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Has spending on health and education declined in the 2023/2024 budget? (Official Government Statement)



The Ministry of Finance has denied claims circulated on various websites and social media pages regarding the decline in spending on the health, education, and scientific research sectors in the 2023/2024 budget.

[Link](#)

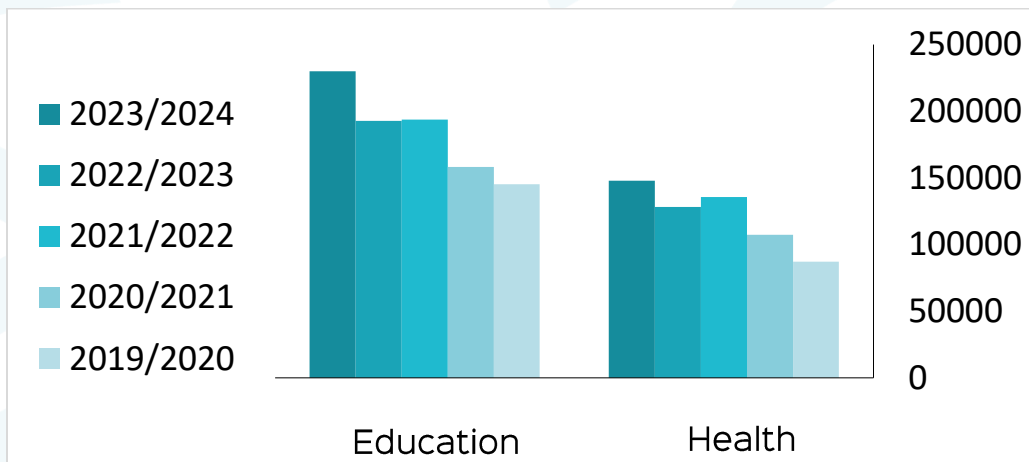
Our Views

Recently, questions were raised about spending allocation for the education and health sectors in the 2023/2024 budget, and the extent of Government commitment to these constitutional entitlements. In what follows, this issue of “Views on News” aims to formally answer these questions and identify the items that fall under each sector according to the budget, compare Egypt’s spending on these two sectors with other countries, and discuss the impact of the increase in public debt service on allocations for the two sectors.

- The Ministry of Finance is expanding the concept of spending on education to include expenditure related to any educational activities by all ministries, their affiliated departments, public bodies, whether categorized as service or economic entities, as well as any governmental scientific or research centers. This expansion also encompasses the educational expenditures of public sector companies and the public business sector. Similar to education, the Ministry of Finance's definition of spending on health extends to include, for example, spending on water and sanitation services as well as other activities that do not necessarily fall directly under the jurisdiction of the Ministry of Health. In addition, the Government considers the two sectors' share of loan and interest repayments as spending on education and health, which unrealistically inflates the budget of the two sectors.
- Indeed, allocations for education and health witnessed an increase in the 2023/2024 budget, but only nominally, as shown in Figures 1 and 2. For example, nominal spending on education increased from EGP 193.7 billion to EGP 229.9 billion between 2021/2022 and 2023/2024—a growth rate of 19%. On the other hand, real spending on education increased from EGP 108.6 billion to EGP 108.9 billion over the same period—a growth rate of only 0.3%. In the health sector, the discrepancy between nominal

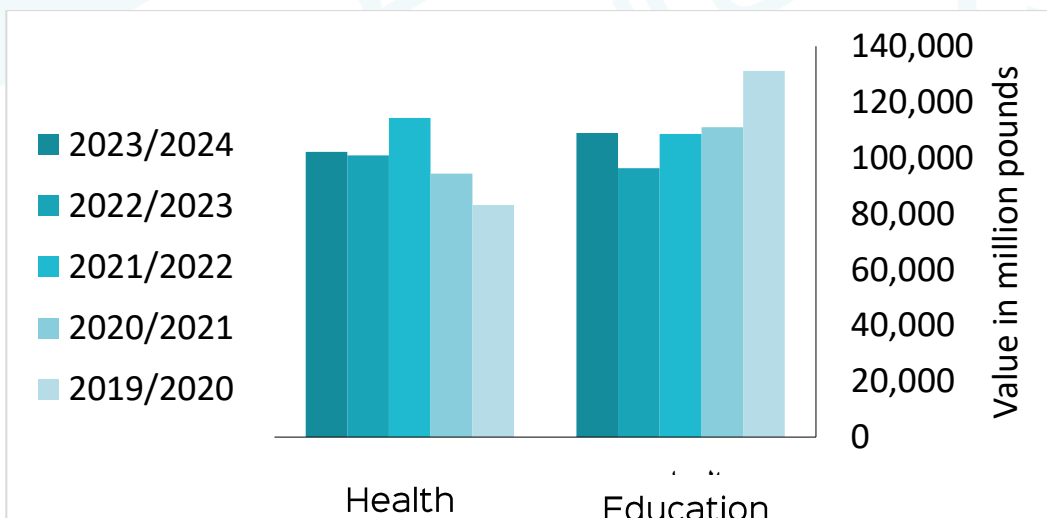
and real spending increases, as nominal spending on health rose from EGP 135.6 billion to EGP 147.8 billion between 2021/2022 and 2023/2024—a growth rate of 9%. But this increase was not sufficient to compensate for the negative impact of the high inflation rate, resulting in real spending declining by 10.7% from EGP 114.3 billion to EGP 102.1 billion during the same period.

Figure 1. Nominal spending on education and health



Source: ECES calculations based on State budget data.

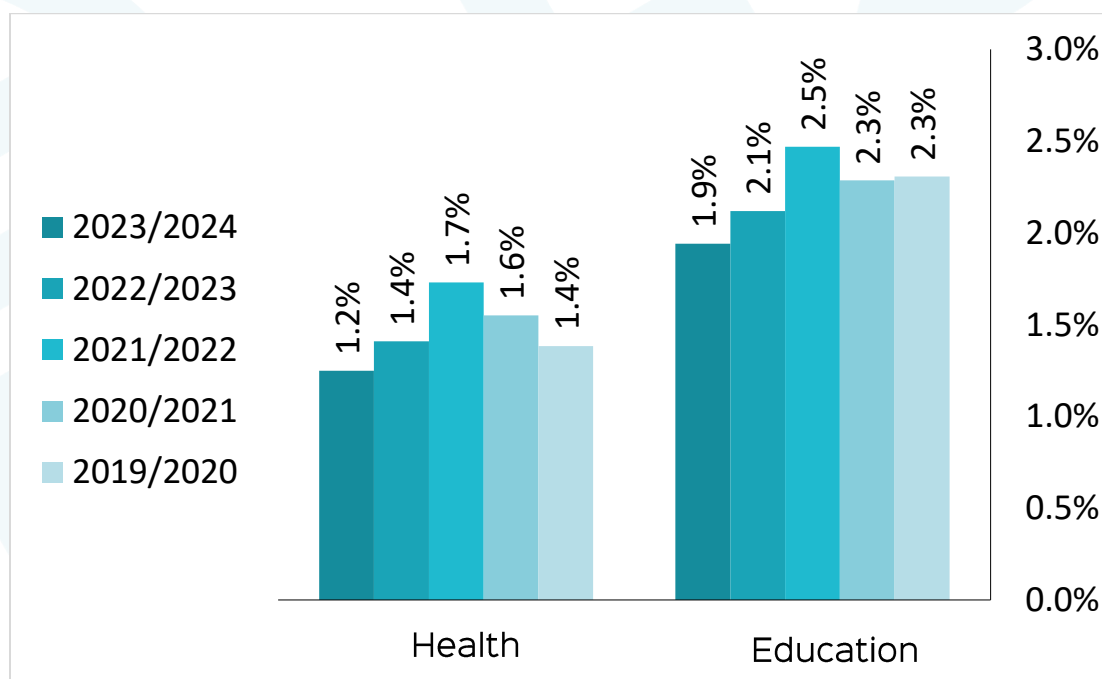
Figure 2. Real spending on education and health



Source: ECES calculations based on State budget data.

- As shown in Figure 3, spending on education declined as a percentage of GDP from 2.5% in 2021/2022 to 1.9% in the 2023/2024 budget, and health spending decreased as a percentage of GDP from 1.7% to 1.2% over the same period. These percentages are significantly lower than those set in the constitution (3% for health, and 4% for basic education), which the Ministry of Finance claims to have met.¹ This is because we used the proper definition of spending on education and health, without additions that inflate the percentages.

Figure 3. Spending on education and health as a percentage of GDP

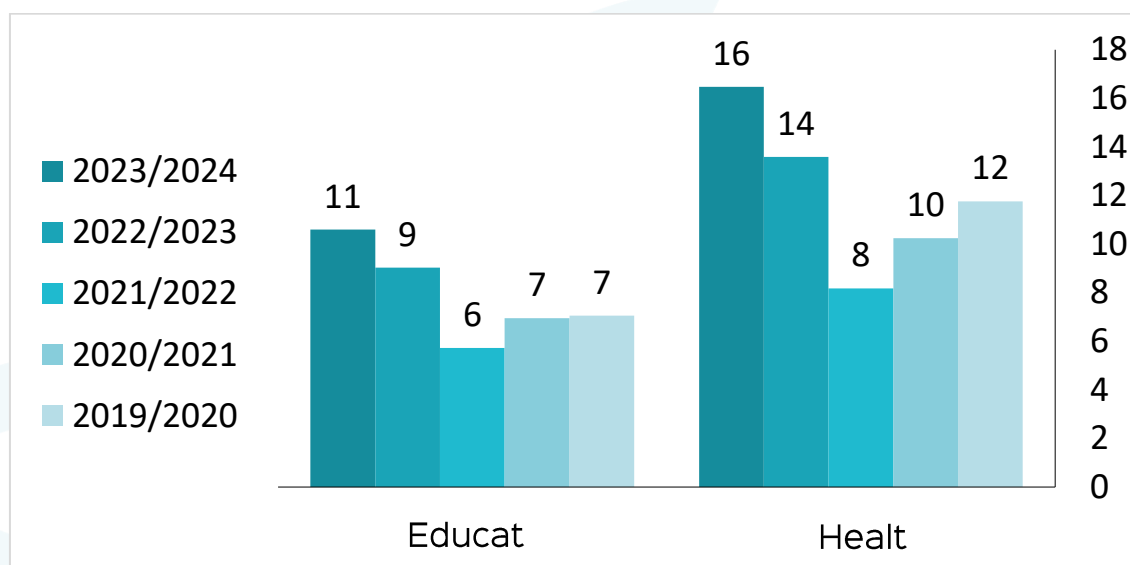


Source: ECES calculations based on State budget data.

¹ <https://shorturl.at/hwCH9>

- Therefore, the increase in government spending on education and health is unreal. In fact, it is lower if the correct definition of the constituent elements of the two sectors is adopted, and the elements that are indirectly related are excluded, as discussed above.
- Compared to countries that have been able to achieve a real economic renaissance based on the development of their human capital, we find that spending allocations for education in Egypt are very low. In Singapore, it amounted to 20% on average of total expenditure annually during the last decade, and this percentage decreases slightly to 19.6% in Malaysia and to 16% in Brazil during the same year. As for Egypt, this percentage reached only 7.6% in the current budget. The situation does not differ as significantly in the health sector compared to other countries. Government spending as a percentage of GDP on health in Egypt recorded 1.2% (percent of GDP) according to the latest budget compared to 9.2% in Japan, 8.9% in Germany, 8.5% in the United States, 4.1% in Algeria, and 3.8% in Jordan.
- It should also be noted that public debt service is high, which may not seem to have direct relationship with our subject, but in fact, the high debt service threatens the stability of the financial system, and limits the state's ability to spend on social sectors such as education and health sectors, especially in times of crisis. Debt service (interest and loan installments) devour 81% of total public expenditure in the fiscal year 2023/2024 compared to 71% in 2019/2020. On the revenue side, debt service amounted to 1.6 times the tax revenue in the current fiscal year compared to 1.4 times in 2019/2020. As for social spending alone, debt service in the current fiscal year registered 16 times the spending on health and 11 times the spending on education—rates that have been continuously increasing since 2019/2020, as shown in Figure 4.

Figure 4. Spending on debt service to spending on education and health



Source: ECES calculations based on State budget data.

- It is clear from the analysis above that structural problems persist with budget preparation, the structure of public revenues, the efficiency of spending, and failure to implement Article 238 of the Egyptian Constitution regarding allocation for spending on education and health. This indicates that the government has not changed the method of preparing the budget in terms of the set of accounting and legislative foundations, standards, and rules that have been in place for many years, despite its limited ability to achieve development goals and the resulting imbalances in implementation, which was covered in a working paper prepared by ECES titled “Sound Budgeting as a Driver of Change: A Detailed Comparative Analysis in Light of Best International Standards and Practices”,² as well as previous issues of Views on News.³

² <https://eces.org.eg/wp-content/uploads/2023/02/Budget-WP-219-Ar.pdf>

³ <https://eces.org.eg/wp-content/uploads/2023/05/VON-En-690-10-5-2023.pdf>
<https://eces.org.eg/wp-content/uploads/2023/02/VON-EN-672-30-3-2022.pdf>

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