key figures

- Land area, thousands of km²: 995
- Population, thousands (2000): 67 884
- GDP per capita, $ (2000): 1 341
- Illiteracy rate (2001): 43.8
Egyption is widely recognised as having achieved macroeconomic stability after diligently and consistently implementing a stabilisation and structural adjustment programme from the start of the 1990s. Fiscal and monetary stability have contributed to the elimination of inflationary pressures; interest rates have remained low; and the foreign exchanges devoid of major fluctuations though frequent shortages of US dollars have implied continuing real appreciation of the pound. The overall external position is basically healthy despite a chronic balance of trade problem. Economic growth has responded positively to the macroeconomic stability. Real GDP growth reached 6.4 per cent in 1999/2000. The outlook on growth, however, is a slowdown to 3.3 per cent in 2000/01 and 0.2 per cent in 2001/02 owing to difficult external conditions.

Egypt’s structural transformation has, however, lagged behind the rest of economic reforms, with slow progress in privatisation and financial sector reforms. Egypt’s social democracy has ensured relative political stability. However, the macroeconomic progress and political stability have not translated into social progress as poverty levels have risen, with unemployment a major social problem. Also, in spite of a universal free education policy, universal primary education has still not been achieved.

**Recent Economic Developments**

The Egyptian economy resumed accelerated growth during the period following the consistent and diligent implementation of a stabilisation and structural adjustment programme, the Economic Reform and Structural Adjustment Programme (ERSAP) from 1991. Real GDP growth reached 6.3 per cent in 1999/2000 from 6.0 per cent in 1998/99. The accelerated growth was boosted by the large investments in infrastructural and strategic projects and was achieved in spite of the negative impact of external constraints including declines in oil revenues, tourism receipts and Suez Canal revenues. Growth is estimated lower at 3.3 per cent in 2000/01 owing to anticipated reductions in global growth and the difficult regional security situation involving the Palestinians and Israel that may continue to affect revenue.

Growth in the major sectors of the economy has been uneven during 1999/2000. Growth in the agricultural sector fell to 3 per cent in 1999/2000 from 3.7 per cent...
Changes in land tenure following the new law in 1997 that gave landlords the right to repossess their land from tenants and to charge rents based on market conditions affected agricultural output growth. The annual rent on land, which was about LE 600 per feddan in 1998/99 rose to about LE 1 300 per feddan in 1999/2000. The share of agriculture in total output also declined from about 17.4 per cent in 1998/99 to about 16 per cent in 1999/2000. The share of agriculture in total GDP had followed a steady decline from its highs of about 26 per cent in the 1970s. In spite of the fall in its share in GDP, value added in Egyptian agriculture has been growing steadily, and the sector continued to employ about 29 per cent of the labour force and account for about 11 per cent of export earnings in 1999/2000. Egypt enjoys significant comparative advantage in the production of crops such as long berseem, wheat, barley, broad beans, maize, rice and cotton. The main agricultural areas are the Delta, Middle Egypt, Upper Egypt, Sharkiya Governorate and the New Lands. Egypt also produces high value crops such as horticultural and flower crops. The livestock sub-sector largely serves the domestic market as a source of meat and dairy products.

The industrial and mining sector increased its share in GDP from about 18 per cent in 1998/99 to about 20 per cent in 1999/2000, with a flat growth rate of 6.7 per cent over each of both years. Growth in the sector during 1999/2000 benefited from significant rehabilitation and modernisation processes especially in manufacturing. Although manufacturing, the largest industrial sub-sector, has been among the fastest growing sub-sectors in Egypt, its average growth rate was only 5.4 per cent per annum during 1996-2000. However, Egypt's manufacturing exports have been in decline owing to growing domestic demand and the attractiveness of selling in the domestic market due to the appreciation of the real exchange rate.

Within the energy sector (petroleum and electricity) crude oil production continued a downward trend with production falling to an average 670 000 barrels per day in 1999/2000 compared with 780 000 in 1998/99 and 800 000 in 1997/98. However, significant increases in natural gas production succeeded in offsetting the decline in crude oil production for the sector to maintain its 9 per cent contribution to GDP. Increases in natural gas production enabled an expansion in electricity consumption. Significantly, the inter-connection of the power grid to link Egypt to Jordan was completed in July 1999, with Egypt therefore now linked to Syria and Turkey.

A disturbing feature of the growth performance is that it is characterised by low domestic savings, reflecting the high consumption/GDP ratios. The growth performance thus has a strong reliance on foreign

![GDP Per Capita in Egypt and in Africa (current $)](chart)
The situation reflects a banking system in Egypt that does not facilitate savings. Egypt’s commercial banking system is dominated by four public sector banks with minimal competition to enhance savings mobilisation. The structure of demand is expected to continue in 2000/01 and 2001/02 with total consumption and domestic investment estimated at similar shares in total GDP.
Macroeconomic Policy

Fiscal and Monetary Policies

Egypt has maintained a disciplined fiscal policy stance, through the rationalisation of expenditures, while exerting efforts at raising the efficiency of the administrative system, upgrading social services and environmental conditions in Egypt. The government has committed itself to not levying new taxes. Instead, it has enhanced its revenues through continuous streamlining of the tax system, giving more incentives to the taxpayer, limiting opportunities for tax evasion, quick settlement of tax disputes and increasing the efficiency of tax and custom duties collection. The effect of this fiscal policy was the strong primary balance and the declining overall budget deficit percentage of GDP in the first half of the 1990s. However, the level of primary surpluses has followed a downward trend. In 1999/2000, even though the primary balance remained in surplus, it was the lowest seen in recent times, and the overall deficit widened to nearly 5 per cent of GDP. The government increasingly financed its deficits through government-sponsored savings vessels including investment certificates and post office savings accounts. The bulk of its bank borrowing was from the Social Insurance Funds deposited at the National Investment Bank with predetermined rates that ensure that state borrowing costs remain low. The primary balance is estimated to improve marginally to a surplus of 1 per cent of GDP in 2000/01 as government expenditure subsides following a slowdown of expenditures on large infrastructural projects. On the other hand, as the government continues in its policy of not levying new taxes, improvements in tax revenue will depend on the government’s ability to bring the

| Source: Authors’ estimates and predictions based on domestic authorities’ data. |

### Table 1 - Demand Composition (percentage of GDP)

<table>
<thead>
<tr>
<th></th>
<th>1994/95</th>
<th>1997/98</th>
<th>1998/99</th>
<th>1999/00</th>
<th>2000/01(e)</th>
<th>2001/02(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross capital formation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>17.6</td>
<td>20.7</td>
<td>22.8</td>
<td>23.8</td>
<td>23.7</td>
<td>24.5</td>
</tr>
<tr>
<td>Private</td>
<td>11.6</td>
<td>13.1</td>
<td>14.9</td>
<td>19.4</td>
<td>20.0</td>
<td>20.5</td>
</tr>
<tr>
<td>Consumption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>87.4</td>
<td>85.8</td>
<td>85.6</td>
<td>83.0</td>
<td>83.1</td>
<td>82.8</td>
</tr>
<tr>
<td>Private</td>
<td>76.4</td>
<td>75.6</td>
<td>75.2</td>
<td>73.2</td>
<td>73.6</td>
<td>73.1</td>
</tr>
<tr>
<td>External sector</td>
<td>-5.0</td>
<td>-6.5</td>
<td>-8.4</td>
<td>-6.8</td>
<td>-6.8</td>
<td>-7.3</td>
</tr>
<tr>
<td>Exports</td>
<td>23.1</td>
<td>17.1</td>
<td>16.4</td>
<td>16.1</td>
<td>18.3</td>
<td>18.4</td>
</tr>
<tr>
<td>Imports</td>
<td>-28.1</td>
<td>-23.6</td>
<td>-24.8</td>
<td>-22.9</td>
<td>-25.1</td>
<td>-25.8</td>
</tr>
</tbody>
</table>

Source: Authors’ estimates and predictions based on domestic authorities’ data.

### Table 2 - Public Finances* (percentage of GDP)

<table>
<thead>
<tr>
<th></th>
<th>1994/95</th>
<th>1997/98</th>
<th>1998/99</th>
<th>1999/00</th>
<th>2000/01(e)</th>
<th>2001/02(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue and grants*</td>
<td>28.0</td>
<td>24.7</td>
<td>24.6</td>
<td>23.6</td>
<td>22.5</td>
<td>22.8</td>
</tr>
<tr>
<td>Tax revenue</td>
<td>17.2</td>
<td>16.0</td>
<td>16.1</td>
<td>15.5</td>
<td>14.7</td>
<td>15.1</td>
</tr>
<tr>
<td>Total expenditure and net lending*</td>
<td>29.3</td>
<td>25.8</td>
<td>28.9</td>
<td>28.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current expenditure</td>
<td>23.6</td>
<td>20.1</td>
<td>20.4</td>
<td>20.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excluding interest</td>
<td>16.2</td>
<td>14.7</td>
<td>14.9</td>
<td>15.3</td>
<td>14.9</td>
<td>15.2</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>6.3</td>
<td>6.2</td>
<td>6.6</td>
<td>6.6</td>
<td>6.7</td>
<td>7.0</td>
</tr>
<tr>
<td>Interest on public debt</td>
<td>7.4</td>
<td>5.4</td>
<td>5.5</td>
<td>5.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>5.7</td>
<td>5.7</td>
<td>8.5</td>
<td>7.8</td>
<td>6.6</td>
<td>7.2</td>
</tr>
<tr>
<td>Primary balance</td>
<td>6.2</td>
<td>4.4</td>
<td>1.2</td>
<td>0.6</td>
<td>1.0</td>
<td>0.5</td>
</tr>
<tr>
<td>Overall balance</td>
<td>-1.3</td>
<td>-1.1</td>
<td>-4.3</td>
<td>-4.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Fiscal year begins 1 July.
b. Only major items are reported.

Source: Authors’ estimates and predictions based on domestic authorities’ data.
informal sector into the tax net and on successful reforms given the significant institutional and cultural barriers to improving the efficiency of the bureaucracy in tax collection in Egypt.

The Central Bank of Egypt has maintained prudent monetary policies leading to the rate of monetary (M2) expansion remaining relatively stable. Over the period 1997-1999 the annual average growth of money supply was about 10 per cent. Monetary policy came under stress in 2000 when it focused on defending the exchange rate of the Egyptian pound. In the event domestic liquidity (M2) expanded by only about 5 per cent during the first nine months of 2000 constraining demand and economic growth. Monetary expansion however came on course at about 11 per cent per annum for the rest of the year and into the first quarter of 2001.

Inflationary pressures in the Egyptian economy have been eliminated since the mid-1990s with the rate of inflation in steady decline from about 9.9 per cent in 1995 to 6.2 per cent in 1998 and further down to 3.8 per cent in 1999 and 2000. The stability in inflation reflects the government's fiscal and monetary policies, especially the exchange rate peg to the US dollar, which has slipped by only small amounts recently.

The outlook on inflation is a reduction to 2.8 per cent in 2000/01 and further down to 0.8 per cent in 2001/02 as the economy slows down.

Interest rates have followed a downward trend as inflation has come down. The discount rate of the CBE remained steady during the two years to July 2000 at 12 per cent compared with 12.5 per cent in the two preceding years; it has continued to fall to 11 per cent in July 2001. Commercial banks' deposit and lending rates have also come down accordingly.

The Egyptian pound is pegged to the dollar at a fixed rate. This policy kept the exchange rate stable at LE3.393:US$1 amid frequent reports of dollar shortages that implied a continuing real appreciation of the pound. The government appeared to abandon the "peg" policy in May 2000 by imposing controls on dollar deposits and withdrawals following increased speculation and pressure on the pound. These controls rather triggered an accelerated depreciation of the pound and were reversed in October 2000. The government adopted a new exchange rate policy of "managed peg" in January 2001 in which the currently prevailing official rate of LE3.85:US$1 was announced. The government also indicated its intention of setting the pound against a basket of currencies rather than the dollar, a move that analysts have expected for a long time. In its efforts to dampen speculative activities on the currency, the government has reduced the number of exchange bureaux – seen as the main currency speculators: by the end of January 2001, 19 of the existing 126 exchange bureaux had been closed down.

External Position

Egypt's external trade has been largely liberalised and the country has enjoyed a healthy balance of payments in spite of a chronic trade deficit. Egypt's exports, predominantly (50 per cent) primary commodity – crude petroleum (40 per cent) and other raw materials (cotton, onions, oranges etc.) (10 per cent), are exposed to severe fluctuations as a result of instability in raw material and petroleum prices in world markets. Imports on the other hand have increasingly replaced local production of several commodities including ready-made clothes and some kinds of electrical appliances and drugs. This has been due to the continuing appreciation of the Egyptian pound that has affected the country's competitiveness. The trade deficit, however, narrowed to 12.6 per cent in 1999/2000 following a 37 per cent increase in exports, buoyed by high global oil prices, against only a minimal increase in imports owing to the tight dollar liquidity situation and restrictive trade rules imposed in 1999 to curb imports. The trade deficit is expected to widen again in 2000/01 to 13.7 per cent of GDP and to 13.6 per cent of GDP in 2001/02, as imports increase while export levels stabilise.

A major factor in the behaviour of the services account is income from tourism. Though the services account remained in surplus, it fell from 6.8 per cent of GDP in 1998/99 to 6.2 per cent of GDP in 1999/2000 as tourism followed the difficult regional
security situation. The current account deficit continued a downward trend in 1999/2000 with the narrowing of the trade deficit. Significantly, the level of direct foreign investment to Egypt, which was at around $1 billion in 1999/2000, was lower than the levels in 1998/99 and 1997/98 as investors showed concern for the difficult regional security situation. The government has committed itself to increasing the flow of FDI and announced in January 2001 its objective of increasing FDI flow to Egypt to $4 billion-$6 billion in two years. This aim, though ambitious in relation to historical levels of FDI to Egypt, is achievable.

Table 3 - Current Account (percentage of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>1994/95</th>
<th>1997/98</th>
<th>1998/99</th>
<th>1999/00</th>
<th>2000/01(e)</th>
<th>2001/02(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade balance</td>
<td>-13.4</td>
<td>-14.5</td>
<td>-14.4</td>
<td>-12.6</td>
<td>-13.7</td>
<td>-13.6</td>
</tr>
<tr>
<td>Exports of goods (f.o.b.)</td>
<td>8.4</td>
<td>6.3</td>
<td>5.1</td>
<td>7.0</td>
<td>6.3</td>
<td>6.7</td>
</tr>
<tr>
<td>Imports of goods (f.o.b.)</td>
<td>-21.8</td>
<td>-20.8</td>
<td>-19.4</td>
<td>-19.6</td>
<td>-20.0</td>
<td>-20.3</td>
</tr>
<tr>
<td>Services</td>
<td>6.6</td>
<td>4.3</td>
<td>5.7</td>
<td>5.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factor income</td>
<td>0.3</td>
<td>1.5</td>
<td>1.1</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current transfers</td>
<td>7.2</td>
<td>5.7</td>
<td>5.6</td>
<td>5.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current account balance</strong></td>
<td><strong>0.7</strong></td>
<td><strong>-3.1</strong></td>
<td><strong>-2.0</strong></td>
<td><strong>-1.3</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors’ estimates and predictions based on domestic authorities’ data.

Egypt’s external debt indicators are at present moderate with the total debt declining since 1995. The total debt stock stood at $30.4 billion at end-1999, representing a decrease of about $3 billion compared with the 1995 level. Consequently, the debt/GNP ratio has fallen from about 55 per cent to 33 per cent over the same period. The debt service ratio has also fallen from 13.3 per cent to 9.0 per cent. Egypt’s recent debt relief had come from rescheduling and reduction agreements signed with the Paris Club creditors in May 1999. The reductions were applied to three tranches (15 per cent in July 1991 and September 1993, and 20 per cent in June 1997).

Figure 5 - Stock of Total External Debt (percentage of GNP) and Debt Service (percentage of exports of goods and services)

**Structural Issues**

Egypt is now widely recognised as having achieved macroeconomic stability. External trade has been largely liberalised and the economy has gradually been transformed into a market-oriented economy. However, the dictates of national interest pose a threat to maintaining trade liberalisation. In November 2000 the government amended customs tariffs on 55 items in a move to protect local industries. Tariffs were raised on imported goods felt to be competing with local manufactures such as shoes, televisions and other domestic electrical appliances. At the same time, though, cuts were made in duties for manufacturing inputs and commodities deemed important for the economy, such as computer parts. Reforms in the telecommunications sector since 1998 including the transfer of the National Communication Authority (NCA) from the direct control of the Ministry of Communications to become a company have produced good results as evidenced by rapid expansion of the sector and improvements in services provided. Since 1998, over 500,000 services have been provided by the mobile phone operators and the number of telephone lines installed by NCA exceeded 6.5 million by 2000, with a projected 1 million additional lines by 2002. Egypt’s structural reforms have also seen slippage, especially in the areas of privatisation and financial sector reforms.

Egypt’s privatisation programme, which involved the divestiture of 314 state-owned companies, was seen as the starting point for the economic reform programme initiated about a decade ago. At end-December 2000, 156 (49.6 per cent) of state-owned companies were fully or partially privatised. However, only two diversitures took place in 2000 underlining the slow pace at which the process is now going. In the effort to speed up the process, the government earmarked 49 companies, including 19 tourism and restaurant assets, to be sold in 2001, and committed itself to the sale of a further 42 state-owned hotels by 2002. However, the centrepiece of the programme — the privatisation of the four large state-owned commercial banks (the National Bank of Egypt, Banque Misr, Banque du Caire and Bank of Alexandria) — is yet to be accomplished. These banks dominate two-thirds of domestic banking activity, and their privatisation is seen as important to increase transparency in the financial sector, and also clearly separate commercial banking from the government and its monetary policy operations. The privatisation of the remaining 142 public enterprises poses much challenge to the government as many of these are laden with bad debts and are in need of restructuring. Besides, it is estimated that the privatisation of the remaining 142 public enterprises will involve laying-off 300,000 workers. This involves difficult political decisions in a country of severe unemployment.

Egypt is still largely a cash economy with very basic banking services. The financial sector reforms are yet to deliver increased competitiveness of financial markets, increased private sector involvement in commercial banking, securities and insurance. It is quite apparent that intensification of the privatisation programme is an essential prerequisite. The most important achievements of the financial sector reforms include:

1. Liberalisation of interest rates;
2. Floatation of the Egyptian pound;
3. Authorisation for foreign banks to deal in local currency;
4. Deregulation of banking fees;
5. Authorisation of public-sector companies to do business with private-sector banks; and
6. Authorisation for foreign shareholders to own a majority stake in an Egyptian bank.

Several foreign banks have expanded their presence in Egypt in response to the improved environment these reforms have brought.

The Egyptian Stock Exchange as an emerging market has grown fairly fast in recent years. However, it suffers from wide fluctuations underscoring the need to develop its infrastructure, especially market makers, to ensure stability and healthy growth. In 2000 the stock market index fell by over 40 per cent placing Egypt as one of the world’s most poorly performing markets. The decline has continued through the first half of 2001 with the index of the most actively traded stocks on the exchange (the Hermes Financial Index, HFI) falling by 45 per cent. Significantly, stocks of large capitalised high-profile companies, which mostly attract foreign and institutional investors, also dropped by about 41 per cent during the first half of 2001. These outcomes reflect the economic slowdown in 2000, which
hampered market growth throughout the year, and the
deterioration of the regional security situation involving
Israel and the Palestinians.

Political and Social Context

Egypt is a social democracy. The President is however
not elected through elections. A national referendum
in September 1999 granted the President a fourth six-
year term. There is no Vice President, but the
Constitution provides for a smooth succession whenever
the need arises. The present government was formed
following elections in November and December 2000.
Observers point out that the present cabinet is
dominated by reform-minded technocrats. This augurs
well for some of the difficult political decisions that may
be required to move structural reforms, in particular
privatisation, forward. Egypt has maintained a system
of accountability for fiscal management involving strict
supervision and control that has resulted in reducing
the fiscal deficit. Significant reforms of Egypt's legislative
and judicial systems have been undertaken recently
with the purpose of making the law more homogenous
and its application more swift, in line with the needs
of an increasingly complex economic, social and political
environment. A Supreme Legislative Council has been
established to eliminate obsolete legislation and create
a simplified judicial system based on revised, developed
and unified laws and by-laws.

The wide variety of data on poverty levels in Egypt
provide evidence that since the mid-1990s, the number
of Egyptians falling below internationally defined
poverty lines has risen. The social and economic
characteristics of the poor in Egypt have remained
unchanged for over a decade. First, poverty is still
concentrated in rural areas in general, and Upper Egypt
in particular; the incidence of poverty in rural Upper
Egypt is almost 1.5 times that in rural Lower Egypt.
Second, poverty is high at both ends of the age
distribution; it is highest among newly formed
households (15-25 years) and among the elderly (65+
years). Third, poverty is highest among the unemployed
and self-employed, especially those working alone and
not employing others.

The Egyptian government pursues poverty
reduction objectives through many channels including
direct assistance to the poor through the Ministries of
Insurance and Social Affairs; free education and literacy
programmes through the Ministry of Education and
the General Authority for Literacy and Adult education;
free health care through local health units and hospitals
of the Ministry of Health. The social safety net in
Egypt comprises a system of budget-financed food
subsidies covering "baladi" bread and a limited amount
of basic goods distributed through ration cards. In
addition, there is a set of compensatory measures run
by the Ministry of Insurance and Social Welfare, which
aim at alleviating the impact of poverty on the most
vulnerable groups. While actual expenditures on these
are difficult to ascertain, the government's commitment
to poverty alleviation is not in doubt as the 2001 budget
announced an increase in subsidy allocations to basic
commodities and services to LE7.98 billion
(US$2.1 billion); the continuation of free education;
and the extension of the free health insurance system
to cover 7 million citizens and social insurance to cover
1 million families.

Unemployment remains a serious problem for
Egypt. The government's estimates for 1999 put
unemployment at 8.3 per cent of the labour force with
20.3 per cent for females. The majority of the
unemployed are under 20 years of age. The estimate
for the unemployed most probably underestimates the
problem, which is also partly disguised by under-
employment. Egypt creates about 400,000 new jobs
annually while the expansion of the labour force is
around 500,000 per annum. Against this background,
the government's 2001 budget proposals of creating
150,000 new government jobs each year, 600,000 jobs
for young people and training for 200,000 others,
though in the right direction for social welfare appear
ambitious, especially as how the programme would be
financed was not clear.

Egypt's health indicators stand much better than
the African average, indicating the considerable progress
the country has made in its health delivery. Available
figures for 1998 indicate that Egyptians have life
expectancy of 67.5 years compared with the African
average of 52.7 years. Public expenditure on health (1995-97) is also higher at 1.7 per cent of GDP compared with the average for Africa of 1.4 per cent of GDP. Similarly, in all other indicators of health, Egypt's performance is better than the African average. Also, in 1997 Egypt reported no adults (aged 15-49 years) living with HIV/AIDS compared with 6.5 per cent in Africa. Despite the achievements in the health conditions of the Egyptian population, the health sector faces challenges due to demographic, socio-economic and health care factors. As a result of improvements in health indicators, a new population pattern appears to have emerged following a demographic transition characterised by a decline in birth rate, a decline in mortality rate among infants and children and a decline in mortality rate among the oldest segments of the population as well. On the other hand, diseases of a chronic nature (including cardio-vascular diseases) have increased in number as have their associated risk factors (including hypertension, smoking and obesity).

Egypt has a universal free education policy. However, contrary to data from the national statistics, some survey data (for example, the UNICEF Egypt Multi-Indicator Cluster Survey (1998) and the Social Spending Household Survey (SSH S) (1997) indicate that universal primary school enrolment has not yet been achieved. The net enrolment ratio for primary school is only 78 per cent nation-wide. Among girls, the percentage is even lower at only 72.0 per cent, compared with 83.0 per cent of boys. The SSH S survey indicates that one in every ten children at age 6-11 years is out of school, especially among the rural poor. The secondary school gross enrolment ratio (1997) is 78.3 per cent with the ratio for females being 70.2 per cent. The dropout rate for basic education is estimated to be high, partly because of child labour. Education is predominantly publicly financed in Egypt. Available figures indicate that public expenditure on education as a proportion of overall social spending has increased from 24.6 per cent in 1982 to 60 per cent in 1995 indicating the growing relative importance of education in the country. As a percentage of GDP, government spending on education increased from 4.8 per cent in 1991 to 6.1 per cent in 1994, declined to 5.0 per cent in 1996 and increased to 5.5 per cent in 1997. Education resources are however biased towards current expenditure with teachers' emoluments as a percentage of total current expenditure on education amounting to 79.1 per cent in 1995. The outcome of such an expenditure pattern is the poor quality of the public education system, which has made spending on private lessons an important feature in household budgets.