Preface

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Adopted by all United Nations Member States in 2015, the 2030 Agenda for Sustainable Development provides a blueprint for achieving peace and prosperity for both people and the planet. At the heart of the 2030 Agenda, the 17 Sustainable Development Goals (SDGs) reflect a recognition of the need to integrate and balance economic, social, and environmental dimensions of sustainability with an emphasis on the universal goal of "Leaving No One Behind". Since its adoption, the 2030 Agenda has been incorporated in the national priorities of many countries, including Egypt. In 2016, Egypt asserted is commitment to sustainable development with the launch of its first Sustainable Development Strategy (SDS): Egypt Vision 2030. The SDS is aligned with the priorities specified in the SDGs as well as the 2063 African Agenda. Moreover, the principles and objectives of the SDGs guide a number of mega-projects and initiatives in Egypt, including one of the most ambitious projects on the localization of the SDGs (Haya Karima[2]). These endeavours are also in line with the calls of the Decade of Action to enhance national implementation, mobilize financing, and strengthen institutions to accelerate the progress towards achieving the 2030 Agenda.

Against this background, the idea of compiling a report on "Financing Sustainable Development in Egypt" was developed in coordination with the League of the Arab States. The preparation of the report began in June 2020, with 19 experts and 5 researchers in the fields of economics, finance, development, and sustainability came together to work on the different themes identified for the report. Building on the spirit of partnerships emphasized in the SDGs, putting the report together provided a platform for knowledge sharing.

Through excellent coordination efforts from the Ministry of Planning and Economic Development of Egypt, the report was developed in close cooperation with various Government stakeholders and the Central Bank of Egypt (CBE). The authors received updated data and very helpful comments from the Ministry of International Cooperation, the Ministry of Finance, the Ministry of Communication and Information Technology, the Ministry of Social Solidarity, the Ministry of Trade and Industry, and the General Authority for Investment and Free Zones. The authors also received valuable comments from the Central Bank of Egypt. In addition to the engagement with the domestic competent institutions, the authors benefitted from extensive outreach by the Organization for Economic Co-operation and Development (OECD), and the United Nations System.[3] Further discussions and reflections took place with experts in relevant topics through a number of virtual roundtables.

Given the exceptional effort exerted by the authors in drafting the chapters and reflecting the comments received over several drafts, I opted for having each chapter presented with its authorship clearly acknowledged.

The report traces Egypt's aspirations and endeavours towards achieving the SDGs. Chapter 1, written by Racha Ramadan, demonstrates the significant progress made by Egypt on a number of SDGs, but also highlights that the country still faces some major challenges before being on track to achieving the other goals.[4] The chapter also stresses that accelerating progress towards achieving the SDGs depends on three critical factors: dependable data, effective implementation of development policies and programs, and adequate finance.[5]

In chapter 2, Mazen Hassan and Engi Amin, highlight that designing effective and coordinated policy actions, monitoring their progress, and preventing and managing crises require the availability of timely, disaggregated, and good quality data to enhance evidence-based policy making. This, as the chapter points out, calls for investing in data and strengthening data systems.[6] Effective implementation of policies and delivering results at the last mile require work at the grassroot level to close all development gaps that may persist at the subnational level. Suzanna Elmassah in Chapter 11 stresses the importance of custom-made plans to bridge such gaps and emphasizes the localization of the SDGs and pursing inclusive growth.[7]

Achieving the SDGs and the national development ambitions requires the availability of adequate financing and the alignment of both public and private financial resources with sustainable development. By all measures, the level of financing needs to achieve the ambitious 2030 Agenda was already high even before the COVID-19 pandemic, which only added to these needs. Developing economies faced an SDG financing gap of USD 2.5 trillion per annum. This gap widened after the pandemic to spike to USD 4.2 trillion.[8] A pre-requisite for dealing with the finance challenge facing the SDGs is to have solid estimates of the cost of achieving them and an accurate mapping of how the different financial flows are utilized.

According to the global study by Gasper and others, prior to COVID-19, low-income developing countries faced an average additional spending of 15 percentage points of their GDP in 2030 to make substantial progress toward the SDGs in the areas of education, health, roads, electricity, water and sanitation. For emerging economies, the average additional total spending required represented 4.2 percentage points of their 2030 GDP.[9] Focusing on the sectors of electricity, transport, water and sanitation, flood protection, and irrigation, Rozenberg and Fay estimate that annual investments of 4.5 per cent of GDP from 2015 to 2030 would allow low-and middle-income countries (LMICS) to reach infrastructure-related SDGs and stay on track to limit climate change to 2 degrees Celsius. LMICS would also need to spend around 2.7 per cent of their GDP annually in maintenance costs for their existing and new infrastructure, increasing the overall investments to be around 7.2 per cent of GDP.[10] When being planned and implemented, investments and national projects need strong monitoring and evaluation systems in place to guarantee better public investment management and infrastructure governance. This is crucial considering the global estimates that show that an average low-income developing country loses around 53 per cent of the return on its investment to inefficient public investment management, in contrast to an efficiency losses of 34 per cent and 15 per cent in emerging market economies and advanced economies, respectively.[11]

These global SDG cost estimates need to be complemented by granular examinations at the national levels as global and regional aggregations tend to mask asymmetric access to finance and to downplay the role of policy and institutions in implementing national goals. Moreover, costing national development priorities allows countries to assess their future expenditure requirements, to plan their budgets and to pin down the additional resources that need to be mobilized. Such careful identification of the cost and of available financial flows is crucial in the Egyptian case as the country is embarking on ambitious initiatives and mega-projects that could benefit from the multiplier effects and positive externalities inherent in the SDGs, as shown by Dahlia El-Hawary and Miral Shehata in Chapter 13.[12]

Investments in the SDGs that maximize synergies, minimize trade-offs, and address the priorities of the local communities involved can lead to a reduction of the required expenditures of achieving the SDGs in Egypt by 22 per cent, compared to the initial allocation that is calculated based on the sum of individual SDGs costs.[13] The Haya Karima project, which covers approximately 60 per cent of total population and focuses on rural Egypt, is estimated to cost USD 45 billion during its three year implementation period. This is roughly 4.2 per cent of Egypt's GDP. Comparing that figure to the 4.2 per cent of emerging economies average as proposed by Gasper and others, this shows that the estimate is a conservative one.

Several national costing exercises are being undertaken in Egypt. One noteworthy exercise is the SDG Costing Framework designed by the United Nations Economic and Social Commission for Western Asia (ESCWA). The framework is based on a costing sequence that considers methodologies adopted by national authorities as well as the estimates rendered by the United Nations specialized agencies and institutional stakeholders. This framework comes in line with advancing pilots of Integrated National Financing Frameworks (INFFs).

A country's INFF establishes a framework for financing national sustainable development priorities as it spells out how the country's national strategy will be financed and implemented. As discussed by Diaa Noureldin and Reham Morsy in Chapter 3, INFFs consider finance in a wider scope as they study the role of government policies and institutional designs to address funding challenges.[14] It is noteworthy that Egypt is taking solid steps towards developing its INFF through its joint program with the Joint SDG Fund.[15] This step comes in line with an increasing global interest, particularly from the OECD and the European Union, in INFF and cultivating partnerships to support progress in countries towards achieving their national sustainable development priorities.[16]

Based on the INFF, and in line with the global Financing for Development (FFD) framework, the report goes on to analyse the different financial flows in the Egyptian financing landscape. The first and the increasingly important source of finance is domestic public finance as analysed by Khaled Zakaria Amin and Israa A. El Husseiny in Chapter 4.[17] Fiscal policies should work to ensure that no one is left behind during the transitional phase of reforms. Walaa Talaat in Chapter 5 shows that this can happen through supporting the development of properly planned and fiscally sustainable social protection systems that improve access to essential services and contribute to breaking the cycle of poverty.[18] These national channels usually need to be complemented with international public finance, through both concessional and non-concessional financing resources. Rawda Ali explains in Chapter 12 the role of international development cooperation and its different tools in financing and contributing to SDGs in the Egyptian context.[19] In most cases, financing the country's development agenda requires resorting to further borrowing that needs to be based on a prudent debt management strategy to ensure debt sustainability as demonstrated by Sarah El Khishin in Chapter 8.[20]

Consistent with public finance policies and resources, Chapter 6 by Moataz Yeken shows how the private sector is a key partner owing to its capacity to compete and innovate as well as its role as an instrumental contributor to closing the SDG investment gap.[21] Well-functioning businesses should be backed by a supportive financial sector that can efficiently channel the necessary funds towards the implementation of SDGs. In Chapter 7, Noha Emara analyzes the performance of Egypt's banking and non-banking financial sectors and presents an assessment of the challenges and new opportunities for financing sustainable development in Egypt.[22] In addition to finance as a critical enabler for achieving the SDGs, Chahir Zaki shows in Chapter 9 how trade can be a possible engine for inclusive economic growth and poverty reduction.[23] Science, Technology, Innovation, and Digitalization (STI+D) grouped together can be considered as the third enabler. Maged Ghoneima and Khaled El Sayed analyse the STI+D landscape in Egypt in Chapter 10.[24]

Throughout the chapters of the "Financing Sustainable Development in Egypt" report, the key message that is clearly emphasized is that finance goes beyond mere funding. Finance for Sustainable Development is a critical measure as it provides a comprehensive framework to enhance the efficiency of funding and directing the flows of funds. It helps maximize coordination and complementarity among the different sources of funding, and incentivizes warranted changes in investment, production, saving, and consumption. For finance to contribute to sustainable development, it needs to be evidence-based, supported by effective institutions and well-coordinated public policies with frequent monitoring and evaluation so as to achieve the common good aspired to in the SDGs.