THE EVALUATION OF PUBLIC EDUCATION FINANCING POLICY IN EGYPT

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Abstract— Moving forward will only be materialized through investing in the nation's human capital. Human capital investment, through public education expenditure, is generally contributes directly and indirectly to economic development. Hence, many governments across the globe are trying to improve human capital by investing more in the education sector. But the issue is whether such a spending is of value, or it just represents a consumption spending rather than an investment one. On this ground, this paper is an attempt to evaluate the public education financing policy in Egypt during the period (1980-2015) in terms of three criteria; Adequacy, Equity, and Efficiency, in order to know the beneficiary of public education spending policy, and its effectiveness. The available data revealed that the share of public education spending out of GDP is still low compared to other developing countries with similar socio economic conditions. Besides, there is an apparent spending bias toward higher education. Finally, although Egypt has made a significant progress towards its educational system; relating to enrollment rate, gender parity, the unemployment rate of educated individuals remains persistently high.

Keywords— Adequacy, Efficiency, Equity, Public Expenditure on Education.

I.INTRODUCTION

Moving forward — developing the current generation's entrepreneurial capacities and skills and capitalizing on the existing potential — will only be materialized through investing

in the nation's "oil" of the 21st century, its human capital (Kamal,2013).
Human capital investment, through public education expenditure, contributes to economic development through its direct effects on production per capita. Also, it is supposed to bring into the economic system the externalities and other indirect effects such as higher education attainment, and lower mortality of children, which subsequently cause higher productivity in terms of increased earnings, more participation in the labor force; all these coupled with lower population growth and better health of population that tend to positively influence the economic growth.

The public education expenditure considered as a public investment in human resource. Also, it reflects government commitment toward the educational system, as a guarantee of both free and better educational quality. Article 19 in 2014 constitution comes to expand on the right to free education included in previous constitutions, dating back to 1971, and includes important new language about instilling the values of "citizenship, tolerance and non-discrimination". Also, it stipulates that the government has to "spend no less than 4% of the GDP on education." and specifies that no less than 2 percent of GDP will be spent on university education. It was differentiated from previous constitutions in making the education compulsory until secondary education level (Mikhail , 2014).

In addition, the new constitution's commitment to increase spending on scientific research is promising. Egypt has significantly increased the share of its GDP devoted to research and development in recent years, from 0 .24 %% of GDP in 2009, to 0.42 % in 2011. Article 23 commits the country to spend "no less than 1% of Gross National Product to scientific research," which would entail more than doubling current levels (Counsel on foreign affairs).

Hence, many governments across the globe are trying to improve human capital by pumping more investment in the education sector. But the issue is whether such a spending is of value, or it just a proxy for underlying ability and public spending on education represents a consumption spending rather than an investment one. On this ground, this paper is an attempt to evaluate the public education financing policy in Egypt, from 1980 to 2014, in terms of three criteria; Adequacy, Equity, and Efficiency, in order to know the beneficiary of public education spending policy, and its effectiveness**,** as indicated by the following sections.

II. EVALUATION OF THE PUBLIC EDUCATION FINANCING POLICY

2.1Adequacy of spending

Concerning the "Adequacy" criterion, it is noticed, from table (1), that public spending on education in Egypt has got an increasing trend during the period (1980-2015). It has been increased in balanced with the growing demand for education; from 650 million LE in 1980, to 94400 million LE in 2015, except for the year 1991, after adopting the economic reform policy, there was a reduction in the public spending devoted to both education sector (542 million), and health sector owing to limited financial resources of

the Egyptian government due to higher inflation rate and increased internal and external debt.

In fact, what is really matter is not the size of public spending on education, but its share of GDP. In this regard, Egypt's education spending as a% of GDP has hovered below the accepted global rates; although Education expenditures in Egypt has grown at 364% 1980 to 1990, and around 80% and 320 % during (1998-2005) and (2005 to 2015) respectively, the public spending on education as a percentage of GDP is about 1 percent lower than averages for other countries of similar socio-economic development. For example, during 2008, public spending on education as a percent of GDP was 3.76% in Egypt, whereas it has reached to 4.34%, 5.56%, and 6.51% in Algeria, Morocco and Tunisia, respectively (figure1).

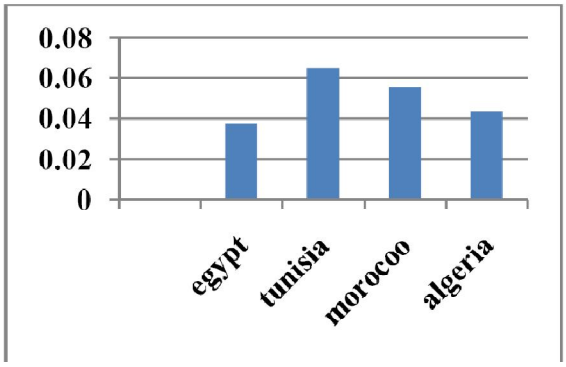

Figure (1) Egypt's public expenditure ranks poorly in the North Africa for the year 2008

But as other developing countries, it has used constitutional provisions to ensure sufficient investment in education. Also, the 2014 new constitution calls for expanded technical and vocational education "in line with the needs of the labor market." This is too positive, although much depends on implementation.

Table (1): the evolution of the public spending on education's size, and as a% of GDP in Egypt during the period (1980-2015)

year	Public spending on education (million pound)	Public spending on education as a% of GDP
1979/80	650	4.2%
1989/90	3017	3.8%
1990/91	542	0.69%
1997/98	12428	4.3%
1999/00	14747	4.3%
2004/05	22480	4.2%
2009/10	40973	3.4%
2014/15	94400	4%

The source: CAMPAS, statistical year book, and World development indicators.
***calculated.**

A Low public education spending as a percent of GDP reflects a low student's spending share and deterioration in the quality of the education services provided by the public schools which threaten the development process (Alaraby,2010; ministry council, 2014).

2.2Equity of Spending

The second criterion, "Equity", refers to the guarantee of not depriving any student from enrolling in any educational system. Also, it refers to whether the share of spending that is devoted to higher and pre higher education is consistent with their share of total students enrolled in. In this regard, the available data revealed that there is an apparent spending bias toward higher education; where over the whole period, (1980-2015), the average share of pre-high education level of total students enrolled was 91%, whereas its share of total public spending on education has reached to 74%. On the other side, the average share of higher education level from public education spending was 9%, whereas its share of total students enrolled was only 25% (CAMPAS, 2014) Which means, for some economists, that rising higher education's share of public education spending implicitly reflects poor unbiased and rich people bias; where the possibility for continuing learning to higher levels is lower for the poorest group of population. In Egypt, around 25% of basic education's students are belong to the poorest group of population, whereas 14% of secondary education's students, and 4% of higher education's students belong to the poorest group of population (world bank, 2012). This is consistent with Psacharopoulos's view which believed that the economic and social return of education will be low for the high education level ; as it reaches to its highest level at basic education level and it gradually decrease till reach its minimum level at higher level of education, which make sense in devoting a large portion of public education spending to the primary education, leaving private spending to finance a great part of high education (alaraby,2012; the Egyptian cabinet information and decision support center, 2014).

On the other hand, some economists viewed that the return of education rises with the level of education, which in turn explains the continuing increase of public spending on higher education overtime.
Besides, the public educational institutions, especially in pre-high education level, provide a low education quality compared to that provided by private institutions. As a result, the graduates of public schools have low skills and their characteristics don't match with the requirements of competitive labor market and thus, more probably, they would face the danger of unemployment, and their education return will be low, in terms of low wages if they found a job compared to the private schools' graduates (Alaraby, 2010).

2.3Efficiency of spending

In this regard, we can differentiate between two groups of indicators: the first one measures the "internal efficiency", and the second one reflects the "external efficiency". Concerning "the internal efficiency", the public investment spending on education as a percent of gross public spending is one of its indicators.

It is clearly noticed from table (2) that there is a high degree of inefficiency in allocating the public education in Egypt; where a large share of it has been devoted to current spending rather than investment spending over the period (1980-2014), and around 86% on average of gross public spending, while the investment spending was 14% on average.

Table (2): Public investment spending on education, and its share of public education spending over the period (1983-2014).

year	Public investment spending on education (million L.E)	Public investment spending on education as a% of public spending on education	Public current spending on education as a% of public spending on education
1983	162.2	11.6%	88.4%
1986	224.3	11.6%	88.4%
1989	501.1	16.6%	83.4%
1995	2413.1	25.7%	74.3%
2000	2767.2	18.8%	81.2%
2005	2978.2	13.2%	86.8%
2010	4607	11.2%	88.8%
2014	5200	6.4%	93.6%

Source: world development indicators

Concerning "external efficiency" criterion, it could be indicated by enrollment rate and gender parity. In this regard, it is noticed that over the past twenty years, Egypt has made a considerable progress in getting kids in school and closing a woeful gender gap. Today, more than 97 percent of children attend primary school, and there is rough parity between boys and girls, as indicated by table (3). It shows that the net enrollment rates in public schools has been gradually increasing during the period (1980-2012). As The Egyptian population is rapidly approaching the "90 million" benchmark, an increase in the population has further increased enrollment in public primary schools throughout the country. In 1980, around 84% of children aged between 6 and 10 were enrolled in state primary schools and this percentage has jumped to 97.3% in 2012. Whilst the increase in net enrolment ratio[1] is favorable and in line with Egypt's Millennium Development Goal of reaching 100% net enrollment by the year 2015, this has evidently strained the education system; Growing demand for education has been coupled by increased need for funding. Furthermore, merely increasing enrolment without improving quality is an empty goal.

Table (3): Net Enrolment in State Primary Schools and female to male ratio

year	Net Enrolment Ratio	Female male ratio
1980	64.2	69.733
1990	83.7	83.325
1995	93	88.036
2000	92.9	92.312
2004	95.4	95.958
2010	95.96	95.937
2012	97.3	96.003

Source: SESERIC, millennium development goals indicators.

Cramping more children in classrooms without the means to delivery an adequate quality of education serves to demote from the very essence of education. In fact, teaching quality is poor, and Egyptian children still struggle with basic literacy and numeracy. Adult illiteracy also remains a significant problem and detracts from the country's overall economic competitiveness.

The International Labor Organization's 2014 Global Employment Trends report found that Egyptian schools "struggle to deliver graduates with the necessary skills for finding productive jobs," which contributes to unemployment and economic stagnation.

In general, despite achieving many goals related to enrollment rate, gender parity, there are still many indicators which indirectly indicate the existence of a weak external efficiency of public spending on education such as a high youth's illiteracy rate (around 40%) owing to the high poverty rate. Also, unemployment of educated individuals remains persistently high; where the unemployment rate is lower among individuals with lower than intermediate certificate and reaches its maximum rate among universities graduate (22%) and this could be due to a low education quality and the mismatch between the graduates' specialties and job requirement. Also, the unemployment rate is high between female compared to males and it reaches its maximum rate among those with an intermediate certificate (36.3%). while the unemployed female with university degree constitutes around 34% of total unemployed female. the unemployment of

[1] The net primary enrolment ratio is the number of children enrolled in primary school who belong to the age group that officially corresponds to primary school.

females could be due to concentrating in specialties that don't match with labor market needs compared to males.

In fact, the unemployment represents a direct threat for economic and social stability of any country, as well as skilled and qualified labor shortage, that in turn slow down the economic growth rate. Therefore, the planned high quality education that matches labor market requirements yields low unemployment rate which is an input in development process. Also, education indicators call for the need of more concentration on education sector reform through rising GDP and public education spending as a percent of GDP in order to reduce the classrooms density and rise the enrollment rate in all educational levels to confront all challenges that face the sector (Alaraby, 2012). Also, investment in school facilities has not kept pace with the rapid increase in the numbers of students, resulting from high rates of population growth and rising enrolment rates. Overcrowding – with classes regularly containing between forty and fifty children – and poor facilities do not create an environment conducive to learning. To alleviate the pressures caused by both these factors, many schools operate in shifts, with most students only attending for part of the day. It therefore seems likely that a well-targeted capital injection aimed at improving school facilities would positively affect educational outcomes within Egypt's state school system. However, state resources are limited as the government budget is already under strain.

CONCLUSION

As a matter of fact, people are the most valuable assets in a country, and it is essential for human development that these assets be deployed sensibly. A defective incentive system can result in a waste of human resources, higher incidence of poverty and greater inequality in the distribution of income. Therefore, it is not enough to use existing resources wisely, we must also add to the existing resources through human capital formation; especially through education and training (Adenuga, 2002). On this ground, this paper is an attempt to evaluate the public education financing policy in Egypt during the period (1980-2015) in terms of three criteria; Adequacy, Equity, and Efficiency, in order to know the beneficiary of public education spending policy, and its effectiveness. The available data revealed that the share of public education spending out of GDP is still low compared to other developing countries with similar socio economic conditions. Besides, there is an apparent spending bias toward higher education. Finally, although Egypt has made a significant progress towards its educational system; relating to enrollment rate, gender parity, there is a high degree of inefficiency in allocating the public education in Egypt; where a large share of it has been devoted to current spending rather than investment spending. Also, the unemployment rate of educated individuals remains persistently high. In general, Egypt has regularly underinvested in education and has few resources other than its abundant human capital: 87 million people, half of whom are under the age of 25. On education, it has fallen behind other developing countries – both in terms of spending and outcomes.

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