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Financing the SDGs in Egypt: Evaluating the Current Practices and Challenges

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Abstract:

Financing development is one of the main challenges facing the achievement of the sustainable development goals (SDGs). It requires the collaboration of all parties and the integration of different sources of finance including private, public, national and international as well as creating innovative sources of finance. The aim of this paper is twofold. First, it highlights the concept of finance for development and emphasizes the role of Domestic Resource mobilization (DRM) in this process in the African context. Second, it analyzes the current practices of financing the SDGs in Egypt and the challenges it faces. This paper suggested three different scenarios for financing the SDGs in Egypt and introduces some policy recommendations concerning financing the SDGs to help achieving global sustainable development and prosperity.

1. Introduction

In September 2015, the United Nations launched a global 2030 Agenda, and unveiled a set of goals for achieving sustainable development by 2030. Known as the Sustainable Development Goals (SDGs), the 17 goals and 169 associated targets define the development agenda to lead the world towards a path of economic development, social inclusion and environmental sustainability for the 15 years ahead.

Finding the necessary resources for adopting the ambitious global 2030 Agenda is challenging, especially for least developed countries. Achieving the SDGs and addressing global challenges such as climate change require considerable financing. It requires mobilizing resources from a variety of sources, including international partners, domestic budgets, foundations and philanthropy, as well as the private sector (Aiddata 2018). Official development assistance (ODA) is falling short of what countries need, and ODA commitments remain unfulfilled. In this respect, the third International Conference on "Finance for Development (FfD)" held in Addis Ababa in July 2015, approved a comprehensive Action Agenda which aims at supporting financing development and the implementation of the 2030 Agenda.

On the national level, and in alignment with the 2030 Agenda, in March 2015, Egypt launched its strategy for sustainable development, "Egypt's Vision 2030". The Egyptian forward-looking strategy is unprecedented in its scope and significance at the national level. It spans over the three dimensions of sustainable development, namely; economic, social and environmental dimensions, and outlines the broader principles which will guide Egypt in pursuing its developmental goals. The overarching aim of the strategy is for Egypt to possess a competitive, balanced and diversified economy, dependent on innovation and knowledge, based on justice, social integrity and participation, in a balanced and diversified ecological collaboration system, investing the ingenuity of place and human capital to achieve sustainable development and to improve Egyptians' quality of life, in a state- driven process, with the full participation of all relevant stakeholders (MIC 2016).[1]

On the regional level, In Agenda 2063 and Agenda 2030, Africa has its major development aspirations defined in the broader global and continental economic development context. Implementation of the two Agendas calls for substantial financial resources at a time when the global development finance landscape is changing, from a model centered on official development assistance (ODA) and the coverage of remaining financing needs through external debt, to a framework with greater emphasis on the mobilization of domestic resources (Nnadozie et al. 2017).

The Sustainable Development Goals were adopted in September 2015, replacing the Millennium Development Goals (MDGs). Although substantial progress has been made, most African countries have not reached most of the MDGs (2000-2015), partly due to the failure to secure the US $64 billion needed per year (Signe' 2016). Africa requires a double-digit growth rate of 16.6 per cent per year between 2015 and 2030 to end extreme poverty by 2030, which corresponds to an investment-to-GDP ratio and a financing gap to GDP ratio of 87.5 and 65.6 per cent per annum, respectively (Kedir et al. 2017).

The aim of this paper is twofold. First, it highlights the concept of finance for development and emphasizes the role of Domestic Resource mobilization (DRM) in this process in the African context in light of the decreasing role of ODA in fulfilling the development finance requirements. Second, it analyzes the current practices of financing the SDGs in Egypt and the challenges it faces through different scenarios.

This paper is organized as follows: Section 2 identifies the concept of finance for development. Section 3 identifies the means of implementation of the SDGs. Section 4 presents financing development in Africa, while Section 5 analyzes the key practices and challenges of development finance in Egypt and addresses different scenarios for financing the SDGs in Egypt, followed by policy recommendations in section 6.

2. Finance for Development

UNCTAD estimates that achieving the SDGs by 2030 will require $3.9 trillion to be invested in developing countries each year. It also notes that with annual investment of only $1.4 trillion, the annual investment gap is $2.5 trillion (UNCTAD 2014). To the extent that there is a gap between required and currently available funding to meet the goals and needs, the finance for development (FfD) process, at all levels, tries to close this gap through increasing the level of current existing sources of finance as well as exploring additional sources of finance., It also deals with efforts to enhance the efficiency or effectiveness of their use at innovative ways of realizing this process, both in terms of the use of innovative instruments as well as innovative technologies to enhance its effectiveness in producing desired outcomes and meet targets (Biekpe et al. 2017).

[1] For detailed information about Egypt Vision 2030, see the official website :www.sdsegypt2030.com

“Financing for Development”, also known as “Financing Development” or “Development Finance” is a broad concept, encompassing not only the use of international financial resources, including Official Development Assistance (ODA), but also the mobilization of domestic resources (including tax revenues), the strengthening of the role of the private sector in financing development or other types of broadening the funding base by innovative financing resources and mechanisms. This holistic approach has started with 2002 Monterrey Consensus which recognized that all sources of financing, public and private, international and domestic, were needed to finance development (Biekpe et al. 2017)

Although ODA represents an important source of finance, it was not sufficient to achieve the MDGs and close the gap, and was dwarfed against other international sources. Ratha et al. (2015) show that, whereas in the past, ODA constituted up to 70% of financial flows to developing countries, its corporation of all financial flows continues to decrease. Flows related to foreign direct investments (FDI), portfolio debt and equity flows, as well as remittances now make up the lion’s share of external flows. As such, it was crucial to include these other international flows into the process and enhance their role in development. Moreover, it was crucial to make sure that these other types of external finance became more available to lower-income countries, which remain relatively more excluded from these private flows and continue to rely more on ODA-related flows.

Failing to achieve some of the MDGs, the adoption of 2030 Agenda, has led to a new impetus of the thinking on how to further broaden financing of development. The Addis Ababa Action Agenda (AAAA) identifies seven key action areas in the field of FfD, and introduces a framework for data collection monitoring and follow-up (UN 2015)**.**

These seven action areas of the AAA are:

1. Domestic public resources
2. Domestic and international private business and finance
3. International development cooperation
4. International trade as an engine for development
5. Debt and debt sustainability
6. Addressing systemic issues
7. Science, technology, innovation and capacity-building

The main multilateral organizations and agencies involved, with the World Bank Group, IMF, WTO, UNCTAD, UNDP as the major ones and the FfD Office at the UN acting as the coordinator, were joined in an Inter-Agency Task Force on Financing for Development (IATF) responsible not only for implementing key ingredients of the AAA, but also for providing support to this monitoring process .Their activities should be complemented by interventions of national development finance institutions that operate mainly domestically (Biekpe et al. 2017).

3. Means of implementing the SDGs

A major shortcoming of the MDGs was the failure to spell out clearly the resources required for implementation. SDGs attempt to overcome this problem by doing so more comprehensively, in a more meaningful spirit of partnership. Means of implementation (MOI) for all SDGs are addressed in SDG 17 (Strengthen the means of implementation and revitalize the global partnership for sustainable development), SDG targets on MOI under each SDG as well as the Addis Ababa Action Agenda (AAAA) on financing for development (FfD). Together, these agreements provide the normative framework, targets to guide policy directions and indicators to quantitatively assess the mobilization of resources for SDG implementation. However, a number of potential MoI are missing in these targets, including mobilization of innovative finance (e.g. foreign exchange transaction fees, carbon tax) and blended finance.

3.1 Different means of Implementation

Bhattacharya and Ali (2014) suggested that MoI may be presented as two broad sets of modalities and instruments. First, the means of implementation could be distinguished from the perspective of key instruments: financial and other (non-financial). Second, they may be considered from the perspective of level of operation: global and national policies and institutions, although some may be regional. A depiction of such means of implementation is shown in Table (1).

Table (1): Means of Implementation of the SDGs

Sources		Global Level	National Level
Financial	**Traditional Sources**	▪ Official Development Assistance ▪ Debt relief ▪ FDI	▪ Domestic Revenue ▪ Public- private partnership
	Innovative Sources	▪ Combating illicit financial flows and tax evasion ▪ Foreign exchange transaction fees ▪ Global carbon tax ▪ Tobacco levy	▪ Blended finance involving International sources
Non- Financial	**Systemic**	▪ Trade in goods- export access and capacity (including Aid- for –Trade) ▪ Trade in services- oversees remittances ▪ Climate negotiations and outcome ▪ International tax agenda and illicit financial flows ▪ Global financial architecture and economic stability ▪ Transfer of technology and intellectual property rights regime ▪ Regional partnerships	
	Others	▪ Global dialogue frameworks and agreements ▪ Global data compiling and monitoring ▪ South-South cooperation	▪ Internal dialogue with CSOs. Private sector and other stakeholders. ▪ National governance (including crime and corruption), capabilities and institutions, land titles and business climate.

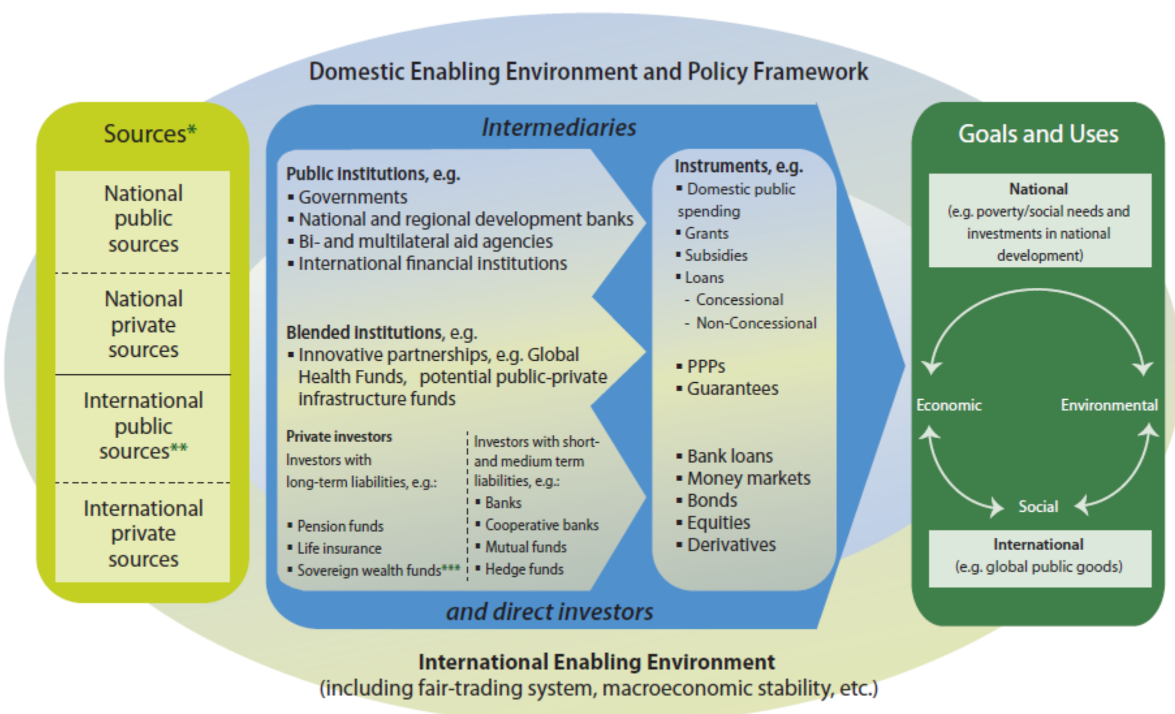
Source: (Bhattacharya and Ali 2014)

The global partnership in the post 2015 era means mutual cooperation among actors in development cooperation. Beyond the relationships between developed and developing countries or donors and recipients, emerging developing nations, civil society and the private sector will play a major role in the evolving global development landscape (Jione and Young 2015).

Considering that the challenges the international community is facing become broader in scope and more complicated in context, additional resources and innovative financial instruments are absolutely necessary in the pursuit of renewed development agenda.

UNGA (2014) developed a strategic approach, derived from a comprehensive flow of funds analysis from sources to uses, including the intermediaries that channel these flows. This framework builds on the Monterrey Consensus but adds new elements to address today's challenges: it incorporates new challenges, such as combatting climate change, into the substantive framework; it treats the economic, social and environmental dimensions of sustainable development in an integrated manner; and it sheds light on how to design new policies to incentivize investments by taking into consideration the complementary nature of different sources and by analyzing the underlying mandates and incentives of different intermediaries. Figure (1) illustrates the analytical framework that has guided in formulating this sustainable development financing strategy. Financial sources can be arranged into four categories: domestic public, domestic private, international public and international private sectors. The challenge for policymakers is to channel and incentivize more of these diverse and decentralized sources of financing into desired investments in sustainable development.

Figure (1): Flow of Funds from International and National Financing Sources to Sustainable Development



Source: UNGA (2014)

As depicted in figure (1), financing decisions, in all cases, whether public or private, are influenced by national policy frameworks and the international financial architecture, the extent of appropriate and effective financing institutions, and the design and development of instruments to facilitate and help overcome impediments to investment in sustainable development.

This paper will focus on domestic resource mobilization as a main source of finance for development in light of the decreasing role of ODA in fulfilling the development finance requirements.

3.2. ODA as a Traditional Source for Finance for Development

Official development assistance (ODA) has played an essential role in development financing, especially for those countries with less access to private capital flows. ODA was relatively stagnant in real terms from 1990 to 2002, rising from $86 billion to $89 billion (constant 2012 dollars). Since then it has risen steadily, reaching a new peak of $134.7 billion in 2013. Even with this growth, however, ODA remains far short of the target of 0.7 percent of gross national income of DAC countries, and prospects for achievement of that target are bleak (Kharas 2014).

The characteristics of ODA that make it the best source of external capital for development are (Kharas 2014)**:**

1. Concessionality (mostly grants but also highly concessional credits)
2. Stability and predictability (often programmed in advance, and pledged and committed at an official level)
3. Availability for core public expenditures as well as filling balance of payments deficits;
4. Linkage with knowledge and experience of projects and programs that have been effective elsewhere.

To increase the development impact of ODA, each of these attributes should be increased. However, the relative importance of ODA has been diminishing in many developing countries in comparison to other sources of external finance. Nonetheless, ODA will remain a crucial part of international development cooperation in implementing the post-2015 agenda, particularly for countries most in need. In 2013, ODA represented over 90% of the USD 32 billion in financial inflows to least developed countries (Jione and Young 2015).

3.3 Domestic Resource Mobilization

Domestic resource mobilization (DRM) is believed to have the potential to play a pivotal role in financing the sustainable development agenda 2013 of eradicating extreme poverty and minimizing socioeconomic disparities and addressing environmental challenges as well as the African Agenda 2063. Interest in domestic resource mobilization in developing countries is increasing and it is becoming an important source of sustainable and efficient development (AFCOP- MFDR).

Interest in domestic resource mobilization (DRM) in developing countries is increasing and attention on its role and importance as a sustainable and efficient source of development financing stems from the Monterrey Consensus. Adopted at the International Conference on Financing for Development in 2002, the Consensus was based on the premise that the challenges faced around financing for development required a global commitment and response. The ACBR (2015) defines DRM as the generation of savings and taxes from domestic resources, and their allocation to economically and socially productive activities, as opposed to external sources of financing such as foreign direct investment, loans, grants or remittances.

4. Financing the SDGs in Africa

The African continent is going through its own complex economic and financial transformation, both in the context of the global economy as well as in its own terms. Africa continues to face enormous development challenges despite increased global efforts at transforming the continent since the late 1940s to early 1950s. The beginning of the twenty-first century brought great hopes for the advancement of the continent with the Declaration of MDGs, along with the Poverty Reduction Strategies and a series of development aid pacts. Yet, the continent has continued to lag behind; poverty is still on the increase in real terms. The SDGs comes in while the continent is still facing continued and enormous challenges with regard to financing development. This has spurred increasing debate as to what would be the alternative development financing solutions for Africa (AFCOP- MFDR).

The achievement of the SDGs in African nations requires a bold approach to development finance – one that significantly increases long-term, public and private investments on the continent. Unlike the period of the MDGs, during which there was a major focus in ODA, the SDGs will require all types of financing – public, private, international and domestic – to be achieved. As a result of this need, new frameworks for development finance are required for national governments and financial institutions (SDGC/A 2017).

4.1. Key prepositions for SDGs financing in Africa

The SDG Center for Africa (SDGC/A) was launched in 2017 to help governments, business and civil society across the continent accelerate progress towards the SDGs and it commits to working with all African governments and financial institutions on this agenda and to help contribute to financing the SDGs in Africa. It highlights ten key propositions regarding the financing of the SDGs in African, which are as follows:

1. The SDGs must constitute an investment plan for countries and regions in the African continent.
2. The African continent requires between an incremental $200bn and $1.2trillion per annum for the SDGs to be achieved
3. There is ample global capital, public and private, to finance the SDGs in Africa
4. There is no magic bullet for SDG financing. All types of financing will be required for African nations to achieve the SDGs
5. Domestic and regional financial institutions will play a crucial role in the achievement of SDGs in Africa
6. The Programme for Infrastructure Development in Africa (PIDA) has significant potential and should be supported with financial, political and human resources

7. “Emerging” donors and investors will play a critical role in financing the SDGs in Africa. Specifically, the China-Africa nexus will be even more critical during the SDG period than the MD period because of the external orientation of China and the Belt and Road Initiative in particular.
8. Global Funds, such as the Global Fund for AIDS, TB and Malaria, can play a breakthrough role during the SDGs. One particular area of focus should be a Global Fund for Education
9. City level financing is required throughout Africa, yet very few cities have access to large scale financial markets and flows
10. Human capital is essential for SDG financing in Africa. Certain skills are needed in various functions of government and the economy. Local universities can play a larger role in this process.

As of January 2017, there has not been sufficient action at the global, regional or national level to unlock financing for SDG attainment in Africa. (SDGC/A 2017) suggested that to spur the financial system design changes that are needed, African governments must be first movers in both analyzing and then articulating how the SDGs can be achieved at the national level. It outlined first steps for three key institutional groups for the SDG Financing agenda specifically which are highlighted in table (2).

Table (2): Immediate steps for SDG financing in Africa

For National Planning Commissions	All national and regional plans must be re-examined and re-assessed with the SDG Agenda in mind and changes be made if needed. In some instances, a revision of the National Plan may be in order to ensure the holistic framework of the SDGs is captured by the National Plans.
For Finance Ministries	An assessment must be made of the investment gaps implied by the SDGs from 2017-2030. The Finance Ministry should be in charge of this exercise, although the specific investment gaps will be measured by line-ministries, specifically for Health, Education, Agriculture, Energy, Infrastructure and Environment.
For Central Banks and Development Banks at all scales	While investment gaps are being calculated, these financial institutions must assess what institutional design and regulatory reform is needed to align financial institutions with the needs of the SDGs. This assessment should take into account innovations in central bank and development bank operations globally, ranging from Bangladesh to Brazil, on SDG alignment.

Source: SDGC/A- The SDGs Center for Africa (2017)

4.2. Domestic Resource Mobilization in Africa

The commitment of African countries towards a successful implementation of the SDGs and Agenda 2063 will be meaningless in the absence of hard financial commitments, including the mobilization of domestic resources. This viewpoint has gained attention with increased global economic and political crises leading rich countries to focus on their domestic issues. Resources for international cooperation are getting smaller with these developments (Nnadozie et al. 2017).

Though not a magic bullet or panacea to Africa's development challenges, effective domestic resource mobilization can be leveraged by African countries to improve the sustainability, efficiency, accountability, and ownership of their development results. Economists generally recommend the use of domestic savings rather than external borrowing to finance investments in developing countries. Several reasons account for this recommendation (see for example AFCOP- MFDR; Kuada 2013; Biekpe et al.2017 and Nnadozie et al. 2017).

It has the potential to:

1) Reduce Africa's dependency on external flows, and foreign aid, thereby reducing the damaging effect of resource volatility, and minimizing vulnerability to external shocks that may lead to debt crisis.
2) Give African countries flexibility and greater policy space, increased ownership of development process as well as strengthen the capacity of African States
3) High domestic savings is necessary for high investment and growth while it is important to build strong domestic fiscal and financial systems.
4) Create positive externalities and send optimistic sign to donors and investors, thereby augmenting external resource inflows.

In spite of these obvious advantages, the available evidence suggests that African countries tend to rely a lot more on external sources of finance than mobilizing domestic capital resources. The reasons are partly the low levels of domestic savings in Africa, the political sensitivity of increasing tax revenues and the poorly developed domestic capital markets. One of the consequences of this reliance on external financing is the heavy debt burden that many African countries have experienced to date. As an example, the external debt for African countries was estimated to be US$300 billion in 2009 and about 16 per cent of the continent's export earnings were spent on serving it that year. (Kuada 2013)

The clear message is that the financing gap problems in general and external debts in particular, remain major economic problems in Africa. Furthermore, domestic resources provide nations with a more solid grounding for sustainable growth by mobilizing both capital and social resources that facilitate a people-centered development process. Such resources also free governments and policy makers from the "conditionalities" and externally-generated vulnerabilities associated with external sources of finance. In addition to these, they provide them with greater variety of policy choices and scope of maneuver. But the main challenge is to raise African citizens' preparedness to sacrifice the fulfillment of some of their short-term needs in order to achieve the long-term gains of economic growth (Kuada 2013).

The emphasis on DRM does not mean that external resources should be discouraged. The point in emphasizing DRM is simply that there are certain drawbacks to being excessively reliant on external resources and that it is ultimately better for countries to gradually mobilize more resources domestically. Coupled with deployment of other (innovative) financing solutions, hopes could still be high that the continent will overcome its development challenges.

Nnadozie et al. (2017) addressed the state of DRM in Africa statistically and focused on trends in savings, taxation and illicit financial flows. They also noted that the capacity component of DRM appears to have received little attention in the development discourse. They identified weak tax administration, inefficient collection of tax in the agriculture and informal sectors, financial non-inclusiveness, as well as high levels of illicit financial outflows as the major capacity challenges faced and emphasized the need to strengthen capacity building of human and institutional capacity, not only at country but also at the regional level, as well as the need to modernize tax administration and promote full financial inclusion. The authors also point at the crucial dimension of political will and mind-set change at all levels.

One particularly important component of DRM does not relate to the public sector but relates to mobilizing private savings for ‘productive use’ (from a development goals perspective), as well as assuring that households as well as micro-enterprises and Small and Medium-sized Enterprises (SMEs) are financially included, for example, have access to appropriate types of finance, in terms of savings, lending and insurance facilities. What is generally labelled as micro-finance has been put forward as the key solution to realizing this goal of universal financial access to finance. Furthermore, it has been shown convincingly that access to financial services can help achieve the SDGs (Biekpe et al. 2017).

5. Finance for Development in Egypt: Current Practices and Challenges

Egypt has adopted an approach towards achieving sustainable development that is characterized by a high level of ambition, firm commitment and dynamic innovation. It has proven to be a strong and resilient nation in the face of various challenges: economic, social, and political; and at all levels: global, regional and national. Egypt began developing its vision Sustainable Development Strategy (SDS): Egypt Vision 2030" in 2014, launched in early 2016. The launch of the strategy signals the start of its implementation process, which is aligned with the SDGs in terms of both content and implementation period (MIC 2016).

To move forwards with implementation, the strategy was reflected in the Government program for the period 2016- 2018, which represented the executive program of the SDS in the medium term. In addition, the Government developed the sustainable development plan for the FY 2016/2017, which represents the execution plan for the first year of SDS implementation.

This section will discuss the achievement of Egypt concerning the MDGs and the current practices and challenges for financing the SDGs as well as possible scenarios for future financing and mobilization of resources.

5.1. Evaluation of Egypt MDGs Achievement and Financing methods

Like most countries, Egypt had faced some challenges in achieving the MDGs. Egypt has succeeded in achieving some of the MDGs such as goal (6): Combat HIV/AIDS, malaria and other diseases, as well as goal (7): Ensure environmental sustainability. However, it failed to achieve some of these goals as well. Table (3) summarizes Egypt's status in terms of achieving the MDGs.

Table (3): The status of MDGs achievement in Egypt

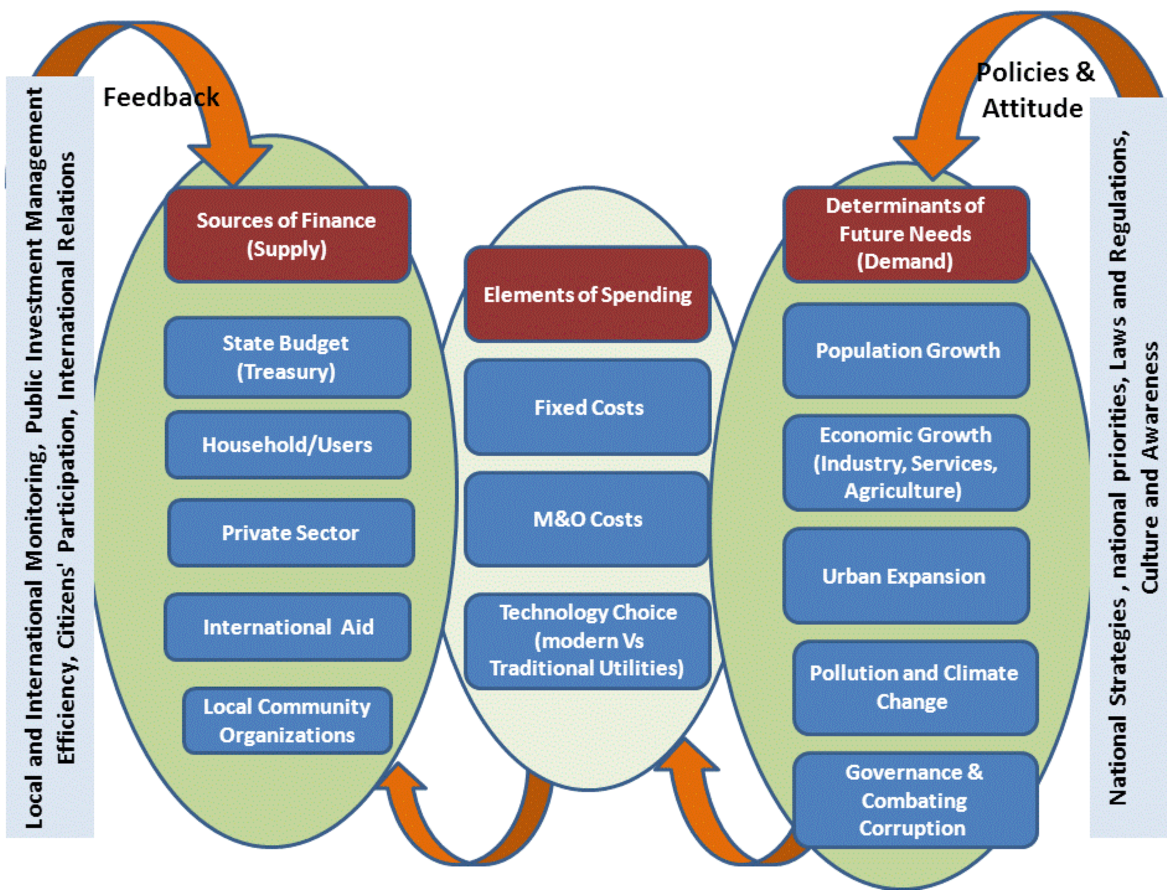
MDGs	Already achieved	Difficult to achieve
MDG 1: Eradicate extreme poverty and hunger		
- Proportion of population below the national poverty line		●
- Achieve full and productive employment and decent work for all		●
MDG 2: Achieve universal primary education		
- Net enrolment rate in primary education		●
- Net enrolment rate in preparatory education		●
- Literacy rate, women and men		●
MDG 3: Promote gender equality and empower women		
- Ratio of girls to boys in primary and secondary education	●	
- Share of women in wage employment in the non-agricultural sector		●
- Proportion of seats held by women in national parliament		●
MDG 4: Reduce child mortality		
- Under-five mortality rate	●	
- Proportion of 1 year-old children immunized against measles		●
MDG 5: Improve maternal health		
- Maternal mortality ratio		●
- Contraceptive prevalence rate		●
- Antenatal care coverage		
- Unmet need for family planning		●
MDG 6: Combat HIV/AIDS, malaria and other diseases		
- Incidence and death rates associated with malaria	●	
- Incidence and death rates associated with tuberculosis	●	
MDG 7: Ensure environmental sustainability		
- Proportion of population using an improved drinking water source	●	

Source: Elnemr and Ashour - UNDP Egyptian Human Development Report 2015

Figure (2) represents the conceptual framework of financing MDGs/ SDGs in Egypt as composed of three axes: First, elements that affect the demand on development that include population growth, urban expansion, economic growth, pollution and climate change as well as counties' political, cultural and international relations context. The second axis includes source of finance that include state budget, households, private sector, local community organizations and international loans and grants. The third axis covers element of spending such as unit costs, maintenance and operation and cost of technology choice.

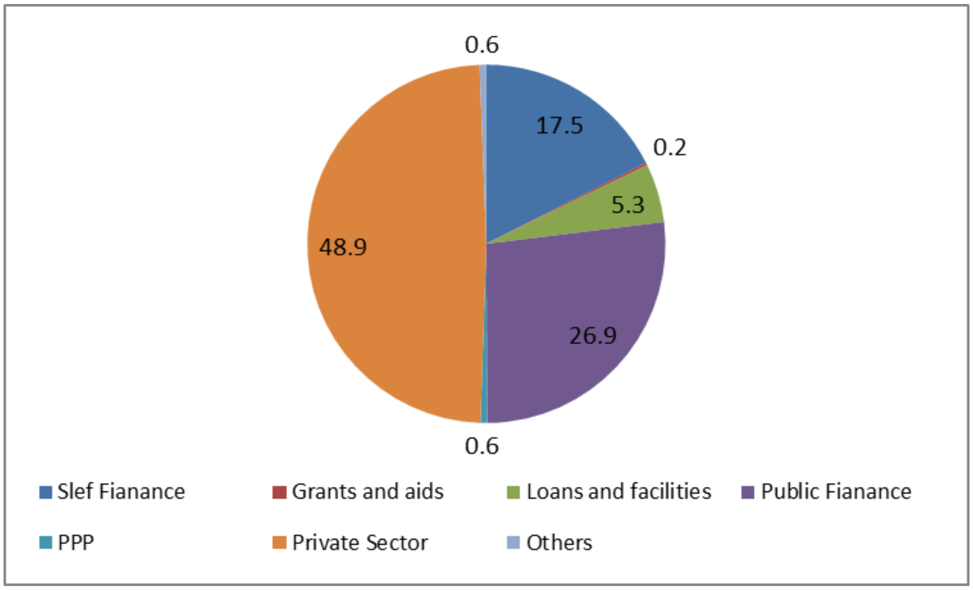
According to this conceptual frame work of financing development, the economic growth rate decreased from 5.4% in 2009/2010 to 3% on average through (2011-2017), whereas, the saving-investment gap stood at 12.2%. Most of total investment in Egypt comes from private sector (48.9% on average) while the public investment represents 26.9% on average (Figure 3). Most of public investments go to infrastructure sectors (Electricity, water, sanitations, and Roads) and human development (Health, Education, and Culture). Public Investment still depends on the budget deficit are allocated to cover the investment finance.

Figure (2): Conceptual Framework for Financing the SDGs in Egypt



Source: Moghieb et al. (2016)

Figure (3): Financing Sustainable Development Plans in Egypt through (2011-2017)



Source: Ministry of Planning, sustainable Development plans, different issues. http://www.mpmar.gov.eg/

In addition, Egypt has a foreign financial gap specially the higher rate of trade balance deficit and total foreign debt. Also total investment size is insufficient; moreover, a large share of investment and financing resources are not perfectly aligned with the objectives of sustainable development.

Achieving the SDGs will not be achieved without adequate finance. Sustainable Development Strategy in Egypt (SDS 2030) estimates that needed investments over the period 2015-2030, is LE 7500 billion. Two thirds of these investments are required to be financed by the private sector, while the other third from the public sector (LE 2500 Billion). This represents a challenge in light of the high budget deficit, low GDP, low level of domestic investment as percentage of GDP, in addition to the increasing population. Table (4) shows the development of some Egyptian economic indicators through the period (2009- 2017).

Table (4): Egypt's Economic Indicators over the Years 2009-2017

Economic Indicators/years	2009/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
% of Real GDP growth (at market prices)	5.4	1.8	2.2	2.1	2.2	4.4	4.3	4.2
Budget Deficit (% to GDP)	8.2	9.8	10.0	13.4	12.1	11.5	12.2	10.9
Balance of Payment Deficit (Billion $)	+3.4	-9.8	-11.3	+0.3	+1.5	+3.7	-2.8	13.7
Trade Balance Deficit (% to GDP)	-7.3	-8.4	-9.6	-10.7	-11.2	-11.7	-11.5	-15.1
Total Foreign Dept. (Billion $)	33.7	34.9	34.4	43.2	46.1	48.1	55.8	79.0
Domestic Investments (% of GDP)	19.5	17.7	16.4	14.2	13.8	14.4	15.4	15.3
Domestic Saving(% of GDP)	14.3	13.0	8.0	7.5	5.3	5.9	5.5	3.1
Financing Gap (% of GDP)	8.2	4.7	8.4	6.7	8.6	8.5	9.9	12.2
% of Government investment to Total investment	45.3	38.1	33	39.7	37.8	38.8		
Unemployment rate	9.4	11.8	12.6	13.3	13.3	12.7	12.5	12.0
Youth unemployment rate	5.6	24.8	29.7	34.6	39	35.9		
Poverty rate	21.6	25.2	25.2	26.3	26.3	27.8	27.8	27.8

Source: Ministry of Finance, Financial Monthly Bulletin, different issues. http://www.mof.gov.eg/

5.2. Finance for Development Challenges in Egypt

There are many challenges facing the achievement of the SDGs and financing them. These challenges can be categorized into international, national and other challenges related to the nature of the SDGs themselves. These challenges can be summarized as follows:

A. *International Challenges:*

- The continuing recession in many EU countries and the United States, and the weak growth rates in them and decline of generated employment opportunities, as well as slow growth in China and Southeast Asian countries.

- Non-implementation by the developed countries and donor organizations of their obligations in the field of official development assistance (ODA) to developing countries to ensure that the SDGs are fully achieved. According to the Organization for Economic Cooperation and Development (OECD), ODAs from 23 OECD's development assistance committees amounted to around $133.5 billion in 2011, representing 0.31% of their combined gross national income (GNI), which is still a long way from the 0.7% UN target.2

B. *National challenges:*

- Availability of human capabilities able to follow up the implementation of SDGs in all ministries and agencies entrusted with such tasks.

[2]News Report:Rio+20 Summit: A new start for sustainable development at the global level http://arabic.people .com .cn/31659/7854085.html

- Development of a coordination framework among the concerned bodies in a way that allows the implementation of these goals more effectively.

- Availability of data and information necessary to monitor measure progress towards the achievement of these goals. [3]

C. *Challenges related to the nature of SDGs:*

- The number of proposed goals (17) and targets (169) contained in the general framework of SDGs is too big. Goals range between child and maternal health to oceans and seas.

- The large number of targets and their measurement indicators (which may exceed 300 indicators - if there are only 2 indicators for each target) will prolong the time needed to follow up the progress of the implementation of these goals and to prepare follow-up reports, which may reduce the efficiency of the implementation process.

- The process of measuring the progress achieved in the proposed development goals may face difficulty in the provision of the necessary accurate and documented data because of many reasons, such as: the lack of data; inaccuracy of data; presence of gaps in some data; non-compliance with methodological standards in data assessment; lack of accurate registration systems; absence of detailed quantitative data, particularly data relating to marginalized and vulnerable groups and remote areas and slums; or length of time required to prepare and issue the data, which may last for more than five years (e.g. censuses, demographic health surveys, etc.).

- Egypt is expected to face difficulties in achieving some of the proposed SDGs with high quantitative ceiling by 2030, particularly with regards to having access to sanitation services, providing full and decent employment opportunities, eliminating all forms of discrimination against women and girls, and ensuring full and effective participation of women and equal leadership opportunities on an equal footing with men. Such difficulties can be attributed either to the fact that some of these goals need huge investments (e.g. sanitation services and full employment), or to the social habits and traditions (as regards full participation of women, for example).

Although Egypt has taken remarkable steps in developing its vision and national strategy in alignment with the SDGs, and integrated its goals into its national plans, sill financing and resource mobilization pose a major challenge to accelerating SDGs/SDS implementation in Egypt, and several innovative tools are being studied to overcome this challenge. A large part of the required investment will need to be financed from domestic resources. The primary responsibility to implement the sustainable development strategy rests with the Government, however financing will require mobilizing and scaling-up investment from the private sector which is expected to play a major role moving this agenda forward, and several efforts are being exerted in that regard (MIC 2016).

[3] In this respect, Egypt has initiated SDGs map for monitoring and following up the progress in the implementation of the SDGs

5.3. Potential Scenarios for Financing the SDGs/ SDS:

There are many factors that may have an impact on country's ability to achieve SDGs. These include policies and programs, available finance, economic development indicators progress such as mainly the rates of savings and investments, budget deficit, balance of payment, in addition to population growth rates, urban expansion, climate change, technology choices as well as of international and local community commitments to finance sustainable development.

Analysing each of these elements and its impact on achieving SDGs, results in three potential financing scenarios. These scenarios and their assumptions can be categorized as follow:

i- ***Pessimistic Scenario****:* assumes that the Egyptian government will continue to apply the same macro and micro policies and programs, keeping the economic indicators in pace, where the current population growth reaches around 2-3% , budget deficit is 9%, total investment rate is almost 15%, rate of savings remain at the level of 5.7%, balance of payment shows US$ 4 billion. More importantly, this scenario assumes dependence on state budget in financing SDGs with no participation of private sector.

ii- ***Moderate Scenario:*** assumes conducting partial reform aiming at increasing growth rate to reach 4-5% in average during the years 2016-2030, increasing rates of savings and investments with the same rates while keeping the financial gap at the same level and deceasing budget deficit as a percentage of GDP. Reform will focus on financial aspects rather than improving services providing approaches. International community will not keep promises related to Paris Declaration on Aid Effectiveness towards financing sustainable development and supporting developing countries including Egypt.

iii-Optimistic Scenario: assumes a comprehensive reform that helps achieving inclusive economic growth reaching around 7% in average over the years 2016-2030, whereas total investments rates reaches 25%, local savings rate reaches 20%, and financial gap is narrowed to reach 5%. Budged deficit is decreased to reach 5% and balance of payment represents positives figures (+ UD$ 4 billion). That will in turn results in increasing investments in public education and health services, providing employment opportunities, reforming social protection networks, controlling population growth rate not to exceed 1.5%, achieving urban expansion where inhabitant areas reach 12% of Egypt's total land. A cornerstone of achieving this scenario is the commitment of the international community to Paris Declaration on Aid Effectiveness.

The following table presents the three potential scenarios and the associated economic indicators:

Table (5): SDGs Potential Financing Scenarios

Components	Pessimistic Scenario			Moderate Scenario			Optimistic Scenario		
	2015	2020	2030	2015	2020	2030	2015	2020	2030
Economic Growth Rate (in Average during 2016-2030)	4.2%	2%	3%	4.2	4.5%	5%	4.2	7.5%	10%
Rate of Local Savings	5.9%	3.4%	3.2%	5.9%	5%	9%	5.9%	15%	25%
Rate of Total Investments	14.9%	18.4%	20.9%	14.9%	16%	18%	14.9%	22%	30%
Financial Gap	9%	15%	17.7%	9%	11%	9%	9%	7%	5%
%Budget Deficit	11.5%	12.4%	12.9%	11.5%	11.5%	11.1%	11.5%	7.5%	3%
Balance of Payment Deficit	US$ 4 Billion	US$ 5 Billion	US$ 7 Billion	US$ 4 Billion	US$ 2 Billion	US$ 1 Billion	US$ 4 Billion	US$ 0.5 Billion	US$ 4 Billion (Surplus)
Population Growth Rate	2.3%	2.2%	2.0%	2.3%	2.1%	1.8%	2.3%	1.9%	1.4%
Technology Choice	High Level Technology			High Level Technology			Mix of Technology High level Technology in Urban Areas and Developed Traditional Technology in Rural and Deserted Areas		
Types of Energy used in DW&S Utilities	Non-renewable			Non-renewable			80% Non-renewable & 20% Renewable		
% of Inhabitant Areas	7%	7.5%	8%	7%	8%	9%	7%	9%	12%
Commitment of International Community to Finance SDGs	Not Committed			Not Committed			Highly Committed		

Analysing the three scenarios shows the following:

- ***Applying the pessimistic scenario;*** financing full coverage of SDGs by 2030 requires around US$ 14 billion that 95% of them are from state's budget while the remaining 5% comes from loans and grants. Following the current development pattern, it is predicted through this scenario that by 2030 Egypt will reach 38% of sustainable development Goals, it is expected that Egypt will not reach the full coverage while social problems and concerns remain. However, due to the economic, political, social issues facing Egypt, this financing scenario might not be valid in the near few years.

- ***Applying the Moderate Scenario:*** depends on a conducting partial reform, SDGs finance will be 30% from state budget, 60% from the private sector and local community organizations (NGOs and CSOs), and the remaining 10% is financed through loans and grants. It is expected that access to SDGs will reach 63% with full coverage in urban areas and 38% coverage in rural and deserted areas.

- ***Applying the Optimistic Scenario:*** Conducting a comprehensive reform. 25% of the needed investments will be financed though state budget, while, 75% from private sector and local community organizations (NGOs& CSOs). Access to SDGs full coverage in urban areas and 89% coverage in urban areas and 58% in rural and deserted areas.

Despite the commendable progress made, Egypt, similar to most middle-income countries, is at an early stage of the learning curve towards effective strategic and coordinated action for achieving the SDGs. The journey is still long in terms of implementing the right mix of policy initiatives, particularly environmental-fiscal reform initiatives, which are typically underleveraged. There is also still work to be done with regards to embedding the SDGs within the national budgeting process, in which the Ministry of Finance will need to play a major role in terms of policy formulation and implementation. It is also important to note that coordination at the sub-national and local levels is inherently complex, and requires the establishment of effective and streamlined coordination mechanisms. For feedback mechanisms, including monitoring; learning and adaption; integrated sets of indicators will need to be developed and harmonized with national policies. Integrated sets of indicators coupled with informal approaches will allow analysis of the inherent trade-offs and inter-linkages among the economic, social and environmental dimensions of sustainable development (MIC 2016).

6. Policy Recommendations

It can be concluded that financing for sustainable development is more important than ever to achieve the global development goals. We need the mobilization of all actors and all possible resources to achieve global sustainable development and prosperity. In this respect, the following policy recommendations are suggested:

- Improved financial methods should be considered as input for a comprehensive sustainable development rather than a result.
- Resorting to non-traditional sources of finance is also pivotal in increasing local and international private investment. These efforts must be augmented by the international community's commitment to partnering with developing countries in achieving sustainable development. International partnerships can aid in crowding in finance from the private sector especially in new sectors such as green economy. Egypt stands ready to explore innovative sources of finance related to sustainable finance such green bonds. Again, partnering with international organizations and development partners would be instrumental in garnering the benefits of these new forms of finance.
- Encouraging the private sector engagement in the development sectors needs a clearly set investment plan (both for public and private sectors).
- More mobilizing for the domestic recourses is required. This can be achieved for example by increasing the tax administration effectiveness and decreasing the thresholds.

- Setting Strategies for attracting and formalizing the informal sector is essential. This can be achieved by for example, by providing tax exemptions, improving tax administration and reducing compliance costs.
- Creating innovative tools and instruments for financial inclusion and micro finance.
- Establishing Sovereign Wealth Fund (SWF) can increase domestic savings.
- Improving the management of revenue received from natural resources such as gas and petroleum and mining sector will increase the DRM.
- Enhancing the role of corporate social responsibility in financing development.

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