

The State of Development in Egypt A Global Comparative Analysis











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The State of Development in Egypt

A Global Comparative Analysis



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The report is the outcome of a more than year-long collaborative effort between the INP team, led by its President, Ashraf Al Arabi, and ESCWA, under the direction of Tarik Alami, Leader of the Governance and Conflict Prevention Cluster.

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Key messages

- Despite improvements since 2000, Egypt has a low level of development achievements, ranking 125th out of 160 countries globally on the Global Development Index (GDI). The relatively low ranking on the GDI compared to the Human Development Index (HDI) is primarily due to low achievements in the governance dimension.
- Within governance, both democratic governance and government effectiveness contribute equal shares to the Governance Index (GI), but the gap between Egypt and the rest of the world has deteriorated more significantly for the latter.
- To address the government effectiveness deficit, it is necessary to improve the quality of public services, especially in health and education, and the efficiency of public expenditure, which has been driven by unsustainably rising debt levels over the past decade.
- The Quality-adjusted Human Development Index (Q-HDI) is the leading contributor to overall progress on the GDI, with gains in its knowledge component being the main source of improvement. However, Egypt still faces heightened gaps in two crucial components related to quality education and income poverty.
- Addressing the root cause of the regression in the Quality-adjusted Income Index requires a separate and more extensive line of inquiry that is more focused on measuring the resilience, rather than the aggregate growth performance, of the Egyptian economy.
- Water and food security are the two main priorities for policymakers in the environmental sustainability dimension, and the gaps in these two indicators are the most serious, as the global analysis presented in this report shows that Egypt is a distinct global outlier.
- Addressing these gaps requires an immediate shift to more water-saving agricultural practices and at the same time rural support programmes that would enhance food security at the local level. Enhanced cooperation in the Nile Basin countries is also crucial for the long-term sustainability of the scarce water resources in Egypt.

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Introduction

Until the mid-1980s, a country's gross domestic product (GDP) served as the primary measure of overall development progress. After recognizing that development is a multidimensional concept that requires a more thorough examination of economic and social well-being, an extensive body of literature on conceptualizing and measuring human development emerged in the early 1990s. Coinciding with the first Human Development Report and its underlying capabilities approach developed by Amartya Sen, the main premise of the human development ideology is that income alone does not accurately capture progress in achieving an inclusive, fair and sustainable global community. Accordingly, the Human Development Index (HDI) was proposed to measure achievements in three main fundamental areas: income per capita, health and education.

Over the past three decades, measuring development achievements using the HDI has become a widely adopted practice, with Human Development Reports being regularly published at the global, regional and country levels. A country's performance on the HDI is regarded as a fundamental metric for measuring its level of development achievements and progress. The HDI value for Egypt witnessed a considerable increase over the past two decades, elevating the country from the medium to the high human development category. As of 2022, Egypt ranked 105th out of 193 countries and territories. This progress was driven by comprehensive improvements across all dimensions, with the most notable gains observed in the standard

of living. The country's gross national income per capita, adjusted for purchasing power parity, more than tripled during this period, consistently outpacing its lower-middle-income peers and, more recently, regional averages. Despite these advances, Egypt has yet to match the global average on the HDI, and its current performance falls well below its potential, given its rich historical legacy and strategic geographical position. This suggests significant opportunities for further improvement.

However, since the HDI primarily focuses on the fundamental aspects of human development achievements and since the health and education indicators used – life expectancy at birth, mean and expected number of years of schooling, and per capita income – are highly correlated with income, there is considerable scope for improvement. Furthermore, these HDI dimensions and indicators primarily capture the quantitative rather than qualitative aspects of life expectancy, education and living standards.

The HDI's design – which captures basic quantitative aspects of human development – was justified in the early 1990s due to significant global shortfalls in these areas. However, substantial progress has been made in recent decades and as previously noted, Egypt and many other developing countries have moved up the human development ladder. In the current, more complex global development context, it is important to assess both the quantity and quality of development achievements, particularly in income, health and education.¹ In Egypt, for example, the focus on quantitative dimensions of human development presents an incomplete narrative, as higher-quality services are accessible to the wealthy, whereas most of the population relies on substandard public services. This disparity, among others, significantly increases human development inequalities between the rich and the poor.²

To address these gaps and build on the rich capabilities approach, the ESCWA World Development Challenges Report, published in 2022, proposed the Development Challenges Index (DCI). The DCI essentially builds on the HDI by adjusting the traditional well-being dimensions for quality and incorporates missing dimensions that fit into the broader human development narrative. Accordingly, the DCI introduced two important dimensions: environmental sustainability and governance.³ This broader framework is also better aligned with the ambitions of the Sustainable Development Goals, as it incorporates critical global challenges such as poverty, hunger, inequality, climate change and environmental degradation. As a complement to the DCI, ESCWA also introduced the Development Inequalities Index (DII) in 2022, which examines both vertical and horizontal inequalities across the three dimensions of the DCI.⁴

The DCI and the DII, both based on the human development framework, provide a suitable basis for measuring the development achievements of Egypt from a global comparative perspective. The period leading up to 2011 witnessed high GDP growth rates that were marred by inadequate growth in per capita income and cross-cutting governance challenges. There was an evident need for enhancing aspects of democratic governance such as the rule of law, accountability, transparency and political participation, as well as overall government effectiveness and aggregate employment.

After 2011, Egypt undertook various economic reforms, including several infrastructure megaprojects and national social protection programmes. However, recent global and regional crises have impeded many of the anticipated benefits of these reforms. The COVID-19 pandemic, the war in Ukraine and, more recently, the war on Gaza, have exacerbated the longstanding economic challenges facing Egypt, particularly in foreign exchange and debt sustainability. High inflation and limited fiscal space for social expenditure have also negatively affected the poor. Additionally, environmental sustainability challenges - such as water scarcity, food insecurity, pollution and the lack of policy integration - persist.

The Institute of National Planning (INP) has published five previous editions of the State of Development in Egypt Report, each designed to monitor and evaluate the state of sustainable development in Egypt over a specific reference period. These reports provided a comprehensive overview of the achievements

United Nations Economic and Social Commission for Western Asia (ESCWA), 2021. What drives quality-adjusted human development achievements? Available at https://www.unescwa.org/sites/default/files/pubs/pdf/what-drives-quality-adjustedhuman-development-achievements-english.pdf.

^{2.} Ibid.

^{3.} Ibid.

For more information on the DII methodology, see Khalid Abu-Ismail and others, Development inequalities from a broader perspective: a proposed index, Beirut: ESCWA, 2022. Available at https://www.unescwa.org/publications/developmentinequalities-broader-perspective-proposed-index.

and challenges of Egypt across economic, social and environmental dimensions, serving as a critical resource to support planners and policymakers. By offering insights into the performance of Egypt relative to its peers and evaluating implemented policies, these reports support the formulation, monitoring and evaluation of development strategies, enabling timely policy adjustments. The first edition was launched in 2018, and INP has since refined its methodology to address evolving challenges and priorities. Notably, this report marks a significant departure from the 2022 edition.⁵ Despite the latter providing the foundational analysis, the present edition incorporates updated data, a new methodology and a broader focus.

In its efforts to develop the methodology for these reports, INP partnered with ESCWA following the publication of the 2022 World Development Challenges Report, which presented the DCI as an innovative tool for assessing development. The two organizations teamed up to enhance the DCI, producing four key modifications, namely the adoption of a new global index which employs a scoring system where higher values indicate better performance - thereby simplifying interpretation, better aligning with policymaking efforts and enabling comparisons with the HDI. The Quality-adjusted Income Index is further refined by replacing the Atkinson Inequality Index with ESCWA's Global Poverty Index to better reflect income's role in poverty reduction. Moreover, the education dimension is replaced with a knowledge dimension that encompasses quality-adjusted education, digital infrastructure and innovation. This reflects the transition of Egypt to a knowledge-driven economy, emphasizing the roles of technology and

innovation as drivers of human development. Additionally, a water and food security component is introduced to the environmental sustainability dimension to address critical challenges such as water scarcity and food import dependency. These adjustments provide a comprehensive, policy-relevant framework for assessing development achievements in Egypt. This sixth edition of the State of Development in Egypt Report reflects the adoption of this advanced methodology and offers a deeper, more holistic analysis of the developmental performance of Egypt.

Against this backdrop, this report offers a nuanced understanding of the multidimensional development trajectory of Egypt from 2000 to 2023. Based on extensive national consultations involving the INP working team and senior advisers, this report proposes a Global Development Index (GDI) and a dashboard of complementary inequality indicators inspired by the DCI and Development Inequality Index (DII) frameworks put forward by ESCWA and adapted to reflect the socioeconomic situation of Egypt. The INP working team contributed technical expertise, ensuring that the proposed index and indicators are grounded in robust data and align with the development objectives of Egypt. Meanwhile, senior advisers provided strategic insights, emphasizing the importance of capturing multidimensional aspects of development and inequality in a manner that resonates with national and global priorities. This inclusive process incorporated feedback from stakeholders, ensuring that the GDI and dashboard not only measure comprehensive progress but also effectively address disparities, offering policymakers actionable tools to foster equitable and sustainable development. The primary objective is to identify the main achievements and

Institute of National Planning, تقرير حالة التنمية في مصر [The State of Development in Egypt Report], 2022. Available at https://cdn.me-gr.com/pdf/f3362621-a23d-4504-937d-ceb5cda09cc7.pdf.

gaps across a wide range of social, environmental and economic indicators, so as to offer insights and policy recommendations to support the design and evaluation of national development plans. Chapter 1 presents a summary of the framework and methodology of the GDI. There are several notable differences between the GDI and the DCI. First, consistent with the HDI, an increase in the country's GDI score, measured on a scale from 0 to 1, indicates improved development outcomes. Second, while still anchored to the three core dimensions of the DCI, the GDI incorporates adjusted indicators and additional subdimensions to better capture the specific circumstances of Egypt and lowermiddle-income Arab countries. Chapter 1 also provides an overview of the data sources and methodology used to construct a dashboard of inequality indicators across the three dimensions of the GDI.

Chapters 2 and 3 present the main findings of the report. They are intended to be concise, emphasizing stylized facts and trends related to long-term development achievements and their associated subnational inequalities. Chapter 2 outlines the results of the GDI, offering detailed comparisons with the global average and with averages for lower-middle-income countries and Arab countries. Chapter 3 provides an in-depth review of various inequalities, including disparities between social groups, regions and socioeconomic classes but also in comparison with relevant country groupings and global averages.

The main policy implications of these development-stylized facts are addressed in chapter 4. This is intended to facilitate a timely national conversation on development priorities, especially in the wake of overlapping challenges and fiscal resource constraints.

1. Global Development Index

A. Framework

The framework presented in this report (figure 1) builds on the DCI⁶ produced by ESCWA but includes some adjustments to better capture the state of development in Egypt and the Arab region. Four modifications are made. The first is to revert to the conventional metrics of measuring development achievements. Statistically, this entails flipping the DCI metrics so that like the Human Development Index (HDI), higher scores on a scale from 0 to 1 would indicate better development performance. This adjustment makes it easier to relate to policymaking efforts and highlight areas of success. Additionally, it facilitates comparisons with the HDI, which remains at the core of the proposed index. Thus, the proposed GDI is essentially a mirror image of the DCI.

Second, several important improvements are made to the Quality-adjusted Human Development Index (Q-HDI). The Qualityadjusted Income Index is now discounted using ESCWA's Global Poverty Index rather than the Atkinson Income Inequality Index.⁷ This brings the Q-HDI closer to its intended purpose, capturing the qualitative aspects of national income, with a particular emphasis on its impact on poverty reduction. By focusing on poverty reduction, the revised index provides a more accurate measure of how effectively income improvements translate into tangible benefits for the most vulnerable populations. This adjustment not only captures the socioeconomic realities faced by lower-income groups but also strengthens the index's policy relevance, enabling policymakers to better evaluate and address disparities in income quality. The result is a metric that offers a more comprehensive understanding of the relationship between income, inequality and poverty, providing actionable insights to support equitable and inclusive growth strategies.

The third adjustment shifts the focus from quality education, incorporating a broader Knowledge Index. In addition to quality-adjusted education, two new subdimensions - digital infrastructure and innovation - are introduced. Incorporating these subdimensions is essential to accurately reflect the progress of Egypt in a modern, knowledge-driven economy. Digital infrastructure indicators such as information and communications technology (ICT) access and use, online government services and eparticipation capture the extent to which digital technologies are integrated into various aspects of daily life. This is critical for enhancing transparency, efficiency and inclusivity in the development path of Egypt. Innovation metrics - such as patents, utility models and scientific output - highlight the country's capacity to generate, protect and disseminate new knowledge and technologies, both of which are

^{6.} See Khalid Abu-Ismail and others, Development Challenges Index: Statistical measurement and validity, Beirut: ESCWA, 2021. Available at https://www.unescwa.org/publications/develpomet-challenges-index-measurement-robustness.

^{7.} Khalid Abu-Ismail and others, Counting the world's poor: Back to Engel's law, Beirut: ESCWA, 2022. Available at https://www.unescwa.org/publications/counting-world-poor-engel-law.

key drivers of economic competitiveness and sustainability. These indicators provide a comprehensive measure of the ability of Egypt to leverage technology and innovation to foster long-term development and meet the demands of a global digital economy. Together, these three dimensions constitute the knowledge component, which accounts for one third of the overall Q-HDI, alongside healthy life expectancy and quality-adjusted income.

Fourth, given the intensifying challenges Egypt faces amid rising water scarcity and significant food import dependency, a water and food security component is incorporated into the Environmental Sustainability Index (ESI).⁸ Water scarcity,

exacerbated by climate change, population growth and upstream development along the Nile, poses a critical threat to the agricultural productivity, public health and overall economic stability of Egypt. Similarly, food import dependency leaves the country vulnerable to global market fluctuations, price volatility and supply chain disruptions. By integrating this index, the framework not only captures these critical vulnerabilities but also emphasizes the need for sustainable resource management and robust policies to enhance self-sufficiency and resilience in water and food systems. This addition provides a more comprehensive assessment of environmental sustainability, aligning with the broader sustainable development priorities of Egypt.



Figure 1. Global Development Index framework

Source: Developed by ESCWA.

Note: For more information on the index, see annex 1 and the Global Development Index technical note (forthcoming). For more information on the original Development Challenges Index methodology, see Khalid Abu-Ismail and others, Development Challenges Index: Statistical measurement and validity, 2021.

^{8.} The detailed framework is provided in annex 1.

Measuring the impact of water scarcity is especially crucial for Egypt, which has an estimated annual water deficit of 7 billion cubic metres.⁹ Climate change also poses significant threats due to increased evaporation, rising temperatures, population growth and increasing water demand. Furthermore, uncertainty surrounds the impacts of climate change on the Nile River, with some studies predicting decreased water availability from the Ethiopian highlands. The reliance of Egypt on external water sources thus heightens its vulnerability to climate change and international climate shocks. Changes in rainfall and evaporation affect groundwater recharge and surface water infiltration, potentially reducing water reliability during droughts and stressing pumping systems. The Standardized Precipitation Evapotranspiration Index indicates that Egypt will face severe drought conditions, particularly in central and north-western areas by the 2050s.¹⁰

In addition to water stress, the high dependency of Egypt on food imports poses significant challenges, particularly in terms of food security and economic stability. The country imports over 40 per cent of its caloric consumption, making it highly susceptible to global market fluctuations.¹¹ Egypt is the world's largest importer of wheat, with about 85 per cent of its wheat imports coming from the Russian Federation and Ukraine before the war disrupted trade.¹² This dependency has led to increased vulnerability to international price hikes and supply chain disruptions, which can severely impact the availability and affordability of food for the population. In 2023, the food imports of Egypt accounted for 22 per cent of its merchandise imports, reflecting the country's reliance on external sources to meet its food needs.¹³ These factors collectively underscore the critical need for Egypt to address its food and water security as two cornerstones for enhancing its adaptation and economic resilience. To summarize, as in the case of the DCI, the GDI offers an approach to measuring development achievements that is better tailored to the development contexts of Eqypt and the Arab region. It is important to note that these proposed adjustments are also relevant for most low-income countries and lowermiddle-income countries, making them applicable at the global level.

Like the DCI, the GDI uses an arithmetic average to compute and interpret scores, which are then divided into five categories: very low, low, medium, high and very high achievements. This approach ensures simplicity and clarity. Countries with scores less than or equal to 0.45 are classified in the very low achievements category. Scores from 0.45 to 0.55 are in the low achievements category. Scores from 0.55 to 0.7 are in the medium achievements category. Scores from 0.7 to 0.8 are in the high achievements category. Countries with scores greater than 0.8 are classified in the very high achievements category. GDI scores and ranks (out of 160) closer to 1 correspond to higher levels of development achievements.

9. United Nations Children's Fund (UNICEF), Water Scarcity in Egypt, 2024. Available at https://www.unicef.org/egypt/documents/water-scarcity-egypt.

^{10.} World Bank Group, Climate Risk Country Profile: Egypt, 2021. Available at https://climateknowledgeportal.worldbank.org/sites/default/files/2021-04/15723-WB_Egypt Country Profile-WEB-2_0.pdf.

^{11.} International Food Policy Research Institute, Food price shocks and diets among poor households in Egypt, 2022. Available at https://www.ifpri.org/blog/food-price-shocks-and-diets-among-poor-households-egypt/.

^{12.} Ibid.

^{13.} https://data.worldbank.org/indicator/TM.VAL.F00D.ZS.UN?locations=EG&most_recent_year_desc=false.

B. Measuring inequalities in development achievements

Subnational inequalities prevent many people from reaping the benefits of development achievements. To better understand the development status quo, it is important to look beyond averages and evaluate inequalities between various social groups and classes within a country. This was the motivation for the ESCWA Development Inequalities Index (DII), which looks at both vertical and horizontal inequalities across the three areas of the DCI.¹⁴ However, for the purpose of this report's analysis, consultations led to a preference for a dashboard of inequality indicators drawn from the DII rather than the index itself. This approach breaks down inequality across different dimensions, highlighting areas where progress is being made and where inequalities are most pronounced. This allows for a simpler, more transparent analysis, ensuring that important details are not obscured by aggregating numerous inequality indicators into a single index.

Over and above the indicators proposed in the DII, the dashboard also includes horizontal inequalities in water stress. This is represented by the urban or rural inequalities in basic drinking water services. Additionally, the Atkinson inequality in income measure was replaced by the ESCWA Gini inequality in income measure, which offers a more updated reflection of income disparities using the most recent available country-level data.

Like the GDI, scores on the development inequality indicators are divided into five categories: very low, low, medium, high and very high inequalities. Countries scoring up to 0.2 are classified in the very low inequality category. Scores from 0.2 to 0.3 are in the low inequality category; scores from 0.3 to 0.45 are in the medium inequality category; and scores from 0.45 to 0.55 are graded as high. Countries that score above 0.55 are within the very high inequality category. Inequality scores closer to 1 and ranks (out of 158) closer to 158 correspond to higher levels of inequality.

^{14.} For more information on the DII methodology, see Khalid Abu-Ismail and others, Development inequalities from a broader perspective: a proposed index, 2022.

2. The state of development

A. Main findings

Egypt has a low level of development achievements, with a GDI score of 0.513 (figure 2) and a rank of 125 out of 160 countries. Although the GDI score for Egypt has improved over the past two decades, it witnessed a minor deterioration of five ranks between 2000 and 2023. The country's score in 2023 was slightly better than the regional average but fell short of its lower-middle-income peers and the global average of 0.596.

Among the three GDI pillars, governance constitutes the smallest share of the index, at 26 per cent in 2023. Its share has also been decreasing over the past two decades, which has been the primary factor contributing to the sluggish growth in the country's GDI score.



Figure 2. GDI scores for 2000, 2010 and 2023

Source: ESCWA calculations.

Figure 3. GDI score categories



Source: ESCWA calculations.

Figure 4. GDI and HDI rank comparison for Egypt, 2022–2023



Source: ESCWA calculations.

Note: GDI rankings from 2023 are compared to the latest HDI rankings from 2022.



Figure 5. HDI scores for 2000, 2010 and 2022

Source: ESCWA calculations.

Figure 6. HDI score categories

Low	Me	dium Higl	n Ver	y High
0	0.55	0.7	0.8	1

Source: ESCWA calculations.

Note: The HDI score categories align with those of the GDI, except there is an additional "very low score" category in the GDI.

The performance of Egypt on the Human Development Index (HDI) reveals a different narrative. With a rank of 89 out of the 160 countries, it outperforms its ranking on the GDI by 36 positions (figure 4). The rank improvement is also accompanied by a sizeable advancement in score to place Egypt in the high achievements category on the HDI (its score reached 0.728 in 2023) (figure 5). This positions Egypt above regional, global and lower-middle-income averages. Furthermore, the progress over time is more pronounced on the HDI. Egypt transitioned from the medium achievements category to the high achievements category between 2000 and 2023, but it has stagnated in the low achievements category on the GDI over the same period.

The conclusion that can be drawn is that broadening the measurement spectrum to include achievements that lie beyond basic human development indicators yields a very different, but arguably more realistic, picture of the development landscape of the country.

B. Zooming in on the Global Development Index

1. Quality-adjusted human development

Moving to the first pillar of the GDI, the Q-HDI reveals that Egypt has witnessed higher

improvement on this pillar than on the GDI, moving from the low to medium category over the 23-year period (figure 7). However, this improvement was still slower than the global trend, causing the Q-HDI rank of Egypt to deteriorate from 76 to 97 out of 160 between 2000 and 2023. For example, in 2000, the country's Q-HDI score was significantly higher than the average for lower-middle-income countries, but in 2023, it was only marginally above it. In addition, in 2000, the Q-HDI of Egypt was above the global average, but in 2023, it scored well below it.

Quality-adjusted income, which reflects the extent to which income growth leads to poverty reduction, shows the lowest contribution to the overall Q-HDI in 2023. Income poverty continues to be an increasing challenge in Egypt, with an estimated 34.3 per cent of the population living below the poverty line in 2023.¹⁵ This is illustrated in figure 8 and figure 9, which plot income poverty rates using the ESCWA poverty lines that are designed to be comparable across countries and over time,¹⁶ with income per capita and the latter adjusted to the level of income inequality. Egypt has a higher rate of income poverty compared to its income level, but the gap becomes much higher when its poverty rate is compared to its inequality-adjusted income, given its relatively low level of income Gini.

15. ESCWA calculations.

^{16.} See Abu-Ismail and others, Counting the world's poor: Back to Engel's law, Beirut: ESCWA, 2022.



Figure 7. Quality-adjusted Human Development Index scores and rank for Egypt (Out of 160)

Source: ESCWA calculations.





Source: ESCWA calculations.



Figure 9. Gini-adjusted Income Index and poverty rates using ESCWA poverty lines

Source: ESCWA calculations.

This high poverty rate in Egypt is influenced by several factors, including weak domestic currency, high public debt and soaring inflation, particularly since March 2022.¹⁷ The low labour force participation (43.1 per cent) and employment (40.1 per cent) rates among the working-age population in the second quarter of the 2024 fiscal year present significant barriers to poverty-reduction efforts.¹⁸ Economic growth has also been sluggish, declining to 2.7 per cent in the first quarter of the 2024 fiscal year from 4.4 per cent in the first quarter of the 2023 fiscal year, due to a foreign exchange crisis, import restrictions and domestic production issues.¹⁹ The recent regional conflicts have negatively impacted Suez Canal traffic and tourism, further contributing to the economic strain.²⁰ This has been reflected in a 62 per cent drop in Suez Canal fiscal revenues in the first half of 2024 relative to the second half of 2023.²¹ Nevertheless, by prioritizing fiscal consolidation, structural reforms and private sector

^{17.} Central Bank of Egypt data. Available at https://www.cbe.org.eg/en/economic-research/statistics/inflation-rates.

^{18.} World Bank, Macro poverty outlook for the Arab Republic of Egypt, April 2024. Available at

https://documents1.worldbank.org/curated/en/099759004052420744/pdf/IDU1a7b77b53184c7145c51b87417fd82a86f49a.pdf. 19. Ibid.

International Monetary Fund, IMF Country Report No. 24/274: Arab Republic of Egypt, August 2024. Available at https://www.imf.org/en/Publications/CR/Issues/2024/08/26/Arab-Republic-of-Egypt-Third-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-553968.

World Bank, MENA Economic Update: Growth in the Middle East and North Africa, October 2024. Available at https://openknowledge.worldbank.org/server/api/core/bitstreams/05af7119-bbae-45c9-b66b-79760f8a72d3/content.

empowerment, Egypt is positioned to achieve more sustainable and inclusive growth.²²

Although the Knowledge Index also has a relatively small share of the overall Q-HDI, forming 31 per cent of the index in 2023, its share has increased considerably since 2000 at a much higher rate than the global average. Figure 10 provides a closer look at the performance of Egypt on this subdimension and its three components: quality education, innovation and digital infrastructure. Egypt performs better on the Knowledge Index than the Arab regional average and lower-middleincome peers, yet it still falls short of the global average of 0.617. With a score of 0.553, it falls in the medium achievements category, marking a significant improvement from 2000, where it had very low achievements. The progress of Egypt on the Knowledge Index has been remarkable: the country has achieved a 65 per cent score increase from 2000 to 2023. The ranks for Egypt also follow a similar trend, rising from 89th out of 160 in 2000 to 81st in 2010, before falling back to 86th in 2023.

This improvement is largely driven by a significant enhancement in its digital infrastructure in Egypt, with its contribution rising in the Knowledge Index from 4 per cent in 2000 to 35 per cent in 2023. These numbers reflect the improvement in ICT access, usage, government e-services and e-participation. Internet and mobile connectivity also grew dramatically, fuelling ICT integration in sectors such as education, healthcare and commerce.²³ Through its "Digital Egypt" strategy,²⁴ the Government broadened the reach and efficiency of online services and citizen participation in digital governance rose sharply, creating a more inclusive, connected society that is actively engaged in public consultations and digital platforms.

Impressively, innovation forms the largest share of the Knowledge Index, at 40 per cent in 2023. The innovation sector in Egypt is growing rapidly, supported by government initiatives aimed at transforming the country into a regional tech hub. A thriving start-up ecosystem is emerging, particularly in fintech, e-commerce and health tech, supported by governmentbacked programmes that foster entrepreneurship and skills development. Innovation hubs like Smart Village²⁵ promote collaboration, while the Egyptian ICT 2030 Strategy aims to transform the nation into a knowledge-based economy.²⁶ Despite challenges such as the digital divide and talent retention, Egypt continues to have strong potential for future growth.

On the other hand, the quality-discounted education subdimension has the smallest contribution to the Knowledge Index. Alarmingly, it shrunk from 37 per cent in 2000 to 25 per cent in 2023. Population growth has led to increased funding needs, capacity

25. See https://www.smart-villages.com/.

^{22.} International Monetary Fund, IMF Country Report No. 24/274: Arab Republic of Egypt, August 2024.

State Information Service, Foundation for Digital Egypt: A Soaring Progress, April 2023. Available at https://mcit.gov.eg/Upcont/Documents/Reports%20and%20Documents_1652023000_Towards_Laying_Foundations_for_Building __Digital_Egypt_16052023.pdf.

^{24.} Ministry of Communications and Information Technology, Digital Egypt, 2024. Available at https://mcit.gov.eg/en/Digital_Egypt.

Ministry of Communications and Information Technology, Egypt's ICT 2030 Strategy, 2024. Available at https://mcit.gov.eg/en/ICT_Strategy.

shortages and overcrowding in classrooms.²⁷ Reflecting the major quality deficit, Egypt ranks 136th out of 160 countries in harmonized test scores. These numbers indicate a need for major across-the-board reforms in the sector in terms of improvement in the curriculum, teaching methods and, most importantly, in expanding fiscal resources for public education.

Finally, at 43 per cent in 2023, the contribution of the Healthy Life Expectancy Index (HLEI) is the largest among the three subdimensions of the Q-HDI. This is in line with its contribution in lowermiddle-income countries, as well as the regional and global average. Also consistent with global trends, the contribution of the HLEI has declined significantly over the past two decades, as it makes way for rapid improvements in the Knowledge Index. The HLEI for Egypt also showed

a slight improvement in its score. Despite this improvement, the health sector in Egypt, as in other Arab countries, faces many challenges.²⁸ These include disparities in health outcomes, with a notable gap between life expectancy and healthy life expectancy, indicating that while people are living longer, they are not necessarily living healthier lives during those additional years. The burden of non-communicable diseases, such as heart disease, diabetes and cancer, are adding strain to the health system, which is already dealing with infectious diseases. Additionally, access to health services is not uniform, with many people, especially in rural and underserved areas, lacking adequate healthcare facilities and services.²⁹ These challenges highlight the need for comprehensive health policies and efficient resource management to improve health outcomes and ensure equitable access to health services in Egypt.





Source: ESCWA calculations.

 Hania Sobhy, Reforms for Another Planet: The Global Learning Crisis, Political Drivers and Expert Views on Egypt's Edu 2.0, 2023. RISE. Research on Improving Systems of Education. Political Economy Paper, PE06, 1–39. doi:10.35489/BSG-RISE-2023/PE06.

 Khalid Abu-Ismail, Phoebe W. Ishak and Oussama Safa, Healthy Life Expectancy Index reveals a regional paradox, Beirut: ESCWA, 2021. Available at https://www.unescwa.org/sites/default/files/pubs/pdf/healthy-life-expectancy-index-middle-eastnorth-africa-region-paradox-english_1.pdf.

29. Ibid.

Several government initiatives in recent years have supported progress on human development achievements. For instance, the Takaful and Karama programmes, launched in 2015, are essential components of the social safety net in Egypt, as they are designed to support the most vulnerable populations. Takaful provides conditional cash transfers to poor families with children, promoting health and education compliance to break the cycle of poverty. Karama offers unconditional cash transfers to the elderly, persons with disabilities and orphans. As of December 2023, these programmes reached approximately 4.67 million households, benefiting around 17 million individuals. Notably, 75 per cent of the beneficiaries are women, enhancing their financial independence.³⁰ Additionally, the FORSA programme, launched in 2020, has supported job creation for over 26,000 beneficiaries, furthering economic inclusion.³¹

Moreover, the "Haya Karima" (Decent Life) initiative that was launched in 2019 under the patronage of President Abdel Fattah Al-Sisi has significantly advanced efforts to combat

poverty and enhance the quality of life for the most vulnerable populations in Egypt.³² Aligned with the Sustainable Development Strategy: Egypt Vision 2030, this initiative has made significant strides in improving healthcare, education and economic opportunities for the country's vulnerable populations.³³ Regarding health, the initiative has expanded healthcare access through the construction and upgrade of medical facilities and the integration of rural populations into the national health insurance system. As for education, the initiative has supported the construction and renovation of schools, equipping them with digital tools, and providing scholarships and vocational training to reduce disparities and prepare the rural workforce for modern job markets. Finally, and with regard to income, the programme has created jobs, supported entrepreneurship and improved agricultural practices, boosting the livelihoods of rural communities.³⁴ The initiative has benefited over 58 million individuals across 4,500 villages, making notable progress in poverty reduction and sustainable development despite ongoing challenges.³⁵

World Bank, Promoting Inclusive Human Capital Development and Building Resilience in Egypt through Cash Transfer Programs, 2024. Available at https://www.worldbank.org/en/results/2024/05/28/promoting-inclusive-human-capital-development-andbuilding-resilience-in-egypt-through-cash-transfer-programs.

^{31.} Ibid.

^{32.} https://www.hayakarima.com/en/about-us#about.

^{33.} United Nations Department of Economic and Social Affairs, Decent Life (Hayah Karima): Sustainable Rural Communities. Available at https://sdgs.un.org/partnerships/decent-life-hayah-karima-sustainable-rural-communities.

International Food Policy Research Institute, Egypt's Haya Karima Initiative: An assessment of its rural and economywide impacts, December 2023. Available at https://cgspace.cgiar.org/server/api/core/bitstreams/49f914a8-2c16-496f-b337-4f24dadfc995/content.

^{35.} UNICEF, Egypt Country Office Annual Report, 2021. Available at https://www.unicef.org/media/115971/file/Egypt-2021-COAR.pdf.





A. Health: number of physicians and number of hospital beds per 1,000 people





C. Income: Economic Complexity Index



Source: ESCWA calculations.

Figure 11 (A, B and C) plots the healthy life expectancy, quality-adjusted education and quality-adjusted income against their corresponding influencing factors, which are, respectively: number of physicians and number of hospital beds per 1,000 people (representing health sector capacity) for health; the pupil-teacher ratio for education; and the economic complexity index for income. The main finding is that Egypt shows a low to medium level of achievements on each of the influencing factors, which is consistent with its level of outcome achievements in the three components of the quality-adjusted human development index (Q-HDI).

Figure 11A highlights a crucial relationship between health sector capacity (measured by the number of physicians and hospital beds per 1,000 people) and the HLEI. This relationship is indicative of how improvements in healthcare

resources contribute to achieving better health outcomes. Egypt lies on the regression line and falls in the medium achievement category for both influencing factors (physicians and hospital beds per 1,000 people). Likewise, Egypt lies slightly below the regression line when analysing the relationship between education outcomes and the pupil-teacher ratio (figure 11B). The country's position is also slightly below the regression line in the relationship between income, and the economic complexity index indicates that Eqypt faces lower achievements in translating economic complexity into income (figure 11C). These results essentially show that the Q-HDI results are in line with what can be expected given the capacities in the health and education sectors and economic diversification. The implication is that further improvements in guality human development will entail improvements in these factors.





Source: ESCWA calculations.



Figure 13. Economic Complexity Index and Knowledge Index

Source: ESCWA calculations.

When analysing the quality of human development components, another important correlation to look at is that of quality-adjusted income and the level of income inequality measured by the Gini coefficient established by ESCWA (figure 12). A slightly negative correlation exists between the two indices, indicating that the higher the level of inequality in a country, the lower is its score on the income index adjusted for poverty levels. This relationship contrasts with the typical correlation observed between income and the Gini coefficient, which often has an inverse-U shape, known as the Kuznets curve. Egypt, close to the regression line indicating a level of quality-adjusted income, is generally in line with what its income inequality would suggest.

A final key correlation to explore is the one between the Knowledge Index and the Economic Complexity Index (figure 13). A strong positive correlation exists between these two indices, with knowledge serving as the foundation for developing diverse and advanced industries. Economies with higher levels of specialized knowledge can produce a broader range of advanced products, thereby driving economic complexity. The more educated and knowledgeable a society is, the more capable it becomes of developing advanced industries that require specialized know-how. Countries with strong educational systems and access to global knowledge networks are also better able to innovate, diversify their economies and remain competitive on a global scale. Again, Egypt lies close to the regression line, indicating that its economic complexity is in line with what its current level of knowledge would suggest.

The main conclusion from examining these correlations is that there is no clear culprit in any of the influencing factors. Still, this could also imply there is a close one-to-one relationship between development inputs and achievements that Egypt must take into account to further influence its standing on the Q-HDI.

2. Environmental sustainability

In line with its increasing performance on the Quality-adjusted Human Development Index (Q-HDI), Egypt also experienced notable improvements in its ESI (figure 14). The country's score increased from 0.461 in 2000 to 0.537 in 2023, alongside a five-rank improvement, moving from 152nd to 147th (out of 160) over the same period. Despite outpacing its progress in the GDI, Egypt is still classified in the low achievements category. The regional average is similarly classified, scoring only marginally better with an index score of 0.544 in 2023. In contrast, Egypt trails behind its lower-middle-income peers and the global average, both of which are classified in the medium achievements category, with respective scores of 0.592 and 0.622 in 2023.

The lagging environmental performance of Egypt can be attributed to shortcomings in water and food security. Although this dimension's share in the ESI remained relatively stagnant, increasing from 17 per cent in 2000 to 19 per cent in 2023, its marginal contribution indicates the need to address these shortcomings to promote sustainable development.



Figure 14. Environmental Sustainability Index scores and rank for Egypt (Out of 160)

Source: ESCWA calculations.

These results are not surprising. Egypt relies on the Nile River for 97 per cent of its renewable water resources, leaving it very susceptible to changes in flow resulting from adverse human activities and climate change. The country's per capita annual water allocation is 560 cubic metres, falling well below the annual water poverty line of 1,000 cubic metres per capita.³⁶ The imbalance between water demand and supply is likely to widen further because of population growth, urbanization and expansions in industrial activity and agriculture, among other reasons. In fact, agriculture alone accounts for approximately 20 per cent of total employment and 11 per cent of GDP.³⁷ With water constituting a major input to agricultural production, scarcity may trigger agricultural downturns, which could, in turn, have spillover

effects on the broader economy (e.g. food price inflation, unemployment).

In recent years, Egypt has made significant efforts to combat water stress and improve water resource management. As the largest owner and operator of desalination facilities in the region, Egypt is advancing in its strategic plan to increase its desalination capacity from 1.2 million to 9 million cubic metres per day by 2050.³⁸ These projects are being developed in collaboration with a global consortium of companies, using a build-operate-transfer model until ownership can effectively be transferred to the Government. While desalination is an energy-intensive approach to addressing water stress, the Nexus of Water, Food and Energy programme – launched by

^{36.} https://www.aucegypt.edu/climate-change/water-scarcity.

^{37.} https://www.fao.org/faostat/en/#data/OEA.

Water HQ, Country Report – Egypt: Addressing Egypt's escalating water stress: Strategic expansion of desalination projects, May 2024. Available at https://waterhq.world/issue-sections/country-reports/egypt/addressing-egypts-escalating-water-stressstrategic-expansion-of-desalination-projects/?utm_source=chatgpt.com.

Egypt in 2022 – seeks to mitigate this challenge by prioritizing renewable energy and supporting low-carbon development.³⁹

In tandem, the Government is focusing on implementing more stringent quality standards for desalination and bolstering existing water infrastructure. One noteworthy development is the recent Ras El-Hekma investment project, implemented in partnership with the Abu Dhabibased investment and holding company ADQ, to enhance and expand the city's infrastructure. Additionally, as part of the Haya Karima initiative, Egypt has made substantial progress in rehabilitating and lining rural canals to enhance irrigation systems, improve water efficiency and support agricultural development.⁴⁰ These multidimensional efforts underline the country's commitment to addressing water stress.

Furthermore, the heavy reliance of Egypt on imports from global markets presents a major challenge to food security. A recent report by the World Bank highlights the country's widening current account deficit, which is projected to reach 5.3 per cent of GDP in 2024, citing an increase in non-oil imports as one of its leading drivers.⁴¹ Regarding food imports, approximately two thirds of the country's wheat supply is imported from trade partners in the Black Sea region.⁴² This reliance makes Egypt very vulnerable to global price fluctuations and supply chain disruptions that impact food affordability, not unlike those that followed the invasion of Ukraine by the Russian Federation in 2022. The resulting price hikes disproportionately affected Egypt, where wheat constitutes around 35 per cent of total daily calories.⁴³

Central to addressing these vulnerabilities is the Nexus of Water, Food and Energy programme, which has played a pivotal role in safeguarding food security by facilitating emergency purchases of wheat and financing a 750,000metric-ton expansion of its storage capacity.44 Complementing this initiative is the New Delta Project, which aims to cultivate 1 million acres of land along the north coast, effectively expanding the country's farmland by 15 per cent.⁴⁵ This initiative also prioritizes sustainable resource management through the establishment of agricultural wastewater treatment plants capable of treating up to 6 million cubic metres of wastewater daily. Together, these measures alongside measures to mitigate water stress - are integral to the comprehensive strategy adopted by Egypt to increase essential crop production and reduce food import reliance.

- World Economic Forum, Egypt's Nexus for Water, Food, and Energy programme the blueprint to fight climate change? (Forum Institutional), September 2023. Available at https://www.weforum.org/stories/2023/09/egypt-water-food-and-energy-nexusprogramme-blueprint-fight-climate-change/.
- Water HQ, Country Report Egypt: Government progresses canal rehabilitation and lining initiatives for rural development, May 2024. Available at https://waterhq.world/issue-sections/country-reports/egypt/government-progresses-canal-rehabilitation-andlining-initiatives-for-rural-development/.
- 41. World Bank, MENA Economic Update: Growth in the Middle East and North Africa, October 2024.
- 42. Center for Strategic and International Studies, The impact of Russia's invasion of Ukraine, May 2022. Available at https://www.csis.org/analysis/impact-russias-invasion-ukraine-middle-east-and-north-africa.
- 43. International Food Policy Research Institute, The Russia-Ukraine crisis poses a serious food security threat for Egypt, March 2022. Available at https://www.ifpri.org/blog/russia-ukraine-crisis-poses-serious-food-security-threat-egypt/.
- 44. World Bank, The Nexus of Food, Water and Energy: A Key Element to Egypt's Climate Efforts, December 2023. Available at https://www.worldbank.org/en/news/feature/2023/12/18/the-nexus-of-food-water-energy-a-key-element-to-egypt-s-climateefforts.
- State Information Service, New Delta Project, January 2022. Available at https://www.sis.gov.eg/Story/162017/New-Deltaproject?lang=en-us.

On the other hand, like most of its global peers, the environmental performance of Eqypt is driven by achievements in climate change and energy efficiency. Although this dimension's share decreased from 62 per cent in 2000 to 52 per cent in 2023, it continues to account for more than half of the country's ESI score, indicating an absence of significant challenges. Conversely, the environmental health dimension's share in the ESI score for Egypt increased from 22 per cent in 2000 to 29 per cent in 2023, following a similar pattern observed across the broader region. Notably, this dimension's share is significantly lower across the country's lower-middle-income peers and the global average, remaining relatively stagnant over the same period.

The latter result may seem counterintuitive given that Egypt has long contended with severe air pollution, primarily resulting from fuel consumption, the burning of agricultural waste, and organic municipal solid waste and increasing vehicle emissions in urban areas. Additionally, it has struggled with inadequate sanitation and water quality, stemming from declining water networks and ongoing difficulties in constructing, designing and maintaining sewerage systems. These environmental issues have greatly contributed to the emergence and spread of both communicable and non-communicable diseases.⁴⁶ However, the increasing share of environmental health in the overall index reflects concerted efforts to address these challenges – such as the Greater Cairo Air Pollution Management and Climate Change Project, among other initiatives – demonstrating progress towards a healthier environmental outlook.⁴⁷ Investment in critical infrastructure, as highlighted above, has thus yielded positively on the performance of this index.

To show these outcomes in a comparative context, figure 15 (A, B and C) plots the three components of the ESI against the Income Index. Although income evidently impacts environmental sustainability, its influence varies across each dimension. For example, figure 15A illustrates a moderate negative correlation with the Climate Change and Energy Efficiency Index, as higher income countries emit more, extract more material and use energy less efficiently (but with a slight non-linearity due to the environmental Kuznets curve effect). In the regional context, this correlation suggests that wealthier Arab countries, particularly those in the Gulf Cooperation Council (GCC), rank among the most prominent emitters of greenhouse gases.⁴⁸ Conversely, least developed countries and middle-income countries in the region, including Egypt, appear slightly above the regression line, indicating again a level of emissions expected given its income score.

^{46.} See Wagida A. Anwar, Environmental health in Egypt, 2023. See also World Health Organization, Environmental health Egypt 2022 country profile, 2023.

^{47.} World Bank Group, Greater Cairo Air Pollution Management and Climate Change Project. Available at https://projects.worldbank.org/en/projects-operations/project-detail/P172548.

^{48.} https://data.worldbank.org/indicator/NY.GDP.TOTL.RT.ZS.



Figure 15. Income Index versus Environmental Sustainability Index components

A. Income Index versus Climate Change and Energy Efficiency Index

B. Income Index versus Environmental Health Index





C. Income Index versus Water and Food Security Index

Source: ESCWA calculations.

Figure 15B plots income and the Environmental Health Index. Higher-income countries generally enjoy better air quality, access to drinking water and sanitation, sustainable waste management and less heavy metal exposure. Egypt is positioned slightly below the regression line. This indicates that it has a slightly lower level of achievements in environmental health relative to its income level. This is likely related to the country's longstanding battle with air pollution, specifically in large urban centres. In 2020, the average annual PM_{2.5} concentration across the nation was 54.9 µg/m³, which is approximately 10.98 times the recommended levels established by the World Health Organization.⁴⁹ Due to their small size and penetrative capacity, these particles are the most detrimental to public health.⁵⁰ Vehicle emissions are the primary source of PM_{2.5} air pollution in the Greater Cairo region, accounting for one third of total concentrations, alongside slash-and-burn agriculture and industrial production.⁵¹

Finally, figure 15C shows the income level against the Water and Food Security Index across countries. The result is a clear lack of correlation, which is expected given the latter's dependence on natural resource endowments, especially renewable water resources, and reliance on food imports –

^{49.} See Health Effects Institute, State of Global Air, 2024. See also World Health Organization, What are the WHO air quality guidelines?, 2021.

^{50.} PM₂₅ refers to fine particulate matter with a diameter of 2.5 micrometres or smaller, known to pose serious health risks due to its ability to penetrate deep into the lungs and even enter the bloodstream.

Clean Air Fund, From pollution to solution in Africa's cities, 2023. Available at https://www.cleanairfund.org/clean-air-africascities/.

factors not associated with income. However, what is clear is that Egypt falls well below the regression line, performing significantly worse than its lower-middle-income and global peers as well as other Arab countries. Water and food security are among the highest development challenges facing Egypt today.

3. Governance

Governance is perceived as the cornerstone of development, making it a key component of the GDI. The Governance Index (GI) emphasizes two critical dimensions: democratic governance, which reflects the inclusiveness and accountability of institutions, and government effectiveness, which evaluates the efficiency and quality of public service delivery and policy implementation. In contrast to other pillars of the GDI, Egypt witnessed a significant decline in its GI (figure 16). Its score decreased from 0.445 in 2000 to 0.397 in 2023, alongside a 17-rank deterioration, moving from rank 108 to 125 (out of 160) over the same period. The country continues to be classified in the very low achievements category, with the regional average lagging slightly behind at a score of 0.383 in 2023. Egypt thus performs significantly below its lower-middle-income peers and the global average, both of which are classified in the medium achievements category with respective scores of 0.472 and 0.517 in 2023.

Democratic governance and government effectiveness have maintained nearly identical shares over the years. As emphasized in the World Development Challenges Report, these subdimensions are equally important and mutually reinforcing. The Government's role in delivering public services that meet certain quality standards is essential and closely related to human development. For a country to thrive in this capacity, leading principles of democratic governance – such as the rule of law and access to justice, institutional accountability and inclusive political engagement – must be firmly established.



Figure 16. Governance Index scores and rank for Egypt (Out of 160)

Source: ESCWA calculations.





Source: ESCWA calculations.

Although the score of Egypt on the democratic governance subdimension decreased from 0.428 in 2000 to 0.389 in 2023, its global rank remained virtually unchanged, moving from rank 131 to 133 (out of 160) (figure 17). This implies that the deterioration in democratic governance did not outpace global or regional trends, which is surprising given the relatively high political instability following the Arab Spring uprisings in 2010.

At the indicator level, the Rule of Law and Access to Justice Index, which includes the indicators of transparent laws with predictable enforcement, access to justice and executive oversight, has the highest share of the Democratic Governance Index (DGI), accounting for 41 per cent in 2023. Relative to other groupings, this indicator's share in the index is also the highest, which is suggestive of more serious shortcomings in institutional accountability and political participation. The latter has the smallest share, accounting for only 26 per cent of the DGI across the three analysed periods. It also falls well below the lower-middle-income group and the global average. It is worth noting that the Institutional Accountability Index includes the indicators of judicial accountability, rigorous and impartial public administration and civil society organizations consultations. The Participation Index includes the indicator of civil society organizations participation environment.

In recent years, Egypt has implemented significant reforms to enhance access to justice. The country has adopted a comprehensive programme to digitalize judicial services, with the aim of improving both accessibility and the quality of these services. Many services are now available online via the official website of the Ministry of Justice or the Digital Egypt platform. Additionally, the Ministry of Justice has launched a mobile application that provides judicial services and introduced the electronic litigation platform for Economic Courts. Nevertheless, it is imperative for the Ministry of Justice to further expand the range of digitalized services and to amend the relevant legislation to meet the evolving digital requirements. On another note, laws in Egypt are transparent and published in the official gazette. However, the simplification of laws to improve public access remains a considerable challenge.

Egypt has also undertaken various initiatives to engage civil society organizations in policy dialogue and the development of different national strategies. The National Dialogue, an initiative launched by President Al-Sisi to encourage discussion between the Government and various stakeholders on social, political and economic issues, includes representatives from civil society organizations. However, it is essential to formalize the role of civil society organizations in the oversight and formulation of policies. Egypt has sought to establish Internal Control and Governance Units in government entities, with the aim of promoting institutional accountability, as well as improving governance, anti-corruption, decision-making and risk assessment.

The effectiveness of democratic principles strongly hinges on how they are respected and implemented in practice. Generally, countries that uphold the principles detailed above exhibit more effective governance. Although one cannot claim causality in a single direction, a symbiotic relationship between democratic governance and government effectiveness is evident, with each reinforcing and enabling the other.

With the above considerations in mind, figure 18 demonstrates the trends for the Government Effectiveness Index (GEI), which reflects the quality of policy formulation and implementation, as well as publicly provided services. In contrast to the DGI, Egypt clearly witnessed a significant decline in its GEI, with its score decreasing from 0.461 in 2000 to 0.406 in 2023 (figure 18). This came alongside a 25-rank deterioration, moving from rank 75 to 100 (out of 160). Although Egypt enjoys a higher GEI than the broader region, it significantly lags behind its lower-middle-income peers and the global average. The governance challenge for Egypt is primarily related to its government effectiveness.



Figure 18. Government Effectiveness Index scores and rank for Egypt (Out of 160)

Source: ESCWA calculations.

Government effectiveness focuses on the quality of infrastructure and public services. In recent years, Egypt has undertaken significant efforts to enhance the quality of public services through digitalization. One of the key accomplishments has been the launch of the Digital Egypt platform, which encompasses a wide range of public services. Additionally, to ensure the accessibility of these services, Egypt has established both mobile and non-mobile technological centres at the local level. Nevertheless, there remain several services that not only require digitalization but also a thorough review of their processes.

Although Egypt made significant efforts to improve the quality of infrastructure and public services, its score and rank deterioration is quite alarming, especially given that the GEI is strongly associated with many core development achievements, as shown for example in its relationship in 2023 with income per capita and the Q-HDI in figure 19 and figure 20. Interestingly, Egypt also lies on the regression line on these two correlations. This suggests that further improvements in government effectiveness could unlock greater potential for institutional quality and sustained development progress. The policyrelevant question is how to achieve this.





Source: ESCWA calculations.



Figure 20. Government Effectiveness Index and Quality-adjusted Human Development Index

Source: ESCWA calculations.

One factor strongly influencing the GEI is public expenditure level and efficiency, as it demonstrates how fiscal resources tie into effective governance. Egypt embarked on transitioning from a line-item budget to a programme-based budget with the aim of improving the allocation of resources to realize development objectives. However, it is also important, and more so in the case of Egypt, to focus on government expenditures net of interest payments. Debt repayment is an important responsibility for fiscal authorities, but it does not explicitly contribute to improving the delivery of public services or, more broadly, human development. In fact, debt repayment obligations actually divert funds away from areas that are central to development, such as education, healthcare and infrastructure development. By isolating expenditures available for development in this report's analysis, it is possible to obtain a clearer picture of the fiscal space available for government investment in human development.

Figure 21A and figure 21B demonstrate the association between government effectiveness and fiscal space. A positive correlation clearly exists between the GEI and both general government final consumption expenditures per capita and general government investment expenditures. Notably, the correlation with final consumption expenditures is significantly stronger. This may suggest that health and education outcomes, as opposed to infrastructure development, are better indicators of government effectiveness.

In both figures, Egypt hovers around the regression line. Regionally, the country's lowermiddle-income peers underperform relative to their governments' consumption and investment expenditures, with most of them falling well below the regression lines. In contrast, highincome GCC countries are clustered in the topright quadrants of the distributions, which reflects the abundance of financial resources necessary for developing robust and effective institutions.

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Figure 21. Government Effectiveness Index versus components of general government expenditures

A. Government Effectiveness Index: general government final consumption expenditure per capita

Source: ESCWA calculations.

B. Government Effectiveness Index: general government investment expenditure per capita



Source: ESCWA calculations.



Figure 22. Government Effectiveness Index and Debt Sustainability Index

Source: ESCWA calculations.

These findings broadly suggest that the underperformance of Egypt in the government effectiveness subdimension cannot be explained by inadequate fiscal resources. The level of public expenditure, whether related to consumption or investment, is in line with the country's status as a lower-middle-income country and the level of government effectiveness. Rather, the issue likely originates from deeper structural and institutional weaknesses related to the efficiency of public expenditure, including the efficient allocation and utilization of public funds. One major weakness relates to debt sustainability (figure 22).

Figure 22 demonstrates a weak, albeit positive, correlation between the Government Effectiveness Index (GEI) and ESCWA's Debt

Sustainability Index (DSI), the latter of which reflects both the level of total public debt to GDP and the burden of debt interest payments relative to exports of goods and services. The position of Egypt in the lower-left quadrant of the distribution reflects severe shortcomings, both in absolute and relative terms, in its institutional capacity to sustain debt. These deficiencies are largely driven by the high debt-to-GDP ratio of Egypt and elevated debt servicing costs. Despite these unfavourable conditions, the country's debt-to-GDP ratio is projected to follow a decreasing trend moving forward due to receipts from the recent Ras El-Hekma investment project; a substantial portion of the project's financing was allocated towards debt reduction.⁵² However, the scale of this project – amounting to approximately half of the country's GDP - poses potential

52. International Monetary Fund, IMF Country Report No. 24/274: Arab Republic of Egypt, August 2024.

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risks of economic overheating and currency appreciation if investment flows are inadequately managed.

It is worth noting that Egypt recently reformed the committee responsible for regulating external debt, which is responsible for managing public debt, including identifying the borrowing ceiling in light of financial sustainability standards. The committee is headed by the Prime Minister with the membership of different ministries and entities. The Ministry of Finance regularly publishes the Medium-Term Debt Management Strategy, which aims to aid in managing the risk exposure of the Government's debt portfolio and enables decision makers to quantify potential risks to the budget. This positioning also suggests that the country's public expenditure may be disproportionately fuelled by debt, particularly external debt, which presents considerable risks. The excessive reliance on borrowing highlights a key vulnerability: economic growth and development progress driven by the accumulation of debt, in the absence of improvements in governance and fiscal restraint, cannot be sustained over the long term. Without substantial reforms that target debt governance, fiscal discipline and institutional capacity, the ability of Egypt to maintain its upward momentum - as reflected by its increasing GDI score over the analysed period may be at stake. A recent country report by the International Monetary Fund also asserts the importance of complementing fiscal consolidation efforts with debt management strategies to reduce the reliance of Egypt on public debt.53

3. Development inequalities

To ensure sustainable and equitable progress in Egypt, it is crucial to address inequality reduction alongside development achievements. Merely focusing on averages fails to provide a comprehensive overview. Instead, attention must be paid to distributions to ensure that vulnerable groups are not left behind by so-called "average improvements". For this reason, the present ESCWA analysis draws on insights from the Development Inequalities Index (DII), which offers a comprehensive view of the multidimensional inequalities faced by countries worldwide through three main pillars that are in line with the GDI, namely human development, environmental sustainability and governance.54 For simplicity and transparency, the comparative analysis focuses on the performance of Egypt on each inequality indicator using a dashboard approach rather than an aggregated index.

A. Human development inequalities

Starting with human development inequalities, figure 23 and figure 24 reveal significant progress in reducing many of these inequalities over the past decade. Overall, Egypt performs better than both the Arab region and global averages and has improved its rankings compared to other countries for most indicators. However, some variations still exist, which will be examined in detail below.

Among health, education, and income and wealth inequalities, Egypt shows the lowest level of inequality in health indicators. It outperforms both global and regional averages in gender inequality in under-5 mortality rates and vertical inequality in life expectancy, with significant improvements in scores between 2010 and 2021. Nonetheless, despite the progress in the health status of the Egyptian population over the past decades, the country's healthcare system remains unequal.⁵⁵ Further advancement is needed to reduce disparities, especially given that around two thirds of health expenditures are out-of-pocket.⁵⁶ This place a heavy financial burden on low-income families, limiting access to essential healthcare services.

As for education inequalities in Egypt, despite advancements in recent years, the benefits have not been equitably shared among individuals. Although gender disparities in mean and expected years of education have significantly decreased, leading to noticeable improvements in rankings over the past decade and falling below regional and global averages, large inequalities between the rich and the poor persist, leading to a high rate of school dropouts

^{54.} For more information, see Khalid Abu-Ismail and others, Development inequalities from a broader perspective: a proposed index, Beirut: ESCWA, 2022.

^{55.} Ahmad Fasseeh and others. Healthcare financing in Egypt: a systematic literature review. Journal of the Egyptian Public Health Association (2022), 97(1): 1.

See World Bank, World Development Indicators. See also World Health Organization, Egypt National Health Accounts establishing an expenditure baseline to support Egypt's health care reform (2019/2020), 2023.

owing to poverty.⁵⁷ This ongoing disparity highlights the urgent need for targeted policies that address the barriers faced by disadvantaged groups to ensure that all children have equal access to quality education.

Unlike most of the education and health inequalities, income, wealth and financial inclusion inequalities have either slightly worsened or remained unchanged between 2010 and 2021. The rank of Egypt on vertical inequality in income deteriorated from 27th to 42nd between 2010 and 2021. The top decile income group in Egypt received as much aggregate income as the other 90 per cent in 2021. However, in general, Egypt has a relatively moderate level of income inequality on the global scale. Likewise for wealth, the wealthiest 10 per cent owned nearly twice as much as the remaining 90 per cent.⁵⁸ However, this level of disparity appears to be moderate compared to other developed and developing countries. To sum up, there is a contradiction between public perceptions of high inequality – especially visible during the Arab Spring uprisings – and these relatively low Gini coefficients measured through household surveys.⁵⁹

Figure 23. Inequalities in Human Development Index scores, 2010 and 2021



Source: ESCWA calculations.

- 57. Amr Emam, Egyptian children dropping out of school because of poverty, 2017.
- 58. World Inequality Database.
- Khalid Abu-Ismail and others, Inequality in Egypt: facets and dynamics, Beirut: ESCWA, 2023. Available at https://www.unescwa.org/sites/default/files/pubs/pdf/inequality-egypt-facets-challenges-english.pdf.

Note: The white and blue dashed line indicates an improvement in the score for Egypt between 2010 and 2021. The red and blue dashed line indicates a deterioration in the score for Egypt between 2010 and 2021. Scores in red indicate that Egypt performs below the world average.



Figure 24. Human Development Inequalities Index ranks for Egypt, 2010 and 2021 (Out of 158)

Source: ESCWA calculations.

Note: The white and blue dashed line indicates an improvement in the rank for Egypt between 2010 and 2021. The red and blue dashed line indicates a deterioration in the rank for Egypt between 2010 and 2021.

However, Egypt faces significant gender inequality in income, exceeding both regional and global averages. This issue has worsened over the past decade, with the country's rank deteriorating from 148th to 154th out of 158 countries between 2010 and 2021, positioning Egypt within the bottom five in 2021. In fact, in that year, females in Egypt earned on average less than 20 per cent of the income compared to their male counterparts' portions – in contrast to a global average of around 56 per cent.⁶⁰

B. Environmental inequalities

Figure 25 compares environmental inequality indices for Egypt against the regional and global averages in 2010 and 2021. These indices measure various forms of horizontal (e.g. gender, rural-urban) and vertical inequalities related to environmental issues and basic service provision. Figure 26 compares the global ranking of Egypt in these indices over the same years.



Figure 25. Environmental Inequalities Index scores, 2010 and 2021

Source: ESCWA calculations.

Note: The white and blue dashed line indicates an improvement in the score for Egypt between 2010 and 2021. The red and blue dashed line indicates a deterioration in the score for Egypt between 2010 and 2021. Scores in red indicate that Egypt performs below the world average.



Figure 26. Environmental Inequalities Index ranks for Egypt, 2010 and 2021 (Out of 158)

Source: ESCWA calculations.

Note: The white and blue dashed line indicates an improvement in the rank for Egypt between 2010 and 2021. The red and blue dashed line indicates a deterioration in the rank for Egypt between 2010 and 2021.

In contrast to the global average, which has remained relatively stagnant over the decade, Egypt experienced significant improvements in indices related to gender inequality and rural/urban inequality. The country's score on the gender inequality in mortalities attributed to ambient and household air pollution index decreased from 0.58 in 2010 to 0.38 in 2021, alongside a 33-rank improvement, moving from rank 140 to 107 (out of 158). However, Egypt still underperforms relative to the regional and global averages, both of which saw only minor reductions in inequality. This relates, in part, to the disproportionate exposure of women to household air pollution due to their lengthier time spent within the household.

Regarding the gender inequality in mortalities attributed to lack of WASH index, Egypt consistently outperformed the global average, and less so, the regional average. The country's score decreased from 0.09 in 2010 to 0.04 in 2021, together with a 45-rank improvement, moving from rank 93 to 48 (out of 158). This reflects more equitable access to WASH services. These improvements are a testament to the ongoing success of the National Strategy for the Empowerment of Egyptian Women 2030, which sought to raise awareness and take the necessary precautions to protect women from environmental risk, particularly in rural areas. These precautions include integrating gender into national environmental plans and impact assessments, subsidizing cleaner cooking technology, improving sanitation infrastructure (e.g. moving from latrines to toilets) and improving access to healthcare.61

Egypt also witnessed a substantial reduction in the rural/urban inequalities in basic drinking water services index. The country's score decreased from 0.17 in 2010 to 0.04 in 2021. Notably, these improvements came alongside a five-rank deterioration, suggesting that comparable countries improved at a faster pace over the same period. The regional and global averages saw similar reductions but were consistently and significantly higher. Advances in basic service provision can be, in part, attributed to the Haya Karima initiative which sought to enhance living conditions for rural inhabitants. In fact, a midterm report issued by the Ministry of Planning and Economic Development in 2021 indicated that the initiative overwhelmingly improved sanitation coverage by 46 per cent.⁶²

Regarding vertical inequalities in carbon dioxide emissions, the score for Egypt witnessed a very minor improvement, alongside the global average, whereas the regional average remained relatively stagnant. The country's score increased from 0.45 in 2010 to 0.47 in 2021, alongside a six-rank deterioration. However, it remained consistently lower than the regional and global average, albeit to a minor degree. The high correlation between income and carbon dioxide emissions, as previously highlighted, tends to translate into widening vertical inequality in emissions.

One explanation for this association is the increase in mobility and vehicle ownership resulting from increases in income. This is especially true for developing countries like Egypt, where one third of PM_{2.5} pollution can be

^{61.} National Council for Women, National Strategy for the Empowerment of Egyptian Women 2030, 2017.

^{62.} Ministry of Planning, Economic Development and International Cooperation, Egypt's Planning Ministry reviews a report measuring the impact of the "Decent Life" presidential initiative, 2021. Available at https://mped.gov.eg/singlenews?id=242&lang=en.

traced to vehicle emissions.⁶³ Air travel and other carbon-intensive practices, primarily those undertaken by wealthier households, also contribute greatly to this phenomenon. Existing and increasing inequalities in income and wealth also exacerbate the situation. Accordingly, prioritizing decarbonization efforts within the transportation sector, among others, is necessary to curb inequalities in emissions and effectively mitigate the consequences of climate change.

C. Inequalities in governance

Figure 27 compares governance inequality indices for Egypt against the regional and global averages. These indices measure various forms of horizontal (e.g. gender, social group) and vertical (e.g. socioeconomic class) inequalities in civil liberties, power distribution, representation and exclusion. Figure 28 compares the global ranking of Egypt in these indices over the same years.





Source: ESCWA calculations.

Note: The white and blue dashed line indicates an improvement in the score for Egypt between 2010 and 2021. The red and blue dashed line indicates a deterioration in the score for Egypt between 2010 and 2021. Scores in red indicate that Egypt performs below the world average.

See: Clean Air Fund, From pollution to solution in Africa's cities, 2023. See also: Mumba Ngulube and Vivien Foster, How do rising incomes impact CO₂ emissions?, 2022. Available at https://blogs.worldbank.org/en/transport/how-do-rising-incomes-impact-co2emissions.



Figure 28. Inequalities in Governance Index ranks for Egypt, 2010 and 2021 (Out of 158)

Source: ESCWA calculations.

Note: The white and blue dashed line indicates an improvement in the rank for Egypt between 2010 and 2021. The red and blue dashed line indicates a deterioration in the rank for Egypt between 2010 and 2021.

Egypt experienced minor improvements in the social class inequality in respect for civil liberties index, which measures inequalities in access to justice, private property rights, freedom of movement and freedom from forced labour across different socioeconomic classes. The country's score decreased from 0.77 in 2010 to 0.71 in 2021, alongside a seven-rank improvement. However, it consistently performed worse than regional and global averages, both of which have remained somewhat stagnant over the decade. In contrast to the global average, Egypt saw improvement in the power distributed by socioeconomic position index, which measures the extent to which wealth and income influence the distribution of power. The country's score

decreased from 0.72 in 2010 to 0.60 in 2022, together with a 23-rank improvement, moving from rank 151 to 128 (out of 158). The regional average saw a similar, albeit more modest, decrease over the same period.

Despite these reductions, the values of both indices remain significantly high in relative and absolute terms. Not only does this reflect the persistent obstacles faced by lower-income social classes in securing civil rights and freedoms, but also in accessing decision-making authority. These inequalities can likely be attributed to a wide range of ecopolitical factors, such as inadequate social protection systems, the growth of the informal economy – where labour laws are often disregarded – and a centralized political system with high barriers to participation, among others.⁶⁴

Notably, Egypt saw improvement in the representation of socioeconomically disadvantaged social groups in national legislation. The country's score decreased from 0.58 in 2010 to 0.51 in 2021, coupled with a 17-rank improvement, moving from rank 123 to 106 (out of 158). However, it remained short of the regional and global averages, both of which decreased modestly. It is worth noting that the Constitution of the Arab Republic of Egypt grants the representation of different groups, such as women, youth, Christians, persons with disabilities, workers and Egyptians living abroad.

Regarding inequalities between social groups (i.e. groups that differ based on language, ethnicity, religion, race, region or caste), Egypt consistently outperformed the regional and global average in the social group inequality in respect for civil liberties index, both of which saw minor increases. Its score increased from 0.44 in 2010 to 0.51 in 2021, alongside a six-rank deterioration. The power distributed by social groups index witnessed a considerably larger surge. The index score for Egypt increased from 0.44 in 2010 to 0.59 in 2021, coupled with a 26-rank deterioration, moving from rank 100 to 126 (out of 158). Despite minor increases in the regional and global averages, both of which started with higher scores, Egypt continues to underperform in 2021.

Notably, despite social class inequality being on the decline, social group inequality is considerably increasing. This may stem from broad economic policies that fail to consider social group disparities that may limit access to these benefits (e.g. cultural exclusion, regional development gaps). The divergence between social class and social group inequality reflects the complex interplay between the economic, political and social landscapes which necessitates a tailored approach that aims to promote inclusivity across the board.

Finally, the exclusion by gender index of Egypt, which measures the extent to which individuals are denied access to services or governed spaces based on their identity, witnessed the largest decrease. The country's score decreased from 0.57 in 2010 to 0.44 in 2021, along with a 15-rank improvement, moving from rank 134 to 119 (out of 158). This suggests improved gender inclusion, likely owing to the National Strategy for the Empowerment of Egyptian Women 2030. In addition to the measures taken to reduce environmental risk, this initiative also increased the set of economic and political opportunities available to women. Through improving access to education, employment, healthcare and political representation, Egypt outperformed its regional peers and is nearing the global average.⁶⁵ However, there is still clear room for improvement because it has yet to match the pace of its global counterparts.

^{64.} Nadir Mohammed and others, Informal employment in Egypt, Morocco, & Tunisia: What can we learn to boost inclusive growth?, 2023. Available at https://blogs.worldbank.org/en/arabvoices/informal-employment-egypt-morocco-tunisia-what-can-we-learn-boost-inclusive-growth.

^{65.} National Council for Women, National Strategy for the Empowerment of Egyptian Women 2030, 2017.

4. Recommendations

A. Increasing government effectiveness

Governance serves as the cornerstone for achieving development goals, enhancing institutional performance, and driving economic and social progress. It encompasses transparency, responsiveness, service delivery, justice, participation and the rule of law, playing a pivotal role in driving development efforts. Globally, there exists a particular focus on measuring governance, with various organizations and civil society members actively evaluating institutional performance from this perspective.

Despite advancements since the early 2000s, Egypt continues to experience a relatively low level of overall development achievements, with the governance dimension accounting for the smallest share of the GDI. Notably, both democratic governance and government effectiveness contribute similar shares to the GI, signalling the need for comprehensive policy reforms. However, the gap between Egypt and the global trend is significantly higher in the government effectiveness component, which witnessed a disproportionately larger score and rank deterioration over the analysed period.

Furthermore, although this report has revealed generally low levels of inequality across many indicators related to quality human development and environmental sustainability, with significant progress in reducing various forms of subnational disparities over time, the opposite is true for governance-related indicators. Inequalities remain pronounced, with substantial deteriorations across social groups.

To enhance governance in Egypt, efforts should be centred on rethinking the role of the State and reforming public institutions. Good governance systems with institutions capable of implementing effective policies are necessary for quality human development achievements. This requires nationally centred and evidencebased policymaking. While national indices would not allow for global and regional comparisons, they would be the most appropriate for designing tailored development policies that support these objectives. The present report, which is focused on the global performance of Egypt, only sets the stage for broader national endeavours but is not a substitute for them.

The Egyptian Government should engage in a comprehensive assessment of the development challenges facing the country, based on more nuanced and nationally tailored development indicators that better align with the country's needs.

The findings of this assessment feed into a national dialogue on how to pursue governance reforms and, more specifically, how to address the crucial nexus between democratic governance and effective governance. This dialogue should include different stakeholders, including government agencies, the private sector, civil society organizations and international organizations. A clear road map to improve governance should be the outcome of this dialogue. The approach of the road map should consider improving the performance of Egypt in the GI in both the GDI and DII. Therefore, the inclusion of different disadvantaged groups in the GDI-related activities is essential to improve the governance status of the DII. It is recommended that this road map should include three main pillars: promoting transparency and participation, improving the quality of public services, and improving debt governance.

Transparency and participation are core components of the GDI Governance Index. A primary obstacle to effective governance is the lack of transparency and access to data. Despite the necessity to enhance data accessibility for the purpose of increasing transparency and improving decision-making processes, there is no specific legislation that addresses freedom of information. This presents a challenge to fostering transparency, participation and accountability. Thus, Egypt needs to issue a law regulating the freedom of information. Furthermore, when data is made more accessible, civil society actors and oversight bodies can monitor performance indicators and scrutinize policy decisions. This empowers and builds confidence among citizens, allowing them to engage in policy conversations with more informed perspectives.

Despite efforts made by Egypt to enhance stakeholder participation in policy formulation, these efforts remain fragmented. Egypt must institutionalize the involvement of civil society organizations, the private sector and other groups, not only in developing policies but also in implementing and monitoring them. The participation approach should consider disadvantaged groups, including women, persons with disabilities, youth and other groups, to ensure that their needs are reflected in the designed and implemented policies. This institutionalization will foster a greater sense of ownership among stakeholders and improve policy outcomes.

A cornerstone of the GDI's government effectiveness component is the quality of public services, including health, education, transportation and other services. As previously indicated, Egypt has made progress in enhancing public services delivery, particularly through digitalization and improving access to services. However, further digitalization of services is essential, alongside a comprehensive review of existing processes and procedures to simplify and streamline service delivery. Addressing the complexity and overlap of responsibilities across multiple agencies is crucial to improve both efficiency and accessibility.

The youthful demographic of Egypt offers a valuable opportunity to innovate public services, particularly in education and healthcare. By engaging young people in developing solutions to the challenges of public service delivery, Egypt can foster creativity and inclusivity. A national initiative or programme dedicated to public service innovation by actively engaging the youth would be instrumental in effectively addressing the complex challenges associated with service delivery.

Partnerships in the provision of public services constitute a critical model for enhancing service quality. Egypt must refine its policies and regulations pertaining to partnerships. Existing laws, such as the Public-Private Partnership Law No. 76/2010 and the Public Contracts Law No. 182/2018, require revision to incorporate contemporary models and address implementation challenges. Additionally, Egypt should utilize an omnichannel approach to public service delivery to ensure comprehensive access. Special attention must be directed towards service provision for disadvantaged groups, including the elderly and persons with disabilities.

Limited fiscal space and inadequate resource allocation pose significant challenges to government effectiveness and exacerbate inequalities. The performance of Egypt on the GEI highlights the critical need to enhance its capacity to manage debt, which will effectively expand the fiscal space available for development. By prioritizing fiscal restraint and risk management, Egypt can avoid excessive debt accumulation and servicing costs, allowing the Government to allocate more funding towards education, healthcare and infrastructure development. This calls for a long-term strategy to improve debt sustainability, which entails enhancing reporting transparency, developing domestic debt markets and harmonizing tax regulations, among other measures.

Accordingly, the newly established debt committee must ensure transparency in its decisions, and the Public Debt Unit within the Ministry of Finance should strengthen its risk analysis capacities to effectively implement the Medium-Term Debt Management Strategy. While Egypt has launched three Medium-Term Debt Management Strategies, it has yet to publish reports on their implementation. Regular publication of these reports would provide greater transparency, enabling stakeholders to assess progress and address challenges in debt management. Enhanced reporting practices will foster trust and ensure accountability, ultimately contributing to sustainable debt governance and improved government effectiveness.

B. Addressing water and food security deficits

Water and food security constitute the second crucial development challenge and there is a dire need for innovative and technological solutions to address the negative impacts of urbanization, population growth and climate change on these two indicators. Tackling these challenges requires comprehensive policies, innovative technologies and efficient resource management strategies. While Egypt has made significant improvements in the environmental health component of the ESI, driven by substantial investments in public services that have enhanced access to water and sanitation, significant gaps persist in achieving sustainable water management and food security.

Effective water resource management is essential to tackle the growing challenges of water stress in Eqypt that may hinder progress towards the Sustainable Development Goals. Implementing the National Water Resources Plan 2017–2037 with greater focus and urgency is crucial for mitigating severe water scarcity threats and reducing dependency on a single water source, the Nile River. Key measures in the national plan include water rationing, enhancing water quality, expanding water resources like desalination and rainwater harvesting, and fostering an environment conducive to efficient water management. It is additionally important to invest in technological innovations for water conservation, particularly in land use strategies and crop production, while also making use of information-driven adaptation methods like forecasting, traditional knowledge integration and awareness campaigns. Artificial intelligencebased systems for forecasting and allocation will further enhance resilience to climate variability and improve resource efficiency.

In agriculture, Egypt must transition to climatesmart practices that can withstand the dual pressure of water scarcity by reducing the dependency on water-intensive crops and alleviating food insecurity. This includes diversifying crop patterns to prioritize droughtresistant and heat-tolerant crop varieties, optimizing the national crop map to align with resource availability, and adopting efficient farming techniques like precision agriculture and modern irrigation techniques such as drip irrigation. Digital technologies can play a pivotal role in monitoring crop health, optimizing inputs, increasing yields and maintaining agricultural productivity. Efforts to reduce postharvest losses through improved storage facilities, streamlined supply chain logistics and enhanced marketing infrastructure are equally important to minimize food waste and enhance food security.

To ensure a sustainable shift to advanced water conservation practices, government policies must support farmers and rural communities, providing incentives and resources to adopt sustainable agricultural practices. Such policies can reduce vulnerability to global food supply fluctuations by encouraging local resilience and independence. Government backing in this transition may include subsidies for waterefficient technologies, training programmes for sustainable agriculture and financial support for smallholder farmers, who are often subject to the highest risks in the face of climate impacts. Collaborative research and development efforts are also crucial for advancing climate-smart agriculture.

Furthermore, addressing food insecurity requires not only domestic efforts but also regional cooperation, especially as Egypt shares water resources with other Nile Basin countries. Strengthening cross-border partnerships and frameworks for equitable water use can help stabilize the food supply chain and strengthen food resilience in all the Nile Basin countries. International cooperation and financial support, particularly in technology transfer and capacitybuilding, will be instrumental in mitigating the impacts of climate change on food systems and ensuring long-term food security in Egypt.

This shift will require a long-term commitment and will not fully resolve all food and water security challenges, yet it can significantly improve the standing of Egypt on these critical issues. By progressively transitioning to more resilient agricultural practices and ensuring water resources, Egypt can improve food security while reducing reliance on external food sources. This progress is vital for building a self-sustaining, climate-adaptive agricultural sector that contributes to long-term development and environmental sustainability.

Investment in agricultural research and innovation is a cornerstone of addressing the food and water security challenges in Egypt. The development of high-yield, stress-tolerant crop varieties and the use of biotechnology can significantly improve productivity under changing climatic conditions. Early warning systems and real-time data platforms can further support timely adaptation measures, while advancing the National Strategy for Climate Change 2050 will ensure the integration of climate resilience into broader development policies.

Population growth adds further complexity to these challenges, making it essential to strengthen family planning programmes and evaluate their effectiveness in reducing demographic pressures. Addressing water and food security also requires international cooperation, particularly in the form of technology transfer, capacity-building initiatives and financial support from global partners. Regional agreements on water use and trade can further stabilize food systems and ensure a coordinated response to shared challenges. By aligning these measures with its Vision 2030 and the Sustainable Development Goals, Egypt can make meaningful progress in water and food security. These efforts will foster a selfsustaining agricultural sector, build resilience to climate change impacts and contribute to environmental sustainability.

C. Enhanced economic resilience for sustained and accelerated quality human development achievements

There have been substantial improvements in the Q-HDI, particularly in its knowledge component, which largely reflects the enhanced access to digital technologies and innovation. However, the quality of education within this index remains low, requiring significant policy focus to match with global averages.

In fact, while public investments have improved digital access and reduced some knowledge gaps, significant issues persist within the quality of education itself. The quality gap in the Egyptian education system has limited the effectiveness of recent educational reforms, pointing to an urgent need for deeper investments in quality education. Strengthening public schooling and ensuring the effective use of resources in the education sector would provide the country's youth with the necessary competencies for high-quality jobs, thus enhancing the long-term development potential of Egypt. Additionally, quality income constitutes one of the key challenges for Egypt, as indicated by its declining contribution to the Q-HDI and the comparatively higher income poverty rate, which is the country's third pressing development challenge. This downward trend is attributed to the series of economic shocks that Egypt has faced since the early 2000s, particularly after 2019, highlighting the need for stronger policies to boost economic resilience.

Economic growth in Egypt has not translated effectively into poverty reduction due to a low pass-through rate from national growth to household incomes. This limited pass-through reflects structural economic issues, where gains at the national level do not sufficiently impact income growth at the household level, thus limiting poverty alleviation.⁶⁶ As described in a recent report published by the INP, the current manufacturing landscape is stagnant due to limited investment and barriers to innovation and outdated technologies, among other relevant factors.⁶⁷ Accordingly, an essential pathway to achieving economic resilience lies in structural transformation, particularly through expanding economic activity in industrial sectors that create sustainable, high-quality job opportunities. This would not only provide more stable employment opportunities but would also draw a larger portion of women into the workforce, addressing gender disparities in the labour market. This shift requires a focus on labour market reforms and investments that prioritize decent work, ultimately strengthening human capital and ensuring that economic growth benefits all groups alike.

^{66.} Khalid Abu-Ismail and others (2022), Obstructed poverty reduction: growth-passthrough analysis. Beirut: ESCWA. Available at https://www.unescwa.org/sites/default/files/pubs/pdf/obstructed-poverty-reduction-growth-passthrough-analysisenglish_0.pdf.

^{67.} Ibrahim El-Issawy (2023), تقرير تميق التصنيع النهائي [Final Manufacturing Deepening Report].

In conclusion, to address the multidimensional challenges of poverty, inequality and social vulnerability, a cohesive framework of social policies, redistributive measures and institutional reforms is essential. Effective social protection requires both immediate and long-term strategies. In the short term, it is crucial to implement progressive, flexible and shockresponsive social protective measures to lift people out of poverty and shield them from sudden economic and social disruptions. Enhancing both the coverage and adequacy of benefits is fundamental to this approach. Over the medium to long term, social protection should be comprehensive and universal, ensuring that all citizens are covered through a dual platform of contributory mechanisms such as social and health insurance and non-contributory programmes including cash transfer, in-kind assistance and food subsidies. The overarching goal is to ensure that no one is left behind. This transformation calls for the adoption of extensive programmes to facilitate graduation from poverty. These programmes should empower individuals economically and socially, transitioning them from a state of dependence on social assistance to inclusion in contributory systems. Investment in human capital is another critical component, requiring increased social expenditure on education and health, both of which are key determinants of individual outcomes and drivers of reduced inequality. Access to quality education and healthcare services must be guaranteed, with tailored programmes targeting marginalized areas.

Reforms should also prioritize the creation of decent work opportunities, namely jobs that provide fair wages, job security and social protection. Without access to decent work, individuals are at a heightened risk of economic vulnerability and poverty. Addressing structural challenges, such as the widespread prevalence of informal employment, insufficient job creation in the private sector and weak government capacity to enforce labour standards, is critical. Furthermore, adopting a progressive taxation system is essential to redistribute resources and benefits, creating the fiscal space necessary to expand social protection schemes and promote equitable growth. Isolated policies that address singular aspects of complex challenges are often ineffective. Instead, an integrated approach is needed, ensuring coordination between economic, environmental and social policies, among others. Such policy alignment reduces duplication of efforts, enhances efficiency and allows for a holistic response to systemic challenges.

While this report provides valuable insights into one perspective on development, it is important to acknowledge the need for further exploration of complementary dimensions. Specifically, two additional reports are planned to broaden the analytical scope. The first report will expand the current analysis to the governorate level, offering a granular perspective on regional disparities and development dynamics across Egypt. This localized approach will provide policymakers with actionable insights to address area-specific challenges and opportunities, thereby promoting balanced and sustained inclusive growth. The second report will focus on the assessment of the macroeconomic landscape of Egypt, delving into the degree of economic resilience and the country's capacity to withstand external and internal shocks. Expanding the current analysis will shed light on the missing macroeconomic aspects of development and explore pathways for achieving a robust structural transformation. Together, these reports aim to provide a more comprehensive understanding of the development trajectory of Egypt and inform policies that ensure sustainable development and inclusive growth.

Annex 1

Figure A1.1 Process of computing the Global Development Index

Selection

Indicators are selected based on importance and data availability.

Rescaling

Indicators are rescaled using the minmax formula. (Minimum and maximum values are selected conceptually <u>and</u> based on the Kernel distribution of each indicator).

Discounting

Some indicators (namely education and income) are discounted using appropriate discount factors.

Achievements versus challenges

Values of rescaled indicators which reflect challenges are subtracted from 1 to reflect achievements.

Aggregation

Arithmetic averages are applied to aggregate the different components and subcomponents.

Categorization

Scores are classified into five categories: very low, low, medium, high and very high achievements. (The categories are same as the ones used for the HDI, with one additional category for very poor performance).

Table A1.1	Adjusted GE	I components
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Pillar	Dimension	Subdimension	Indicator	Source		
	Health	Healthy life expectancy	Healthy life expectancy at birth (years)	World Health Organization		
			Expected years of schooling	Human Development Index Data Center		
		Quality-adjusted education	Mean years of schooling	Human Development Index Data Center		
			<u>Discount Factor</u> : Harmonized test scores	World Bank Human Capital Index (HCI) data set		
			ICT access	Global Innovation Database		
Ĩ	Knowledge	Digital infrastructure	ICT use	based on data from International Telecommunication Union World Telecommunication/ICT Indicators Database		
Quality-adjusted Human		Knowledge			Government's online	Global Innovation Database
			E-participation	Nations Public Administration Network, E-Government Survey		
			Patents by origin/billion constant \$ GDP			
		Innovation	Patent Cooperation Treaty patents by origin/billion constant \$ GDP	Global Innovation Database based on data from World Intellectual Property Organization Intellectual		
			Utility models by origin/billion constant\$ GDP	Property Statistics		

Pillar	Dimension	Subdimension	Indicator	Source
			Scientific and technical articles/billion constant \$ GDP	Global Innovation Database based on data from Clarivate, Web of Science
			Citable documents H- index	Global Innovation Database based on data from SCImago (2021) SJR – SCImago Journal & Country Rank
			Gross national income (GNI) per capita	Human Development Index Data Center
	Income	Quality-adjusted income	<u>Discount Factor</u> : ESCWA poverty rates	ESCWA calculations
	Climate change and energy	Climate change	Carbon dioxide emissions per capita (production)	Human Development Index Data Center
		chinate change	Material footprint per capita	Human Development Index Data Center
Con		Energy efficiency	Energy intensity per unit of GDP	International Energy Agency
			PM _{2.5} exposure	
			Household solid fuels	
			Ozone exposure	
Environmental			Nitrogen dioxide exposure	
Sustainability Index	Environmental health	Air quality	Sulphur dioxide exposure	Environmental Performance
			Carbon monoxide exposure	index – Tale Oniversity
			Volatile organic compounds exposure	
			Unsafe sanitation	

Pillar	Dimension	Subdimension	Indicator	Source
		Sanitation and drinking water	Unsafe drinking water	
		Heavy metals	Lead exposure	
			Controlled solid waste	
		Waste management	Waste generated per capita	
			Waste recovery rate	
	Water and food security	Water and food security	Sustainable Development Goal indicator 6.4.2 (level of water stress)	FAO database
			Food imports (percentage of merchandise imports)	World Bank
		Rule of law and access	Transparent laws with predictable enforcement	
		10 Justice	Access to justice	
			Executive oversight	
人	Democratic governance	Institutional	Judicial accountability	Varieties of Democracy
		accountability	Rigorous and impartial public administration	Dataset
لتصعي			CSO consultation	
Governance Index		Participation	CSO participatory environment	
	Government effectiveness	Government effectiveness	Government effectiveness (quality of infrastructure and public service delivery)	World Bank World Governance Indicators

Country	Healthy Life Expectancy Index	Knowledge Index	Quality-adjusted Income Index	Quality-adjusted Human Development Index	Climate Change and Energy Efficiency Index	Environmental Health Index	Water and Food Security Index	Environmental Sustainability Index	Democratic Governance Index	Government Effectiveness Index	Governance Index	Global Development Index	Global Development Index rank (out of 160)	Achievements category
Yemen	0.682	0.297	0.085	0.354	0.934	0.400	0.096	0.477	0.254	0.042	0.148	0.326	160	Very low
Syrian Arab Republic	0.780	0.397	0.276	0.485	0.677	0.527	0.283	0.496	0.230	0.140	0.185	0.388	158	Very low
Sudan	0.725	0.346	0.297	0.456	0.848	0.487	0.167	0.501	0.341	0.150	0.245	0.401	156	Very low
Libya	0.822	0.425	0.618	0.622	0.594	0.673	0.272	0.513	0.357	0.140	0.256	0.463	143	Low
Djibouti	0.691	0.314	0.360	0.455	0.896	0.475	0.593	0.655	0.501	0.337	0.419	0.509	127	Low
Egypt	0.782	0.553	0.478	0.604	0.843	0.468	0.299	0.537	0.389	0.406	0.397	0.513	125	Low
Iraq	0.776	0.498	0.575	0.616	0.733	0.475	0.617	0.608	0.466	0.232	0.349	0.525	122	Low
Mauritania	0.724	0.283	0.428	0.478	0.855	0.556	0.612	0.674	0.526	0.354	0.440	0.531	119	Low
Algeria	0.844	0.529	0.599	0.657	0.741	0.628	0.293	0.554	0.425	0.392	0.409	0.540	112	Low

Table A1.2 Arab Global Development Index Results, 2023

Country	Healthy Life Expectancy Index	Knowledge Index	Quality-adjusted Income Index	Quality-adjusted Human Development Index	Climate Change and Energy Efficiency Index	Environmental Health Index	Water and Food Security Index	Environmental Sustainability Index	Democratic Governance Index	Government Effectiveness Index	Governance Index	Global Development Index	Global Development Index rank (out of 160)	Achievements category
Lebanon	0.836	0.603	0.570	0.670	0.788	0.591	0.499	0.626	0.536	0.200	0.368	0.555	105	Medium
Bahrain	0.835	0.601	0.889	0.775	0.453	0.486	0.406	0.448	0.306	0.627	0.467	0.563	98	Medium
Oman	0.813	0.559	0.797	0.723	0.402	0.650	0.341	0.464	0.514	0.501	0.508	0.565	97	Medium
Saudi Arabia	0.800	0.677	0.820	0.766	0.520	0.524	0.355	0.466	0.360	0.616	0.488	0.573	94	Medium
Tunisia	0.853	0.583	0.578	0.671	0.826	0.625	0.401	0.617	0.584	0.436	0.510	0.599	81	Medium
Kuwait	0.911	0.504	0.948	0.788	0.404	0.592	0.300	0.432	0.651	0.520	0.585	0.602	78	Medium
Qatar	0.856	0.590	0.998	0.815	0.354	0.549	0.415	0.439	0.413	0.729	0.571	0.608	75	Medium
Morocco	0.795	0.589	0.492	0.625	0.857	0.576	0.585	0.673	0.586	0.470	0.528	0.609	74	Medium
Jordan	0.865	0.635	0.534	0.678	0.828	0.624	0.283	0.578	0.650	0.537	0.593	0.617	71	Medium
United Arab Emirates	0.836	0.646	0.988	0.823	0.525	0.621	0.479	0.542	0.493	0.762	0.627	0.664	48	Medium

Annex 2

Figure A2.1 Process of computing the development inequalities indicators



Rescaling

Indicators are rescaled using the minmax formula.

(*Minimum and maximum values are selected conceptually <u>and</u> based on the Kernel distribution of each indicator).*

Equality versus inequality

Values of rescaled indicators which reflect equalities are subtracted from 1 to reflect inequalities.

Table A2.1 Development inequalities dashboard indicators	 Development inequalities dashboard indica 	ators
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Development inequalities pillars	Dimension	Indicator	Data sources
	Health inequalities	Gender inequality in under-5 mortalities	Mortality rates of girls and boys under the age of 5 (WHO data)
		Vertical inequality in life expectancy	IHDI data
		Gender inequality in expected years of schooling	Expected years of schooling (UNDP HDR data)
<u>& &</u>	Education inequalities	Gender inequality in mean years of schooling	Mean years of schooling (UNDP HDR data)
		Vertical inequality in education	IHDI data
Human Development Inequalities Index		Gender inequality in GNI per capita	GNI data for males and females (UNDP HDR data)
		ESCWA Gini index for inequality in income	ESCWA calculations
	Income and financial inclusion inequalities	Gender inequality in bank account ownership	Global Findex Database 2021 of The World Bank
		Wealth Gini coefficient	Mean and Median Wealth Per Adult Data (Credit Suisse Research Institute's 2021 Global Wealth Databook)

Development inequalities pillars	Dimension	Indicator	Data sources
	Climate change inequalities	Inequality in CO2 emissions	World Inequality Database
$\langle \langle \langle \rangle \rangle$	Environmental health	Gender inequality in mortalities attributed to air pollution	
Environmental Inequalities Index	inequalities	Gender inequality in mortalities attributed to lack of WASH	WHU Global Health Ubservatory
	Water stress inequalities	Rural/Urban inequalities in basic drinking water services	WHO Global Health Observatory
	Inequalities in civil	Social group equality in respect for civil liberties	
Å	liberties	Social class equality in respect for civil liberties	
	Inequalities in power	Power distributed by social group	Varieties of Democracy Dataset
Governance Inequalities	distribution	Power distributed by socioeconomic position	
Index	Inequalities in	Representation of disadvantaged social groups	
	participation	Exclusion by gender	

Country	Gender inequality in under-5 mortality index	Vertical (Atkinson) inequality in life expectancy index	Gender inequality in expected years of schooling index	Gender inequality in mean years of schooling index	Vertical (Atkinson) inequality in education index	Gender inequality in GNI per capita	Gender inequality in GNI per capita index	Vertical inequality in income (Gini) index	Gender inequality in wealth index	Vertical (Atkinson) inequality in wealth index	Gender inequality in mortalities attributed to ambient and household air pollution index	Gender inequality in mortalities attributed to lack of WASH index	Vertical inequality in CO2 emissions index	Rural/Urban inequalities in basic drinking water Services Index	Social group equality in respect for civil liberties index	Social class equality in respect for civil liberties index	Power distributed by social group index	Power distributed by socioeconomic position index	Representation of disadvantaged social groups index	Exclusion by gender index
Algeria	0.11	0.18	0.46	0.22	0.66	1.61	0.81	0.14	0.78	0.80	0.10	0.02	0.39	0.28	0.39	0.31	0.42	0.33	0.27	0.30
Bahrain	0.02	0.04	0.38	0.12	0.24	1.16	0.58	0.35	0.33	0.88	0.14	0.01	0.54	0.48	0.82	0.58	0.88	0.87	0.57	0.59
Egypt	0.10	0.15	0.04	0.12	0.73	1.72	0.86	0.24	0.19	0.71	0.38	0.04	0.47	0.04	0.51	0.71	0.59	0.60	0.51	0.44
Iraq	0.20	0.21	0.41	0.37	0.59	2.10	0.90	0.16	0.22	0.57	0.32	0.05	0.45	0.25	0.65	0.57	0.46	0.54	0.23	0.88
Jordan	0.11	0.12	0.13	0.24	0.30	1.42	0.71	0.36	0.74	0.66	0.08	0.01	0.46	0.11	0.32	0.36	0.54	0.42	0.34	0.38
Kuwait	0.07	0.06	0.90	0.37	0.43	0.90	0.45	0.19	0.30	0.82	0.37	0.02	0.51	0.00	0.69	0.36	0.51	0.58	0.42	0.51
Lebanon	0.03	0.06	0.11	0.13	0.11	1.41	0.70	0.32	0.24	0.71	0.35	0.05	0.61	0.52	0.29	0.32	0.52	0.62	0.57	0.63
Mauritania	0.46	0.41	0.13	0.22	0.88	1.08	0.54	0.34	0.33	0.64	0.11	0.37	0.48	0.79	0.80	0.84	0.61	0.80	0.72	0.69
Morocco	0.15	0.15	0.16	0.59	0.83	1.27	0.63	0.38	0.70	0.76	0.13	0.01	0.48	0.72	0.34	0.36	0.37	0.56	0.50	0.34

Table A2.2 Arab Development Inequalities Indicators Results, 2021

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Country	Gender inequality in under-5 mortality index	Vertical (Atkinson) inequality in life expectancy index	Gender inequality in expected years of schooling index	Gender inequality in mean years of schooling index	Vertical (Atkinson) inequality in education index	Gender inequality in GNI per capita	Gender inequality in GNI per capita index	Vertical inequality in income (Gini) index	Gender inequality in wealth index	Vertical (Atkinson) inequality in wealth index	Gender inequality in mortalities attributed to ambient and household air pollution index	Gender inequality in mortalities attributed to lack of WASH index	Vertical inequality in CO ₂ emissions index	Rural/Urban inequalities in basic drinking water Services Index	Social group equality in respect for civil liberties index	Social class equality in respect for civil liberties index	Power distributed by social group index	Power distributed by socioeconomic position index	Representation of disadvantaged social groups index	Exclusion by gender index
Oman	0.09	0.08	0.18	0.19	0.23	1.71	0.86	0.14	0.61	0.82	0.19	0.03	0.72	0.55	0.47	0.38	0.52	0.67	0.61	0.75
Qatar	0.03	0.03	0.81	0.63	0.21	0.90	0.45	0.04	0.21	0.43	0.34	0.03	0.63	0.00	0.90	0.79	0.87	0.81	0.85	0.62
Saudi Arabia	0.02	0.05	0.03	0.29	0.35	1.14	0.57	0.46	0.55	0.82	0.18	0.00	0.48	0.08	0.83	0.49	0.70	0.82	0.21	0.85
Sudan	0.40	0.40	0.13	0.25	0.85	1.07	0.53	0.30	0.31	0.64	0.21	0.35	0.56	0.51	0.50	0.68	0.64	0.16	0.52	0.72
Syrian Arab Republic	0.16	0.19	0.06	0.30	0.57	1.71	0.85	0.35	0.22	0.67	0.13	0.10	0.59	0.17	0.88	0.48	0.90	0.77	0.34	0.63
Tunisia	0.12	0.13	0.67	0.37	0.61	1.18	0.59	0.33	0.50	0.68	0.23	0.03	0.41	0.29	0.33	0.11	0.27	0.27	0.23	0.16
United Arab Emirates	0.05	0.04	0.44	0.09	0.24	0.98	0.49	0.11	0.04	0.87	0.29	0.01	0.64	0.00	0.70	0.60	0.65	0.68	0.66	0.38
Yemen	0.33	0.43	0.90	0.71	0.90	2.62	0.90	0.30	0.29	0.84	0.42	0.17	0.71	0.63	0.87	0.83	0.65	0.68	0.87	0.90

This report assesses the development situation in Egypt using a new GDI designed by the United Nations Economic and Social Commission for Western Asia. The index undertakes assessments and provides policy conclusions based on dynamic comparisons with a large number of countries, evaluating performance in three broad areas: quality-adjusted human development, environmental sustainability and governance. The main finding is that, despite progress since the beginning of the millennium, Egypt has reached a low level of human development achievements, with the governance dimension constituting the area in greatest need of improvement.

This report presents key policy recommendations under three primary themes: increasing government effectiveness, enhancing water and food security, and bolstering economic resilience. To enhance governance in Egypt, it is essential to rethink the role of the State and to reform public institutions. Innovative solutions are required to enhance water and food security. This can be achieved by leveraging technological advancements to address the effects of urbanization, population growth and climate change on water and food resources. To enhance economic resilience, the low pass-through rate between national economic growth and household income growth must be addressed. This involves implementing policies that emphasize structural transformation and expanding industries capable of generating decent and sustainable employment opportunities.

