rights Watch, January 27, 2025, <https://www.hrw.org/news/2025/01/27/egypt-declining-funding-undermines-education>.

¹⁸³“Egypt: Declining Funding Undermines Education,” Human Rights Watch, January 27, 2025, <https://www.hrw.org/news/2025/01/27/egypt-declining-funding-undermines-education>.

¹⁸⁴“Egypt: Declining Funding Undermines Education,” Human Rights Watch, January 27, 2025, <https://www.hrw.org/news/2025/01/27/egypt-declining-funding-undermines-education>.

hint at discriminatory recruitment practices. The lack of quality is a direct repercussion of the chronic underfunding. Underfunding leads to overcrowded and under-resourced schools, which in turn result in poor learning outcomes, and subsequently persistent “learning poverty”¹⁸⁵. As a result, as of 2019, almost 70% of students were unable to read and understand a simple text by the age of 10. Evidently, the government has failed to guarantee effective primary and secondary education for all¹⁸⁶, posing both moral and economic inefficiencies.

2.2.3 Key Indicators: Literacy Rates, PISA/TIMSS Rankings, Teacher-to-Student Ratio, School Dropout Rates

The key metrics explored in this section serve as diagnostic tools to help pinpoint where the biggest educational gaps lie. Additionally, they help demonstrate how Egypt’s focus on infrastructure and economic indicators has come at the expense of vital social sectors like education. Educational metrics are important as poor educational outcomes directly impact economic growth, as they affect workforce productivity, innovation, poverty reduction, and gender equality.

Literacy Rates

The adult literacy rate in 2022 was 74.5%, which is up from the 71.17% of 2017¹⁸⁷. However, there is a 16-point gender gap, where the male literacy rate is 83.24% and the female one is 67.29%¹⁸⁸. However, even by looking at the adult literacy rate, regional disparities are evident, as statistics show that rural areas lag behind due to limited access to quality schooling and cultural barriers.

As for the youth literacy rate, it is currently at an average of 93.28%¹⁸⁹, with 94.45% for males and 92.07% for females¹⁹⁰. Although it is an improved access to basic education, figures still remain below those of its neighbours, like Tunisia, which has an average of 96%¹⁹¹.

International Learning Assessments

¹⁸⁵ “In Numbers: How Egypt’s Sisi Undermined the Right to Education in 10 Years of Rule,” Middle East Eye, January 28, 2024, <https://www.middleeasteye.net/news/egypts-budget-cuts-undermining-right-education-human-right-watch-says>.

¹⁸⁶ “Egypt: Declining Funding Undermines Education,” Human Rights Watch, January 27, 2025, <https://www.hrw.org/news/2025/01/27/egypt-declining-funding-undermines-education>.

¹⁸⁷ “Egypt Literacy Rate 1976-2024,” www.macrotrends.net, n.d., <https://www.macrotrends.net/global-metrics/countries/EGY/egypt/literacy-rate>.

¹⁸⁸ “Egypt Population (2020) Live — Countrymeters,” countrymeters.info, n.d., <https://countrymeters.info/en/Egypt>.

¹⁸⁹ “Egypt: Youth Literacy Rate,” Statista, n.d., <https://www.statista.com/statistics/1253111/youth-literacy-rate-in-egypt/>.

¹⁹⁰ “Egypt Population (2020) Live — Countrymeters,” countrymeters.info, n.d., <https://countrymeters.info/en/Egypt>.

¹⁹¹ “Egypt Population (2020) Live — Countrymeters,” countrymeters.info, n.d., <https://countrymeters.info/en/Egypt>.

According to the TIMSS in 2019, Egypt ranked last in mathematics and science among 58 countries¹⁹². The scores were far below the international average. In fact, only 3% of students met the “advanced” benchmark in math, compared to 11% in Morocco. As for the PIRLS, in 2016, 69% of students failed to meet the low benchmarks¹⁹³. Here, Egypt placed 49 out of 50 countries. An important notice is that Egypt has not participated in the PISA since 2011¹⁹⁴. This begs the question of whether their non-participation could be due to avoiding international scrutiny for their low scores.

Teacher-to-Student Ratio

According to an analysis conducted on primary schools, there are 23.68 students per teacher. As for primary school, this is slightly better than the global average of 24.26¹⁹⁵. However, these statistics mask classroom overcrowding. There are an average of 50 students per class, which exceeds the government’s 2027 target of 37.8¹⁹⁶. There is also a teacher shortage, especially in rural areas, where only 10% of teachers work, in spite of it being home to 57% of the population¹⁹⁷.

School Drop-Out Rates

In primary education, the drop-out rate was 0.3% for 2023/2024, which is up from 0.29% in 2022/2023¹⁹⁸. This drop-out rate reflects economic pressure, child labor in rural areas, and the barriers of distance and costs faced by rural students. For preparatory education, the rate was 0.7% in 2023/2024, which was a great improvement from 1.7% in 2022/2023¹⁹⁹. However, general disparities still persist. As for secondary education, the transition rate from preparatory to

¹⁹²Ramadan Mohamed Ramdan et al., accessed May 26, 2025, <https://timssandpirls.bc.edu/timss2019/encyclopedia/pdf/Egypt.pdf>.

¹⁹³ Alberto Begué-Aguado, “APPRAISAL of EDUCATION SECTOR PLAN 2023-2027 in EGYPT Do Not Reflect the Official Opinion of UNICEF, the Ministry of Education and Technical Education, the Local Education Group, and the Global Partnership for Education,” December 22, 2022, <https://www.globalpartnership.org/node/document/download?file=document%2Ffile%2F2023-09-egypt-esp-appraisal-report.pdf>.

¹⁹⁴ Alberto Begué-Aguado, “APPRAISAL of EDUCATION SECTOR PLAN 2023-2027 in EGYPT Do Not Reflect the Official Opinion of UNICEF, the Ministry of Education and Technical Education, the Local Education Group, and the Global Partnership for Education,” December 22, 2022, <https://www.globalpartnership.org/node/document/download?file=document%2Ffile%2F2023-09-egypt-esp-appraisal-report.pdf>.

¹⁹⁵ “Egypt Student Teacher Ratio, Primary School - Data, Chart,” TheGlobalEconomy.com, n.d., https://www.theglobaleconomy.com/Egypt/student_teacher_ratio_primary_school/.

¹⁹⁶ “Situation Analysis of Children and Adolescents ,” December 2024, <https://www.unicef.org/egypt/media/12471/file/EGYPT%20COUNTRY%20BRIEF%20DECEMBER%202024%20OF%20CHILDREN%20AND%20ADOLESCENTS%20Situation.pdf>.

¹⁹⁷ “Situation Analysis of Children and Adolescents ,” December 2024, <https://www.unicef.org/egypt/media/12471/file/EGYPT%20COUNTRY%20BRIEF%20DECEMBER%202024%20OF%20CHILDREN%20AND%20ADOLESCENTS%20Situation.pdf>.

¹⁹⁸ El-Sayed Gamal El-Din , “Egypt Under-18 Population Drops Slightly in 2024: CAPMAS - Society - Egypt,” Ahram Online , 2024, <https://english.ahram.org.eg/News/535605.aspx>.

¹⁹⁹ El-Sayed Gamal El-Din , “Egypt Under-18 Population Drops Slightly in 2024: CAPMAS - Society - Egypt,” Ahram Online , 2024, <https://english.ahram.org.eg/News/535605.aspx>.

secondary is 43.85%²⁰⁰. However, these statistics cover the challenges due to poverty and lack of support, still faced by students.

Another important statistic is household spending on tutoring. On average, households spend 1.6% of GDP on tutoring to compensate for poor public education quality²⁰¹. This, however, fails to address the systemic gaps of education quality and also deepens inequality as poor families are unable to afford tutoring. This sheds light on the systemic challenges that lie at the foundation of educational attainment. The education system uses outdated teaching methods with a limited focus on critical thinking. Additionally, there is a low learning contact time of 3 to 4 hours daily due to double-shift schooling in overcrowded facilities²⁰². Overall, education receives 2.5% of GDP, which is below the 4.3% average. This lack of funding constrains infrastructure and teacher training. Additional systemic challenges include that only 23% of rural households have access to adequately equipped schools. Moreover, rural girls are 40% more likely to drop out than their urban male counterparts. This is due to strong cultural and societal norm influence and early marriage²⁰³.

Between 2023 and 2027, the government has introduced an education sector plan²⁰⁴. This includes reducing class size to 37.8 in primary schools, improving teacher training, increasing secondary transition rates to 60%, and expanding e-learning platforms for rural areas. However, such goals cannot be achieved if funding directed at the education system remains the same. Additionally, the idea of e-learning platforms, whilst interesting, is hindered by low internet in 45% of rural regions. As such, to achieve such aims, more funding needs to be redirected to this sector.

2.2.4 Workforce Readiness, Vocational Training Gaps, Youth Unemployment

Due to the poor education quality, many students find themselves not adequately prepared for the workforce. This primarily affects students from rural backgrounds, who

²⁰⁰ “Situation Analysis of Children and Adolescents,” December 2024, <https://www.unicef.org/egypt/media/12471/file/EGYPT%20COUNTRY%20BRIEF%20DECEMBER%202024%20OF%20CHILDREN%20AND%20ADOLESCENTS%20Situation.pdf>.

²⁰¹ Caroline Krafft, “Population Council Population Council Knowledge Commons Knowledge Commons Challenges Facing the Egyptian Education System: Access, Quality, Challenges Facing the Egyptian Education System: Access, Quality, and Inequality and Inequality,” 2012, https://knowledgecommons.popcouncil.org/cgi/viewcontent.cgi?article=1109&context=departments_sbsr-pgy.

²⁰² Alberto Begué-Aguado, “APPRAISAL of EDUCATION SECTOR PLAN 2023-2027 in EGYPT Do Not Reflect the Official Opinion of UNICEF, the Ministry of Education and Technical Education, the Local Education Group, and the Global Partnership for Education,” December 22, 2022, <https://www.globalpartnership.org/node/document/download?file=document%2Ffile%2F2023-09-egypt-esp-appraisal-report.pdf>.

²⁰³ El-Sayed Gamal El-Din, “Egypt Under-18 Population Drops Slightly in 2024: CAPMAS - Society - Egypt,” Ahram Online, 2024, <https://english.ahram.org.eg/News/535605.aspx>.

²⁰⁴ Alberto Begué-Aguado, “APPRAISAL of EDUCATION SECTOR PLAN 2023-2027 in EGYPT Do Not Reflect the Official Opinion of UNICEF, the Ministry of Education and Technical Education, the Local Education Group, and the Global Partnership for Education,” December 22, 2022, <https://www.globalpartnership.org/node/document/download?file=document%2Ffile%2F2023-09-egypt-esp-appraisal-report.pdf>.

experience even poorer education quality than those in urban areas, but it also disproportionately affects those attending public schools. Notably, even the students who attended school, are not being prepared for the actual job market, thus revealing a major disconnect between Egypt's education system and labor market needs. In essence, youth unemployment in Egypt is high not because of the youth's unwillingness to work, but because of a lack of skills-based training, the educational content being too theoretical, and the private sector not collaborating with schools and universities. As a result, these vocational and readiness gaps become barriers to economic diversification and productivity. This helps explain Egypt's reliance on informal and low-skilled labor, where if formal education fails to prepare the youth with marketable skills, many end up in informal or unstable jobs. Without solving this issue, economic growth will be superficial, and inequality will persist.

As of now, the total workforce has reached 32.04 million in 2024²⁰⁵. The government's aim is to double industrial employment to 8 million by 2030, by raising the sector's share of employment to 20% and its contribution to GDP also to 20%²⁰⁶. Their focus is on increasing industrial and technology-driven employment, therefore, they launched the "Be Ready" program to address skill mismatch and prepare youth for the evolving labor market²⁰⁷. This is part of the broader "Alliance and Development" presidential initiative that aims to equip 1 million university students and recent graduates with advanced and market-relevant skills.

Between the ages of 15 and 24, youth unemployment stands at 18.7%²⁰⁸. Less than half of the employed youth have permanent jobs, while the rest are temporary, seasonal, or casual work, usually all without contracts or social protection²⁰⁹. 41% of the youth are said to be working beyond the legal limit of 48 hours per week, and many face low pay and job insecurity²¹⁰. Graduates are said to be facing an average 5-year wait for formal jobs²¹¹. A 2020 statistic shows that 66.7% of jobs are informal, low-skilled, and often lacking social protections²¹².

²⁰⁵NOUR EL-SHAERI, "Egypt's Annual Unemployment Rate Eases to 6.6%," Arab News (Arabnews, April 27, 2025), <https://www.arabnews.com/node/2598620/business-economy>.

²⁰⁶ "Egypt Targets 8 Million Industrial Workers by 2030: Al-Wazir," Dailynewsegypt, May 3, 2025, <https://www.dailynewsegypt.com/2025/05/03/egypt-targets-8-million-industrial-workers-by-2030-al-wazir/>.

²⁰⁷ "ILO Joins Launch of Second Phase of Egypt's 'Be Ready' Initiative," International Labour Organization, April 28, 2025, <https://www.ilo.org/resource/news/ilo-joins-launch-second-phase-egypt%E2%80%99s-%E2%80%9Cbe-ready%E2%80%9D-initiative>.

²⁰⁸ "Egypt - Unemployment, Youth Total (% of Total Labor Force Ages 15-24) - 2025 Data 2026 Forecast 1991-2023 Historical," Tradingeconomics.com, 2025, <https://tradingeconomics.com/egypt/unemployment-youth-total-percent-of-total-labor-force-ages-15-24-wb-data.html>.

²⁰⁹ "KEY HIGHLIGHTS WHY FOCUS on YOUTH PARTICIPATION in the LABOUR FORCE?," July 2023, [https://www.unicef.org/egypt/media/10841/file/Youth%20Unemployment%20in%20Egypt%20\(English\).pdf](https://www.unicef.org/egypt/media/10841/file/Youth%20Unemployment%20in%20Egypt%20(English).pdf).

²¹⁰ "KEY HIGHLIGHTS WHY FOCUS on YOUTH PARTICIPATION in the LABOUR FORCE?," July 2023, [https://www.unicef.org/egypt/media/10841/file/Youth%20Unemployment%20in%20Egypt%20\(English\).pdf](https://www.unicef.org/egypt/media/10841/file/Youth%20Unemployment%20in%20Egypt%20(English).pdf).

²¹¹ Louisa Loveluck, "Education in Egypt: Key Challenges," March 2012,

https://www.chathamhouse.org/sites/default/files/public/Research/Middle%20East/0312egyptedu_background.pdf.

²¹² Zainab Saeed, "Top Hiring Trends in Egypt (2025)," Qureos Hiring Guide (Qureos, May 3, 2025), <https://www.queos.com/hiring-guide/hiring-trends-in-egypt>.

The workforce readiness is severely hampered by systemic weaknesses in the education system, which fail to equip graduates with the skills aligned to labor market demands. Over 50% of the employed youth work in jobs unrelated to their education²¹³, and 30% of university graduates are unemployed due to credential-focused hiring in the public sector and a weak signaling for skill in the private sector²¹⁴. Reportedly, 70% of businesses report difficulty finding candidates with problem-solving, technical, or digital skills despite the high number of graduates²¹⁵.

2.3 Long-Term Implications: The Social and Economic Consequences of Neglecting Health & Education

2.3.1 Impact of Poor Healthcare on Workforce Productivity and Economic Output

This section aims to help shift the narrative from seeing healthcare as only a social good to also seeing it as an economic necessity. The aim is to depict health as an economic input, not just output, and thus to help demonstrate why it is necessary to invest in health for the economy to prosper. In essence, it will help support the main claim that short-term growth without human investment is unsustainable.

Inevitably, a neglect of healthcare has profound implications on workforce productivity and consequently the overall economic output and development. A workforce plagued with poor health diminishes the capacity of individuals to effectively contribute to the economy, making them less productive, leading to higher absenteeism, and subsequently resulting in increased long-term costs to the economy. This then leads to a vicious cycle of poverty and underdevelopment. Therefore, inadequate healthcare undermines productivity, reduces economic growth, perpetuates inequality and increases later healthcare costs due to late-stage treatment. Ultimately, poor healthcare not only affects workers but also the yet-to-be workforce. Inaccessible care means delayed treatment and workers out of the labor force, whilst poor health in children means lower school performance and, in turn, a less skilled labor pool.

²¹³ Rania Roushdy, "Author Dr. Rania Roushdy (1)," n.d., https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@africa/@ro-abidjan/@sro-cairo/documents/publication/wcms_856457.pdf.

²¹⁴ Louisa Loveluck, "Education in Egypt: Key Challenges," March 2012, https://www.chathamhouse.org/sites/default/files/public/Research/Middle%20East/0312egyptedu_background.pdf.

²¹⁵ "Egyptian Skilling Initiative Reaches 1M+ Youth through Cross-Sector Partnerships a Capacity-Building Model Has Enabled Tawar W 3' Ayar to Teach Computing and Other Critical Skills in More than 800 Centers Country-Wide," accessed May 26, 2025, <https://cdn-dynmedia-1.microsoft.com/is/content/microsoftcorp/microsoft/mse/documents/presentations/CSR/TAWAR-Case-Study.pdf>.

The first impact of health care is a reduced human and health capital, and a reduced physical capital. Health is considered one of the three core values of development, alongside education and income, and is the main factor affecting people's capability. Poor healthcare leads to worse "health conditions", which as a result, reduces a country's "health capital" (Z). Human capital, which encompasses health, is identified as a proximate cause of economic growth. Chronic illnesses, malnutrition, and infectious diseases, like malaria and HIV/AIDS, weaken workers' physical stamina and their ability to perform labor-intensive tasks. Additionally, they lead to cognitive impairments, especially for children, thus lowering educational attainment and consequently the future earning potential. The reduced human capital is also a result of absenteeism and presenteeism, which comes as a result of poor healthcare. In fact, there is a positive correlation between poor health and absenteeism, where missing work (absenteeism) or reduced productivity while working (presenteeism) is increased by poor health. This correlation has been especially evident with women's labor participation being disproportionately affected by untreated infections or maternal health issues. Similarly, this correlation is seconded by the DALYs (Disability-Adjusted Life Years), where in low-income countries, infectious diseases account for one-third of the disease burden, directly reducing workforce efficiency.

Lower productivity is also a direct consequence of poor health. Sustained economic growth relies on sustained productivity growth, which is defined as output per input. A lower health capital, directly affects the production function.

$$F = F(K, H, Z, A)$$

K: capital input

H: endowment of human capital

Z: total factor productivity / health capital

A: state of technology/knowledge

According to the following function, poor health diminishes the ability of workers to be productive and the ability of individuals to "function" effectively. Thereby, it impacts the overall output. Similarly, below, in the Solow Model of growth, poor health erodes human capital (H), which is considered to be a critical driver of economic growth. This model highlights how health, as a part of human capital, leads to human capital depreciation and thus affects output.

$$Y = F(K, L, A, H)$$

Y: output

K: capital input

L: labor input

A: state of technology/knowledge

H: endowment of human capital

Thus, neglecting health reduces H , stifling per capita growth.

There is an empirical link between disease prevalence and reduced economic growth. Bloom and Sachs (1998) and Gallup and Sachs (2001) all claimed that the prevalence of malaria alone decreased the annual growth rate of sub-Saharan African economies by as much as 2.6 percent. Although malaria is not as prevalent in Egypt, this study is evidence of how health directly affects economic growth. It highlights how a specific aspect of poor healthcare, specifically endemic disease, can have a substantial and quantifiable impact on a nation's economic performance. Another study shows how the impact of public health investments and cost-effective health interventions, including vaccinations and sanitation, yields high social returns. The WHO estimates that every 1 spent on malaria prevention generates 36 in economic benefits.

According to a growth diagnostic, low human capital, which includes health, is listed as a factor contributing to "low social returns," which in turn leads to a "low return to economic activity". This low return discourages private investment and entrepreneurship, further hindering economic growth. In essence, it becomes a hindrance to overall development and also to well-being. Differences in health conditions are a key factor explaining why countries vary a lot in their economic performance and people's well-being. Improving the socioeconomic performance of countries requires addressing health conditions. This depicts development as a multidimensional process, where health outcomes like life expectancy and birth and under-5 mortality rates are important non-economic indicators used to assess it. As a result, poor healthcare is not just an economic impediment, but it also directly affects the quality of life and the overall development level of a society. Addressing these gaps requires integrated policies that combine health infrastructure, social protection, and education.

2.3.2 The Impact of Poor Education on Inequality and Economic Progress

Underinvestment in education, has similar ramifications to the neglect of healthcare and its effect on economic output. As a result, the overall impact of neglecting social infrastructure leads to economic stagnation.

Poor education quality or lack of education access or participation, all create a low-skilled and low-productive workforce which caps productivity and in turn limits economic growth. As seen in the Solow Model, if education is underfunded, human capital (H) declines and so does output (Y). A declining human capital variable can be both a result of poor education and poor healthcare. If individuals are not equipped with the right skills from education, firms face a shortage of skilled labor, forcing a reliance on low-productivity informal sectors. Similarly, if students do not attend education, due to the regional and urban disparities or due to high prices and poor quality of public education, the overall economic output will be negatively affected. Thus, underinvestment in education leads to low workforce skills.

According to the Big-Push theory, institutional failures lead to underdevelopment traps. Simultaneous investments in education, health, and infrastructure are needed to escape stagnation. South Korea's 1960s education-health push preceded its economic boom, demonstrating how educational and healthcare investment helps economic growth. Latin America faced the middle-income trap, where despite high GDP, low tertiary education rates limited the high-value industries. This exemplifies how cities swelling with informal workers depresses wages. A clear example of this is the favelas in Brazil. In essence, low skills lead to low productivity, low growth, and fewer resources for investments.

Moreover, education is a fundamental driver of economic mobility and income inequality. Disparities in education quality have been shown to perpetuate income inequality, thus reinforcing the cycle where the poor remain disadvantaged and the wealthy consolidate opportunities. Education is therefore a determinant of earnings. According to the college premium and wage gaps, higher education correlates with higher wages. For instance, in Latin America, there is a big wage gap between those with tertiary education and those with secondary education. Tertiary-educated workers earn 200 to 250% more than those with only secondary education. Similarly, in Nordic countries, there is a smaller wage gap because education policies make education opportunities more equitable. Kaushik Basu's model seconds the above

hypothesis. It shows how child labor reduces educational attainment, which in turn reduces future earnings and thus traps families in poverty.

According to the Great Gatsby curve, countries with higher income inequality have lower social mobility, –the ability to move up and down the social hierarchy. As a result of this mechanism, wealthier families invest more in education. As mentioned in the previous section, in Egypt, private education is considered far better than public one. This means that poor households are unable to afford schooling and thus remain in this cycle of inequality. Empirical evidence seconds this. South Korea, between 1970 and 2010, experienced reduced education inequality. As a result, it moved closer to equality on the Lorenz curve, and in turn, this led to lower income inequality. This demonstrates how an equitable system facilitated upward mobility. Another example is Argentina. Partly due to inequitable education access, they declined from a wealthy nation to a middle-income one. Ultimately, education inequality can be seen as both a cause and a consequence of income inequality which creates a cycle of low-productivity workers and thus stifles economic progress.

Chapter 3: A THEORETICAL PERSPECTIVE AND A COMPARATIVE ANALYSIS

This chapter aims to bring theoretical depth into the analysis, to help evaluate whether Egypt is following or deviating from expected patterns. Through a theoretical analysis, it becomes possible to understand whether Egypt’s growth is on a sustainable path or a structurally flawed one.

3.1 Political Economy of Development Theories

3.1.1 The Inequality-Growth Relationship in Egypt

The Kuznets Curve is a key theoretical model that hypothesizes an inverted-U relationship between income inequality and economic growth. Including it in the analysis will help situate Egypt’s experience within broader frameworks used by economists and policymakers alike. This curve helps analyze whether inequality is a temporary growing pain or a structural, persistent problem. Additionally, this analysis allows for testing Egypt’s development path against established economic models. The theory posits that as an economy develops, market forces first increase and then decrease economic inequality, forming an

inverted U-shaped curve. During the early stages of economic growth, industrialization and urbanization, wealth is concentrated among certain sectors or groups, thus widening the gap between the rich and the poor. As development progresses, factors like improved education, equitable income distribution policies, and broader economic participation contribute to reducing inequality.

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1. Early Development Stage:

Characterized by increasing inequality as capital accumulation benefits primarily the wealthy and urban sectors. Industrialization concentrates wealth in emerging industries. Urbanization drives rural populations into low-wage urban jobs, widening the income gap.

2. Middle Development Stage:

Inequality peaks as industrialization and urban migration reach their height, creating pronounced economic divides. Rapid urbanization leads to informal settlements and slums. Labor market segmentation intensifies the wealth divide.

3. Late Development Stage:

Inequality gradually decreases as social policies, labor rights, and broader access to education and health services expand economic opportunities. Government interventions through subsidies and social policies. Expansion of the middle class and reduction in poverty rates.

²¹⁶ Saddique Ansari, "The Kuznets Curve," Economics Online, June 19, 2023, <https://www.economicsonline.co.uk/definitions/the-kuznets-curve.html/>.

During the historical transitions of Western economies during industrialization and during the economic boom of Asian powers, the curve has shown accuracy. However, its applicability to developing nations, particularly in regions with weak institutions and significant structural inequalities, remains debated. According to other studies, institutional strength and effective governance are critical for the transition from the peak of inequality to a more equitable distribution of wealth.

For instance, empirical evidence shows that the United States and Western Europe, during industrialization, experienced an initial growth that led to income concentration before redistributive policies were introduced. As for Asian powers, like South Korea, Taiwan, and Singapore, they followed similar paths until leveling off once strong state interventions emerged.

However, the Kuznets hypothesis remains contested in developing nations due to a weak state capacity to redistribute wealth effectively. In many countries, inequality persisted despite growth, suggesting barriers beyond mere economic expansion, including institutional weaknesses and market failures.

Over the past three decades, Egypt's GINI coefficient has shown fluctuations reflective of economic shifts. During periods of aggressive liberalization (1990-2000), inequality surged as market liberalization disproportionately benefited the urban elite. Conversely, political instability and public unrest led to temporary adjustments in wealth distribution. However, inequality remained relatively prevalent. Notably, considering industrial growth remains centralized in major cities, the urban-rural divide has widened as rural communities, particularly in Upper-Egypt, have been left with limited access to public services and economic opportunities. Although Egypt's structural adjustments and market liberalization under IMF-backed reforms facilitated economic growth, they exacerbated wealth disparities. The income gap increased following the privatization of state-owned enterprises, which concentrated wealth in the hands of a few. In spite of government interventions attempting to mitigate inequality through expansive subsidies on food, fuel, and public services, they only offered short-term relief and were also often poorly targeted. Additionally, political clientelism and corruption further reduced the impact of these interventions.

While Egypt's economic growth has followed elements of the Kuznets Curve during its industrialization and liberalization phases, persistent inequality, weak institutional frameworks, and unbalanced regional development suggest that the theoretical model does not entirely capture

the complexity of Egypt's socioeconomic landscape. This highlights the need for effective redistribution policies, stronger institutional frameworks, and targeted development strategies to bridge the prevalent inequality.

3.1.2 The Limits of Capital-Driven Growth Without Human Capital

The Solow Model of Growth is a key economic development theory that highlights the limitations of purely economic growth and simultaneously how the lack of investment in human capital restricts long-term growth. It demonstrates how physical capital accumulation alone cannot sustain long-term growth without parallel investments in human capital (H) and technology (A).

This hypothesis is grounded on the basis that economic output (Y) is a function of three primary inputs:

1. Capital (K): Physical assets like machinery, buildings, and infrastructure
2. Labor (L): The workforce contributing to production
3. Technology (A): Innovations that enhance productivity

It assumes diminishing returns to capital, meaning that each additional unit of capital produces less output than the previous one, unless complemented by technological progress or improvements in labor quality. Thus, it is represented by the production function:

$$Y=F(K,L,A,H)$$

As capital accumulates, the marginal productivity of capital declines, leading to a steady state where growth halts unless technology or human capital improves.

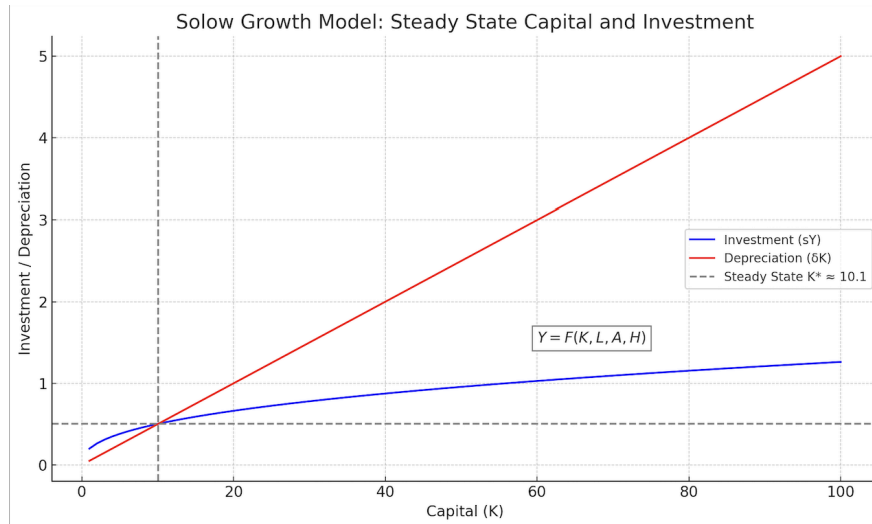


Figure 11. Solow Growth Model: Steady State Capital and Investment

While capital accumulation drives short-term growth, the Solow Model predicts that economies will eventually reach a plateau—known as the "steady state"—where increases in capital no longer yield substantial growth. The “steady state equilibrium” assumes that without technology (A) or education (H), growth plateaus. However, key limitations of the model include:

- The model assumes diminishing marginal return to capital. As investment in physical capital increases, its contribution to output growth diminishes over time. This assumption underestimates the power of institutional reform in sustaining growth.
- The model underestimates the impact of education, health, and skills development on productivity. It assumes all workers are the same without differentiating between skilled/unskilled labor and without considering the workers’ health and education.
- Technological advancements are assumed to happen externally, without accounting for the role of innovation policies, institutional support or improved education.

Empirical evidence from economies like Latin America supports these limitations, where heavy capital investments without corresponding improvements in education and workforce skills led to stagnant growth.

The extension of the Solow Model through endogenous growth theories introduces human capital as a critical component of sustainable development. Human capital—encompassing education, health, and skills—enhances labor productivity and supports technological adoption. Nations that invest in education and workforce skills experience prolonged periods of economic growth beyond the Solow Model's predicted steady state. As workers become more skilled and educated, they can contribute more efficiently to production processes. Similarly, a skilled workforce can innovate and use technology, enabling economies to absorb and implement technological advances faster. Thus, investment in education generates spillovers that benefit multiple sectors, improving overall economic resilience.

Empirical evidence shows the consequences of economies neglecting human capital. Both Brazil and Mexico heavily invested in infrastructure but underfunded education. The result was stagnant GDP growth at 2-3% post-1980s. Similarly, pre-2000s, China relied heavily on cheap labor and capital. However, once it pivoted to STEM education post-2010, it led to sustained 5% growth.

This model can also be used alongside the endogenous growth theory, which proposes that economic growth is primarily driven by investments in human capital, innovation, and knowledge. Education and health are seen as critical components that enhance labor productivity and technological advancement. As explored previously, boosting education means a more productive and efficient labor force. Similarly, resilience theory can be used to demonstrate how such investments can enhance economic resilience. A healthier and educated population adapts better to shocks. A prime example of this is Denmark's flexicurity model, where employers can easily adjust to the needs of the marketplace and where employees have a secure safety net between jobs. Whilst this is considered absorptive capacity, resilience theory also includes transformative capacity, where skills enable pivots. Taiwan's shift from manufacturing to semiconductors exemplifies this. The ability for resilient economies to treat human capital as infrastructure is seen as having a cyclical pattern. In essence, health leads to workforce continuity, education to innovation agility, and social protection to shock absorption.

In terms of Egypt, the economy's focus on infrastructure and capital-intensive projects has driven short-term growth, which, however, reveals limitations in long-term sustainability. A

lack of substantial investment in education and health has hindered productivity growth, preventing the country from achieving higher development stages as predicted by the Solow Growth Model. As analyzed previously, Egypt's human capital indicators remain weak; thus, despite the large-scale infrastructure projects, unemployment and underemployment persist. This demonstrates how gaps in healthcare access impact workforce productivity and consequently caps economic development.

3.1.3 State Intervention vs. Market-Led Development Debates

One of the central questions in development economics remains whether the state should lead or the markets should lead development. Egypt is a real-world example where the state plays a dominant role, primarily through its military-owned enterprises, infrastructure projects, and centralized planning.

In the state-led development model, rooted in Keynesian economics, governments actively steer industrialization through subsidies, tariffs, and state-owned enterprises. It posits that government intervention is necessary to stabilize economic cycles, reduce unemployment, and stimulate growth during economic downturns. It emphasises public investments, in terms of government-driven projects in infrastructure, education, and healthcare, to stimulate demand and create jobs. It also includes social welfare policies to create safety nets like unemployment benefits, healthcare, and pension schemes to support vulnerable populations. This theory argues that state intervention is essential for late industrialization, as has been seen in South Korea, Taiwan, China and Singapore where policies were able to foster growth. This development strategy is closely linked to the structuralist approach to development. It emphasizes reducing dependency on foreign goods by nurturing domestic industries, government-driven efforts to build local manufacturing capacities, reducing reliance on primary commodity exports, and tackling market failures, income inequality, and economic dependency through direct state intervention. Among other theories, a key foundational theory to this approach is the structural change theory, which advocates for shifting labor from low-productivity agriculture to higher-productivity industrial sectors.

Market-led development, on the other hand, follows a neoliberal model. It promotes minimal state intervention and market-driven growth. A theoretical foundation includes the Washington Consensus, which is a set of economic policies aimed at liberalization, deregulation,

and privatization mechanisms for growth. Drawing from neoliberal principles, this strategy advocates for reducing government control over industries to stimulate competition and innovation, transferring state-owned enterprises to private ownership to improve efficiency and productivity, and removing trade barriers to encourage foreign investment and global market access. Vietnam, Botswana, and Chile represent market-led success and how it led to rapid growth. This approach follows the neoliberal development path which urges removing trade barriers to promote free-market competition, minimizing government intervention to increase efficiency and attract foreign investment, and lastly encouraging export-led growth and participation in global value chains.

Notably, there is also the hybrid model, which empirical evidence in China, Norway, and Latin America, has proven work. However, from both models, some key takeaways for developing economies include incorporating targeted and strategic state interventions, with a focus on education and health. Secondly, it is that of driving market-driven efficiency by encouraging private sector growth through deregulation and innovation incentives, preventing elite capture and regulating efficiency with safeguards. Looking at Brazil as a case study, the measures may also include conditional cash transfers to mitigate inequality. Thirdly, it is that of introducing targeted subsidy programs to focus on the most vulnerable populations. Lastly, it suggests enhancing transparency and governance in Public-Private Partnerships (PPPs) to boost infrastructure without corruption.

Egypt's economic history showcases shifts between Structuralist and Neoliberal approaches. During Egypt's industrial development phase, structuralist policies succeeded in building key industries, whilst neoliberal policies improved trade, yet often favoring multinational corporations. Egypt also had a phase in which neoliberal policies opened the nation to global markets, but reliance on imports deepened trade deficits. As for structuralist policies, they initially reduced poverty but were unsustainable, while neoliberal shifts increased income inequality, particularly in rural areas.

3.1.4 The Return on Investment of Healthcare and Education

Investing in health and education yields powerful returns not only for social well-being but also for economic performance. Countries that prioritize human capital development consistently report higher labor productivity, increased FDI, and a stronger innovation capacity.

The knowledge spillover theory highlights how education and training contribute to innovation through the spread of knowledge and technological adaptation. Overall, healthy and educated workers are more efficient, innovative, and adaptable to technological changes, leading to higher productivity gains across sectors. Moreover, countries with a skilled labor force are more attractive to multinational companies seeking innovation hubs and talent-rich environments. For example, Singapore leveraged world-class education and healthcare systems to cultivate a high-performing workforce that attracted major global tech firms and transformed the nation into a leading innovation center. Its policy coherence between education and industrial needs enabled it to become a global technology hub. Similarly, Finland's education reforms and investments in both primary and higher education created a highly innovative economy and fueled its technological advancements and competitive strength on the global stage. South Korea's investments in human capital were instrumental in its rapid industrialization and transition from an agrarian economy to a global technology leader. An educated workforce inevitably accelerates research and development, and also technological implementation.

Contrastingly, Egypt's FDI inflows have been narrowly concentrated on oil and infrastructure, with minimal diversification into technology or innovation-driven sectors. The low research and development expenditure, which is just 0.72% of GDP, alongside the persistent skills mismatches and low educational quality, have restricted its technological advancements and have limited Egypt's integration into global value chains. Furthermore, underinvestment in education and healthcare continues to constrain workforce potential and national productivity. To stimulate sustainable economic growth, Egypt must recognize that human capital is not a secondary concern but a core driver of progress. By enhancing education and health systems, the country can boost labor productivity, attract more diverse and sustainable FDI, and unlock innovation-driven development, ensuring a more resilient and inclusive economic future.

3.2 Comparative Analysis

3.2.1 How Countries With High Economic Growth but Weak Human Development Struggle

The contention between high economic growth and weak human development is known as the Paradox of Progress. In essence, this paradox stipulates that economic growth does not equate human development. Although countries may experience rapid GDP growth, indicators like health and education may still remain stagnant or grow at a much lower pace. In the case of Egypt, those indicators have remained practically stagnant. Economic advancements do not necessarily translate to a corresponding increase in well-being or happiness, seconding Kuznets' warning that "GDP measures everything except what makes life worthwhile". Additionally, Amartya Sen's Capability Approach follows this and the belief that development requires expanding people's capabilities, –including health, education, and freedom, –rather than mere economic output.

This disconnect between growth and development often arises due to several reasons. The first one is that wealth generated from growth is concentrated among elites, leaving marginalized populations without benefits. Secondly, it is due to an emphasis on mega-projects rather than schools, hospitals, or social services. And lastly, due to political and institutional weaknesses, including corruption, weak governance, and inefficient social policies that hinder equitable development.

Institutional failures, such as the urban bias, which is investing in the center rather than rural areas, and corruption, are reasons why growth fails to translate. Another reason why growth may fail to translate is due to misallocated investments, such as the "infrastructure first" pitfall, as experienced by Brazil in the 2000s. This is when governments invest in projects rather than schools or hospitals. Similarly, there are inequality traps, where wealth remains concentrated in a small population percentage, rather than having a trickle-down effect.

Overall, the key factors contributing to the gap between growth and development are the lack of investment in human capital and the simultaneous infrastructure-centric growth. Minimal government spending on education and health relative to GDP, means that human capital development remains underfunded and thus affects long-term productivity. In Egypt, infrastructure-centric growth manifests in the prioritization of highways, mega-projects, and urban expansion over social services. Although projects like the New Administrative Capital

have driven growth metrics, they have only minimally contributed to poverty alleviation. Another main issue, especially prevalent in Egypt, is the corruption and political unrest that disrupt the equitable distribution of economic benefits. Thus, the weak institutional frameworks limit effective development. As a result, Egypt's Human Development Index (HDI), ranks around 116th globally, despite its strong GDP growth.

3.2.2 Countries Which Prioritized Economic Growth at the Expense of Human Development

The cases that will be evaluated in this section will serve as a warning of how short-term growth can stall, reverse, or even collapse if it is not inclusive. It will help show how growth without equity, health, or education is a trap rather than a triumph.

In the 2000s, Brazil heavily expanded its infrastructure by prioritizing roads, ports, and energy over human capital and institutional reforms. The growth acceleration program included an over \$300 billion investment in highways, dams, and ports, including the Belo Monte Dam²¹⁷. As a result, between 2007 and 2010, the construction sector grew by 8% annually. Nevertheless, education spending remained below 5% of GDP²¹⁸. In 2010, tertiary education only had 165 enrollments, leaving industries dependent on low-skilled labor. Moreover, Brazil's PISA scores were ranked last in the OECD for maths and science in 2015. Additionally, the urban bias of healthcare, where rural clinics were underfunded, led to a high maternal mortality (62 deaths per 100,000 births, compared to Chile's 22 deaths per 100,000 births²¹⁹). Although initially, GDP grew, the neglect of education and healthcare swiftly led to unequal growth and eventually also stagnation. The long-term consequences of Brazil's choices include economic stagnation, rising inequality and political backlash. Between 2010 and 2015, GDP fell from 7.5% to 3.5%²²⁰. Additionally, the manufacturing share dropped from 28% to 11% of GDP between 2004 and 2020. As for rising inequality, the Gini coefficient remained above 0.53 in 2018, with the top 10% earning forty times more than the bottom 40%. The 13 million Brazilians in the urban slums (*favelas*) lacked basic sanitation despite infrastructure spending. All of this led to political

²¹⁷ Martha Beck, Simone Iglesias, and Mariana Durão, "Brazil Sets Sights on Boosting Growth with \$350 Billion Investment Plan," Bloomberg Línea, August 11, 2023, <https://www.bloomberglinea.com/english/brazil-sets-sights-on-boosting-growth-with-350-billion-investment-plan/>.

²¹⁸ "Brazil Divided: Hintsights on the Growing Politicization of Inequality (WID.world Issue Brief 2018/3) - WID - World Inequality Database," WID - World Inequality Database, October 24, 2018.

<https://wid.world/news-article/divided-brazil-hintsights-on-the-growing-politicization-of-inequality-wid-world-issue-brief-2018-3/>.

²¹⁹ Bernardo L. Queiroz, Marcia C. Castro, and Ricardo C. Pedrosa, "Estimating and Forecasting Age-Specific Maternal Mortality Rates in Brazil" (2021), <http://ipc2021.popeconf.org/uploads/211061>.

²²⁰ "The Economies of Latin America and the Caribbean," 2016.

<https://repositorio.cepal.org/server/api/core/bitstreams/79cbfe82-c06c-4e39-bf73-dbf6f104394b/content>.

backlash, where in 2016, Dilma Rousseff was impeached²²¹. Similarly, the 2018 election of Bolsonaro reflected the population's frustration with inequality and corruption.

Other Latin American economies with extreme inequality despite GDP growth, are primary examples. This relationship, where economic expansion fails to translate into human development, is coined as the "high inequality, low-growth trap"²²². Inequality was evident in multiple dimensions. Firstly, across Latin American economies, there was the income gap in which the richest 10% earn thirty times more than the poorest 40%²²³, despite regional GDP growth averaging 2.4%²²⁴. These disparities are multidimensional, prevalent also among indigenous groups and women who face a 50% higher poverty rate and limited access to education and healthcare²²⁵. There are also structural drivers of such a gap, including the concentration of power among elites, who hold control over resources and implement policies that perpetuate inequitable growth²²⁶. The violence and instability, as seen by the high homicide rates of 22.5 per 100,000, deter investment and drain 5% of GDP annually²²⁷. The fragmented social policies, such as the conditional cash transfer programs, reduced poverty but failed to address systemic inequality²²⁸. The outcomes of those structural drivers, where a stagnating human development progress, with 40% of LAC (Latin American and Caribbean) countries experiencing HDI declines post-2015²²⁹.

In comparison, Egypt has been following a very similar pattern to that of Brazil, including low ranking in education, initial economic growth, and the COVID-19 crisis exposing public health infrastructure weakness. Brazil's long-term consequences foreshadow what may happen in Egypt. The already existing heightened tensions among the population and rising dissatisfaction with the government may result in a similar fate for Egypt, as for Brazil. The LAC countries show the importance of implementing progressive fiscal policies, which can be done by

²²¹ Zack Beauchamp, "Dilma Rousseff's Impeachment, Explained in 500 Words," Vox, April 13, 2016,

<https://www.vox.com/2016/4/13/11416578/brazil-petrobras-rousseff-impeachment>.

²²² "Trapped? Inequality and Economic Growth in Latin America and the Caribbean | United Nations Development Programme," UNDP, July 1, 2021, <https://www.undp.org/latin-america/publications/trapped-inequality-and-economic-growth-latin-america-and-caribbean>.

²²³ "Trapped? Inequality and Economic Growth in Latin America and the Caribbean | United Nations Development Programme," UNDP, July 1, 2021, <https://www.undp.org/latin-america/publications/trapped-inequality-and-economic-growth-latin-america-and-caribbean>.

²²⁴ "TRAPPED: HIGH INEQUALITY and LOW GROWTH in LATIN AMERICA and the CARIBBEAN," accessed May 26, 2025, <https://hdr.undp.org/system/files/documents/rhdrblac2021enoverview.pdf>.

²²⁵ "TRAPPED: HIGH INEQUALITY and LOW GROWTH in LATIN AMERICA and the CARIBBEAN," accessed May 26, 2025, <https://hdr.undp.org/system/files/documents/rhdrblac2021enoverview.pdf>.

²²⁶ "TRAPPED: HIGH INEQUALITY and LOW GROWTH in LATIN AMERICA and the CARIBBEAN," accessed May 26, 2025, <https://hdr.undp.org/system/files/documents/rhdrblac2021enoverview.pdf>.

²²⁷ "Trapped? Inequality and Economic Growth in Latin America and the Caribbean | United Nations Development Programme," UNDP, July 1, 2021, <https://www.undp.org/latin-america/publications/trapped-inequality-and-economic-growth-latin-america-and-caribbean>.

²²⁸ Gustav Ranis and Frances Stewart, "Growth and Human Development: Comparative Latin American Experience," accessed May 26, 2025, <https://www.econstor.eu/bitstream/10419/98386/1/cdp826.pdf>.

²²⁹ "TRAPPED: HIGH INEQUALITY and LOW GROWTH in LATIN AMERICA and the CARIBBEAN," accessed May 26, 2025, <https://hdr.undp.org/system/files/documents/rhdrblac2021enoverview.pdf>.

expanding social safety nets and tax wealth and land to fund education and rural infrastructure. Moreover, it shows that empowering local governments to tailor solutions for regional disparities, such as Upper Egypt's poverty rate of 57% compared to the urban areas' 13%, can be achieved through decentralized governance. The LAC prioritizing economic growth over human development exemplifies the importance of balancing growth with human development. Thus, for Egypt this means that increasing education spending to 6% of GDP, which is the constitutional mandate, and aligning curricula with labor market needs, can reduce youth unemployment to 18.7%²³⁰. Thus, it shows necessary for Egypt to integrate equity metrics into national strategies to track progress beyond GDP.

3.2.3 Countries that Benefited From Strong Education and Healthcare Policies

To figure out the best path for Egypt, it is necessary to look at countries on the other side of the spectrum –those that benefited from implementing strong education and healthcare policies. Among others, Argentina and South Korea are some case studies of countries that greatly benefited from focusing on education and healthcare alongside economic growth. The aforementioned cases reveal varied approaches to how robust investments in health and education can yield sustainable growth and social stability.

Argentina's post-crisis recovery, between 2003 and 2009, demonstrated the transformative power of social investment. Following the economic collapse of 2001-2002, the government increased social spending, rising to 7.6% of GDP between 2003 and 2009²³¹. They prioritized non-contributory pensions, healthcare, and education, which in turn helped reduce poverty and inequality, proving that targeted investments in human capital can have immediate redistributive effects. However, this progress was undercut by fiscal mismanagement and over-reliance on volatile commodity revenues. By 2013, non-social expenditure like debt servicing, consumed 37% of GDP, crowding out critical infrastructure. Expanded pension coverage, while socially valuable, became fiscally unsustainable, consuming 7% of GDP by 2009 and contributing to Argentina's return to the IMF for a bailout in 2018²³². Overall, a 2023 study estimates how investing in care sectors, like education, healthcare and childcare, could

²³⁰ "Egypt Human Development Report 2021: Putting People at the Centre of the National Reform Programme Safeguarded Egyptians' Right to Development," UNDP, September 14, 2021,

<https://www.undp.org/arab-states/press-releases/egypt-human-development-report-2021-putting-people-centre-national-reform-programme-safeguarded-egyptians-right>

²³¹ Nora Lustig and Carola Pessino, "Social Spending and Income Redistribution in Argentina during the 2000s: The Rising Role of Noncontributory Pensions," *SSRN Electronic Journal*, January 2012.

²³² Daniel Zaga, Federico Di Yenno, and Juan Ignacio Lacapmesure, "Argentina Economic Outlook, November 2024," Deloitte Insights (Deloitte, November 8, 2024), <https://www2.deloitte.com/us/en/insights/economy/americas/argentina-economic-outlook.html>.

create 1.8 million jobs by 2030²³³. However, Argentina remains hamstrung by short-term populist policies that prioritize subsidies over structural reform. For Egypt, Argentina serves as a cautionary tale: human development must be paired with sound fiscal strategy to avoid undermining long-term gains.

South Korea offers a compelling contrast as a country that successfully made education and innovation central pillars of its development strategy. It was a nation that transformed from a war-torn to a tech leader by prioritizing human capital, primarily using education as the growth catalyst. Back in the 1990s, state-backed institutes like KAIST and POSTECH trained skilled labor for Samsung, LG, and Hyundai, driving 7% annual GDP growth²³⁴. Education was not treated as a social good alone but as a key driver of productivity, export competitiveness, and inclusive growth. By 2012, with heavy investment in engineering and vocational training, college enrollment rose to 72%, compared to 27% in 1980²³⁵. Moreover, localized school management empowered regions to address skill gaps, reducing youth unemployment to 5.3% by 2020. This investment helped South Korea transition from a low-income to a high-income economy within a few decades. Innovation policies, alongside education, strengthened the private sector and diversified the economy. For Egypt, South Korea exemplifies how long-term commitment to education and research can catalyze broad-based economic growth while reducing inequality.

Each of these countries offers a unique lesson for Egypt. Argentina highlights the dangers of unsustainable fiscal expansion, even when well-intentioned. And South Korea demonstrates the power of strategic, long-term investment in education and innovation. Together, these case studies reinforce a central argument of this paper: that sustained and equitable economic growth depends not only on infrastructure or GDP targets but also on how effectively a country invests in its people.

²³³Daniel Zaga, Federico Di Yeno, and Juan Ignacio Lacapmesure, "Argentina Economic Outlook, November 2024," Deloitte Insights (Deloitte, November 8, 2024), <https://www2.deloitte.com/us/en/insights/economy/americas/argentina-economic-outlook.html>.

²³⁴ Hong Song Chang, "Achieving Inclusive Growth and Prosperity by Bolstering Human Capital: Lessons from Korea SUSTAINABLE DEVELOPMENT GOALS Policy Brief Series No.8 ACKNOWLEDGEMENTS," 2017, https://www.undp.org/sites/p/files/zskgke326/files/migration/seoul_policy_center/Human-Capital-report-policy-brief-8.pdf.

²³⁵ Hong Song Chang, "Achieving Inclusive Growth and Prosperity by Bolstering Human Capital: Lessons from Korea SUSTAINABLE DEVELOPMENT GOALS Policy Brief Series No.8 ACKNOWLEDGEMENTS," 2017, https://www.undp.org/sites/p/files/zskgke326/files/migration/seoul_policy_center/Human-Capital-report-policy-brief-8.pdf.

3.3 Forecast Models Projecting Egypt’s Potential Growth Under Different Investment Scenarios

Egypt faces a critical juncture. Pressured by rapid population growth, mounting economic instability, and global threats like climate change and food insecurity, the country requires a strategic rethinking of its long-term development trajectory. While earlier sections laid the theoretical and empirical foundations, this section aims to bring the analysis full circle by providing data-driven projections and using economic forecasting, to project Egypt’s GDP and human development outcomes under three distinct investment strategies from 2025 to 2050:

1. Status Quo (current policies continue)
2. Physical Capital Focus (infrastructure-heavy)
3. Human Capital-Driven (where education and health are prioritized)

These scenarios aim to quantify the long-term implications of policy choices and underscore the trade-offs between physical infrastructure investments and human capital development. The forecasts are based on an Augmented Solow Growth Model, which incorporates human capital and institutional quality alongside traditional capital inputs:

$$Y_t = A_t \cdot K_t^\alpha \cdot L_t^\beta \cdot H_t^{1-\alpha-\beta}$$

Variables:

- K_t : Infrastructure investment
- H_t : Education and health spending
- A_t : Institutional quality (corruption, bureaucracy)
- α : capital share
- β : human capital elasticity

By varying these parameters across the three investment scenarios, the model generates long-term GDP growth trajectories, social development benchmarks, and resilience metrics. For the computations in the augmented Solow growth model, the capital share (α) is 0.33, as the value is standard in the neoclassical growth models, especially for developing countries. As for

the value of human capital elasticity, it is based on cross-country growth regressions and human capital investment returns literature²³⁶. The value is set at $\beta = 0.30$ because countries with current rapid development, like South Korea, have shown similar or higher elasticities during their take-off. The assumption that 30% of GDP growth ($\beta = 0.30$) can be attributed to gains in education and health reflects an ambitious but realistic human capital-led growth path for the 10-Year Plan. The value of 6% for education spending was chosen because of UNESCO's recommendation, and also following Vietnam's current level. For the health spending, the value of 5% was chosen, given the World Health Organization's minimum 5% of GDP recommendation to provide basic universal health coverage.

Figure 12. Scenario Analysis: The Impact of Investment Priorities on Egypt's Economic Growth			
Variable / Investment Scenario	Status Quo	Physical Capital Focus	Human-Capital Driven
Education spending (% of GDP)	2	2	6
Health spending (% of GDP)	1.5	1.5	5
Infrastructure (\$)	10 billion per year	20 billion per year	10 billion per year
Institutional reforms	Weak	Weak	Administrative efficiency focus
GDP Growth (% annually)	3.5	5-6	4-6+

For the first scenario, which would be the status quo, in which everything remains unaltered, GDP growth would be 3.5%, which is consistent with current trends. The risks of remaining on such an investment path are many. Firstly, youth unemployment would remain above 25% due to ongoing skills mismatch, secondly, there would be a growing burden from infrastructure megaprojects, and among others, there would also be a stagnant HDI, with marginal gains in life expectancy (+2 years) and flat educational outcomes. As for the infrastructure-heavy approach, GDP would increase significantly in the short-term. Whilst the projected short-term increase would be 5-6%, in the long-term, post-2035, it would start to taper off with increased volatility. The risks of this approach include an overreliance on construction and real estate, coined as the Dutch disease, which would then undermine the industrial and technological sectors. Inequality would also increase as the elite would capture public contracts. As for the last scenario, GDP would initially see a moderate growth of 4% up until 2035, before

²³⁶George Psacharopoulos and Harry Anthony Patrinos, "Returns to Investment in Education: A Decennial Review of the Global Literature," *Education Economics* 26, no. 5 (June 7, 2018): 445–58, <https://doi.org/10.1080/09645292.2018.1484426>.

experiencing a sustained acceleration of over 6% post-2040. The key benefits here would be that the youth-heavy population will be transformed into a productive workforce. The healthier workforce would also lead to lower mortality rates in future health crises, and simultaneously improve labor efficiency. As for human development, life expectancy would increase by 10 years, poverty would be reduced by 20%, and there would be improved social mobility and innovation capacity.

These projections reveal that the human capital investment scenario, although slower in initial returns, offers the most resilient, equitable, and sustainable growth path. Egypt's demographic window between 2025 and 2050 represents a unique opportunity. A failure to invest in health and education now risks locking the country into a cycle of boom-bust growth, rising inequality, and institutional fragility. The data make clear: investing in people is not a cost—it's Egypt's most powerful growth engine.

Chapter 4: A 10-YEAR PLAN FOR SUSTAINABLE DEVELOPMENT IN EGYPT

Egypt's current economic trajectory, driven by infrastructure megaprojects and short-term stabilization measures, has resulted in GDP growth but at the cost of underinvestment in health and education. It is currently facing a defining moment in its development journey. The country's decades of infrastructure-led growth have left the country with widening inequality, a fragile healthcare system, and a misaligned education sector. This plan proposes a rebalancing of priorities, emphasizing human capital development as the foundation for sustainable, inclusive growth. By reallocating resources from infrastructure projects to education and healthcare, Egypt can achieve higher productivity, reduced inequality, and long-term economic resilience. In essence, this plan is a human-centered 10-year development strategy that shifts the priorities of the nation from megaprojects and debt accumulation toward investing in its population.

4.1 Objectives of the 10-Year Plan

Short-Term Objectives by 2030:

The short-term goals for this plan, is to raise government spending to 4.5% of GDP and healthcare spending to 3.5% by 2030. Additional education reforms include launching a national curriculum reform aligned with labor market demands, focusing on STEM, critical thinking, and

vocational training. The goal is to reduce youth unemployment below 18% through public-private apprenticeships and SME support. As for healthcare; expand Universal Health Insurance (UHI) coverage to at least 75% of the population.

Mid-Term Objectives by 2035:

By the end of the 10-Year Plan, the goal is to reach 6% of GDP for education and 5% for healthcare spending. In order to facilitate long-term development post-plan, the goal is to diversify FDI inflows, with at least 30% going to tech, education, and healthcare sectors. Additionally, it is also to halve the proportion of NEETs (youth not in education, employment, or training) and lastly also that of positioning Egypt among the top 75 countries in the Human Development Index (HDI).

Long-Term Objectives by 2035:

The main essence of this plan is sustainability. The idea is to propose a sustainable plan that will help put Egypt on the right path to continued economic and social growth even after the 10-Year Plan. As such, the long-term objectives are those of raising life expectancy by 7 years and reducing infant mortality to below 10 per 1,000 live births. Additionally, it is to achieve universal access to primary healthcare and secondary education. Additionally, it is to establish Egypt as a regional leader in innovation, with R&D spending exceeding 2% of GDP, and that of transitioning to a knowledge-driven economy with a skilled workforce ready for green and digital industry. Overall, it is to reduce Gini coefficient below 0.38 through inclusive social protection, rural investment, and equitable access to services. Finally, it is that of making Egypt among the 10 largest economies by 2075.

4.2 Key Pillars of the 10-Year Plan

I. Education Reform and Workforce Development

The goal is to increase education spending from 1.7% to 4.5% and eventually to 6% of GDP, which is the constitutional mandate, to improve literacy, skills alignment, and global competitiveness.

The key strategy here is to implement a phased increase in budget allocation. This will allow for mandatory teacher training and infrastructure upgrades for rural schools. The goal can be achieved by the following strategies:

1. Providing universal quality education: by
 - a. Reducing class sizes from 50+ to 30 by 2035
 - b. Building 50,000 new classrooms in underserved rural area
 - c. Expanding digital learning (e.g., tablets, online curricula) to 80% of schools
2. Vocational and STEM training through partnering with German/EU vocational models for apprenticeships and establishing 20 vocational training hubs aligned with labor market needs (e.g., renewable energy, IT, manufacturing)
3. Improved teacher training and increased focus on teacher retention by:
 - a. Increasing teacher salaries by 50% to reduce reliance on private tutoring
 - b. Mandating annual teacher upskilling programs in collaboration with universities
4. Higher education and research:
 - a. Triple R&D funding to 1.5% of GDP (from 0.72%)
 - b. Create "Innovation Zones" near universities (modeled after South Korea's KAIST)

The expected outcomes of such reforms include a drop in youth unemployment rates from 18.7% to 10% and Egypt rising from scoring last in TIMSS/PISA rankings to being in the top 60% by 2035.

II. Healthcare Expansion and Universal Coverage

The primary goal here is to increase healthcare spending from 1.2% to 3.5% and eventually to 5% of GDP (reaching the WHO benchmark) to improve life expectancy and workforce productivity.

In order to achieve the set goal, it is crucial to prioritize primary care access, expand the number of rural clinics, and invest in medical education. Additionally, for the long-term, this also means investing in digital health tools and telemedicine to bridge rural-urban gaps. This can be done by:

1. Increasing primary care access by building 1,000 rural clinics to reduce the doctor-to-patient ratio from 1:1,333 to 1:500 and by deploying mobile health units for remote areas
2. Fast-tracking UHI rollout to cover at least 85% of Egyptians by 2030 (vs. current 60%)
3. Subsidize premiums for informal workers
4. Implementing disease prevention measures and providing better nutrition. Thus, replacing bread/oil subsidies with nutritious food vouchers to combat obesity and launching national diabetes/hypertension screening to reduce CVD deaths, which are currently the primary cause of mortality
5. Improve medical training by offering debt relief for med students working in public hospitals and partnering with UAE/Saudi hospitals for specialist training

The expected outcome for investing in healthcare will be raising life expectancy from 72.3 to roughly 76 years. Additionally, it will also result in a drop in infant mortality rates from 15.5 to 10 per 1,000 live births

III. Fiscal Reallocation and Debt Management

For this sector, the goal is to shift spending from megaprojects to human capital while maintaining fiscal discipline. In essence, it entails reallocating the budget from non-strategic infrastructure and military spending towards health and education. This can be done primarily by capping non-social spending at 20% of total expenditures and the subsequent strategies alike:

1. Redirect infrastructure funds by reducing military-linked projects (currently 40% of manufacturing) and reallocate \$10B/year to education/health
2. Negotiate longer IMF loan maturities to free up \$3B/year for social spending and optimize debt
3. Introduce wealth tax (2% above \$1M net worth) and VAT exemptions for education/health services and introduce progressive taxes on wealth and land to sustainably fund social sectors

The primary expected outcomes from such measures are debt-to-GDP reduction from 95.8% to about 78%, and an increase in social spending from 3% to 12% of the budget.

IV. Private Sector Mobilization and Innovation Incentives

The primary goal here is to diversify the economy beyond solely construction and tourism by fostering high-value industries. This can be done through:

1. Offering tax holidays for startups in AI, fintech, and renewables
2. Creating "Tech Valleys" in partnership with Siemens and Google
3. Establish public-private innovation hubs in agriculture, ICT, and green technology
4. Support SME by providing low-interest loans for small businesses (currently crowded out by military firms) and by streamlining SME licensing and improve access to microcredit
5. Opening non-strategic state-owned assets to private investment

This could lead to an increase in FDI in tech from \$1B to \$10B annually. As a result, formal employment can grow from 33% to 50%.

V. Governance and Policy Coherence

The goal here is to ensure reforms are implemented transparently and in a manner that benefits all citizens. Doing so would require:

1. Establishing an independent audit body for public project
2. Enforcing transparency in megaproject contracts and military-led enterprises
3. Decentralization measures, empowering local governors to tailor education and health plans depending on the regions (e.g., Upper Egypt vs. Cairo)

VI. Inclusive Growth and Social Protection

The goal is to reach inclusive and sustainable growth and provide social protection. This can be achieved through:

1. Expanding targeted cash transfers linked to education and health attendance
2. Providing social protection by building a care economy infrastructure: childcare centers, elderly care programs, and maternal support, –and providing legal protections for informal workers and incentives for formalization

4.3 Projected Economic Impact

As modeled in Chapter 3.3, shifting investment toward human capital yields slower early growth (4%) but accelerates to over 6% post-2040. Compared to the infrastructure-heavy model, the human capital scenario:

- Initially adds 3.7 years to life expectancy and after 2035, it would raise life expectancy by 7 years
- Reduces poverty by 20%
- Cuts inequality (Gini index from 0.42 to 0.38)
- Increases FDI diversification and tech transfer

Egypt's demographic window between 2025 and 2050 is a once-in-a-generation opportunity. If the country can realign its priorities toward its population rather than projects, it will not only stabilize the economy, but it will also empower a new generation to thrive. Currently, Egypt faces the choice of continuing an unsustainable infrastructure-led growth model or investing in its people for lasting prosperity. If it chooses the former, it may arrive at a point of “no return” or one where returning and improving will be ever more difficult. This plan provides a roadmap to leverage Egypt's demographic dividend, reduce inequality, and build a knowledge-based economy that will lead to long-term economic prosperity. As such, we must heed the words of Scottish economist Adam Smith, – “A nation's wealth is not in its roads, but in its people.”²³⁷

²³⁷Adam Hayes, “Adam Smith and ‘the Wealth of Nations,’” Investopedia, October 17, 2024, <https://www.investopedia.com/updates/adam-smith-wealth-of-nations/>.

CONCLUSION

This research set out to challenge the prevailing narrative of Egypt's economic "progress." While headline GDP growth figures may suggest a country on the rise, a closer look reveals a model built on shaky foundations—one that prioritizes short-term gains and elite interests over long-term, inclusive development. Through historical, empirical, and theoretical analysis, this research has shown that Egypt's current trajectory is not only socially unsustainable, but also economically inefficient in the long run.

A key finding of this work is that Egypt's underinvestment in health and education is not simply a policy gap, but a structural constraint. The costs are quantifiable: poor life expectancy, high infant mortality, weak productivity, and low global competitiveness. Meanwhile, decades of infrastructure-heavy spending and military-led growth have produced widening inequality, deepened fiscal fragility, and left the country vulnerable to external shocks. In short, Egypt is caught in a paradox of visible development without real development.

To explore an alternative, this thesis introduced a 10-Year Plan for Sustainable Development—a human-centered strategy designed to rebalance national priorities. The projected outcomes are striking: with sustained investments in human capital, Egypt could raise life expectancy by seven years, halve youth unemployment, reduce the Gini coefficient to 0.38, and elevate itself into the top 75 of the Human Development Index. Compared to the status quo model—where megaprojects dominate and public services are sidelined—the human capital approach offers not only more equitable outcomes but also stronger, more resilient economic growth beyond 2040.

These conclusions are supported by the theoretical frameworks examined throughout the thesis. The Solow Growth Model underscores the limits of capital accumulation without parallel improvements in education and workforce quality. The Kuznets Curve reminds us that inequality does not naturally resolve over time—it must be confronted with deliberate policy. And the structuralist–neoliberal debate shows that successful development often lies in hybrid strategies that combine market efficiency with strong, accountable state intervention. Egypt, today, lacks both.

Yet perhaps the most sobering realization is that the primary obstacle to change is not economic, but political. The proposed plan is ambitious but achievable. It is based on sound policy principles and supported by international precedents. However, its implementation is

unlikely under the current regime. Reforming education, expanding healthcare, and investing in people would empower the population—and an empowered population is a threat to authoritarian control. An educated society questions, resists, and demands. These are not conditions the regime appears willing to cultivate. Instead, the government’s priorities seem aligned with maintaining a submissive and economically dependent population, facilitating the continued concentration of wealth and power in military and elite hands. Investments that uplift the public would redistribute not only resources but influence—posing a direct challenge to the status quo. As long as the regime views human development as a liability rather than an asset, reform will remain politically inconvenient, if not impossible.

Still, the path forward is not closed. Egypt has a youthful, ambitious population, a strategic geographic position, and vast untapped potential. External pressures, civil society, and future political shifts may create openings for the kind of transformation this thesis envisions. The 10-Year Plan offers a roadmap—not only for what Egypt could become, but for what it must become, if it hopes to rise not just in economic rankings, but in human dignity and global standing.

Future research could build upon this work by exploring in greater depth the interplay between regime type, economic strategy, and social sector investment. While this thesis has touched on the ways authoritarian governance shapes fiscal priorities, a focused comparative study across different regime types could reveal clearer patterns and policy implications. Understanding how political institutions either enable or inhibit the redistribution of wealth and opportunity—particularly in education and healthcare—remains an essential avenue for research. As Egypt continues to navigate its developmental path, such insights will be vital for designing reforms that are not only economically sound, but politically feasible.

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