



بسم الله الرحمن الرحيم

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تم رفع هذه الرسالة بواسطة / مني مغربي أحمد

بقسم التوثيق الإلكتروني بمركز الشبكات وتكنولوجيا المعلومات دون أدنى

مسئولية عن محتوى هذه الرسالة.

ملاحظات: لا يوجد





Faculty of Business
Economics Department

Estimating the Impact of Governance on Human Development in Egypt: An Econometric Model

تقدير أثر الحوكمة على التنمية البشرية في مصر:
نموذج قياسي

A Thesis

Submitted in Partial fulfillment of the Ph.D. degree in *Economics*

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2022



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DEDICATION

I would like to dedicate

My thesis to

My Beloved Family

*who are my source of inspiration
and support*

ACKNOWLEDGMENT

First, I would like to praise the Almighty Allah, the Gracious and the Most Merciful, for giving me the strength and motivation to finish this study.

*I would like to thank my Supervisors, **Prof. Ehab Nadim**, professor of Economics at the Faculty of Business at Ain Shams University, not only for his insightful comments concerning the direction and the content of this thesis but also for his human attitude. I really appreciate his efforts with me, and the time he has devoted to supervise my research. This thesis would have never been completed without his help, and **Prof. Hossam Abdelkader**, associate professor of Economics at the Faculty of Business at Ain Shams University, for his most valuable guidance, support, and useful remarks throughout my thesis, and his patience and knowledge, without him this thesis would not have been completed.*

*I would like to thank the thesis defense committee members **Prof. Ibrahim Elmasry**, professor of Economics at Sadat Academy for his time and professionalism throughout the revision of this thesis, which added a great value to the study, and **Prof. Eman Hashem**, professor of Economics at Faculty of Business at Ain Shams University for her time and support, in addition to her valuable contribution in the thesis defense.*

Also, I am indebted to all my professors in economics department and to all my colleagues and all who have helped me finish this thesis.

Finally, I would like to offer my greatest gratitude to my family members for their unflagging love and support throughout my life. I am indebted to my father and mother who were the first ones who supported me and encouraged me to join this career, and my husband for his care, love, and useful insights.

ABSTRACT

This thesis aims to estimate the impact of governance on human development with special reference to Egypt. Recent literature has contrasted human development as the ultimate goal of the development process. Governance involves all the political, economic, social, and technological aspects of government. In the modern age, all aspects of people's lives are controlled and impacted by the government of the country in which they live. It is widely known that governance is central to the successful implementation of sustainable development policies. This study empirically analyzed the influence of governance elements on human development using a set of cross country panel data from 140 countries from 1996 to 2019, the countries of the study were categorized as high-income countries, upper-middle-income countries, lower-middle-income countries, and low-income countries as per the world bank classification of the countries. The methodological approach applied followed the Hausman test procedures based on the Fixed Effects (FE) model, empirical results reveal that good governance has a significant direct impact on human development worldwide while Vector Autoregressive (VAR) Model which ended up estimating the Vector Error Correction Model VECM shows that good governance has an impact on human development in Egypt. The impact of six elements of governance on human development is different in each category of countries however, good governance is not the most influential factor on human development in the countries under study. The results show a higher positive significant impact for the improved sanitation facilities, population, and urbanization on human development. in addition, the government spending on health has a significant impact on human development.

Keywords: Governance, Human Development, Panel Data Model, Hausman Test, Fixed Effect Model, VAR, VECM.

LISTS OF CONTENTS

List of Tables	X
List of Figures	XII
List of Abbreviation.....	XIV
1. Overview	1
2. Research problem	2
3. Empirical Studies.....	9
4. Research Importance	15
5. Research Objectives	15
6. Research Limitations	16
7. Research Hypotheses.....	16
8. Research Methodology.....	16
9. Research Outline	17
Part One: Human Development and Governance.....	19
Chapter One: Human Development Definitions & Measures.....	20
1.1. Introduction	20
1.2. Human Development Definition	21
1.3. Human Development Dimensions and Measures.....	26
1.3.1 Human Development Index (HDI)	27
1.3.1.1 <i>Graphical Structure of HDI</i>	27
1.3.1.2 <i>Technical Calculation of HDI</i>	28
1.3.2 Inequality-Adjusted Human Development Index (IHDI).....	30
1.3.2.1 <i>Graphical Structure of IHDI</i>	30
1.3.2.2 <i>Technical Calculation of IHDI (Atkinson Measure):</i> .	31
1.3.3 Gender Inequality Index (GII)	32
1.3.3.1 <i>Graphical Structure of GII</i>	32
1.3.3.2 <i>Technical Calculation of GII (Seth Measure)</i>	32
1.3.4 Multidimensional Poverty Index (MPI)	34
1.3.4.1 <i>Graphical Structure of MPI</i>	34
1.3.4.2 <i>Technical Calculation of MPI</i>	35
1.4. Human Development Perspective: A Theoretical Analysis	36
1.4.1 The Neoclassical Perspective of Human Development.....	37
1.4.2 The Solow Growth Model Perspective of Human Development.....	39
1.4.3 The Endogenous Growth Theory Perspective of Human Development.....	39
1.4.4 Rostow's Stages of Growth Development Model.....	41
1.4.5 Two-Sector Surplus Labor Model	42
1.4.6 Human Development Theory	44
1.5. Assessment of Human Development Index (HDI).....	45
Section Summary.....	46

Chapter Two: Governance and Human Development	47
2.1. Introduction	47
2.2. Good Governance Definitions.....	48
2.3. Multiple Dimensions of Good Governance.....	49
2.3.1. Political dimension:	49
2.3.2. Administrative dimension:	49
2.3.3. Economic dimension:	49
2.3.4. Social dimension:	49
2.3.5. Spiritual dimension:.....	50
2.3.6. Structural dimension:.....	50
2.4. Principles of Good Governance	50
2.4.1. Legitimacy and voice:	50
2.4.2. Directions:	51
2.4.3. Performance:.....	51
2.4.4. Accountability:	51
2.4.5. Fairness:.....	51
2.5. What Makes Governance Good?.....	51
2.6. Measurements of Good Governance	52
2.6.1. The Freedom House Index (FHI)	53
2.6.2. International Country Risk Guide (ICRG):	54
2.6.3. Corruption Perception Index (CPI):	55
2.6.4. Democracy Index (CI):.....	56
2.6.5. World Governance Indicators (WGI):	57
2.6.5.1. <i>World Governance Indicators (WGI) Dimension:</i>	58
2.6.5.2. <i>World Governance Indicators (WGI) Technical</i> <i>Calculation</i>	59
2.7. Assessment of WGI.....	61
2.8. Good Governance and Human Development:.....	61
2.8.1. Theoretical consideration	61
2.8.2. Literature Review	65
2.8.3. Consideration for the Country of Study (Egypt)	71
Part Two: Human Development and Governance Worldwide and in Egypt	72
Chapter Three: Human Development Worldwide and in Egypt	73
3.1. Introduction	73
3.2. Human Development Worldwide.....	73
3.3. Economic Background of Egypt	77
3.4. Overview of Macroeconomic Indicators of Egypt	81
3.4.1. Gross Domestic Product (GDP)	81
3.4.2. Gross Exports of Goods and Services	83
3.4.3. Unemployment Level in Egypt.....	84
3.4.4. Poverty Rates in Egypt	84

3.5. Human Development in Egypt	85
3.5.1. Human Development Progress in Egypt	85
3.6. The Development of the Healthcare Sector in Egypt.....	89
3.6.1. Overview of the Healthcare Sector in Egypt	89
3.6.2. Healthcare Sector Initiatives Implemented in Egypt.....	90
3.6.3. Current Status of Healthcare Sector in Egypt.....	95
3.6.4. Major Challenges Facing the Healthcare Sector in Egypt.....	98
3.7. The Development of the Education Sector in Egypt.....	99
3.7.1. Overview of Education System in Egypt	99
3.7.2. Education Sector Initiatives Implemented in Egypt.....	101
3.7.3. Current Status of Education Sector in Egypt.....	104
3.7.4. Major Challenges Facing the National Education in Egypt ..	108
3.8. The Status of Adequate Housing, Water, and Sanitation Facilities in Egypt	112
Section Summary.....	114
Chapter Four: The Impact of Governance of Human Development Worldwide and in Egypt.....	116
4.1. Introduction	116
4.2. The Status of Good Governance Worldwide.....	116
4.2.1. Voice and Accountability (VA).....	117
4.2.2. Political Stability and Absence of Violence (PS).....	117
4.2.3. Government Effectiveness (GE).....	118
4.2.4. Regulatory Quality (RQ)	119
4.2.5. Rule of Law (RL)	119
4.2.6. Control of Corruption (CC)	120
4.3. The Political History of Egypt.....	121
4.4. Status of Good Governance in Egypt.....	124
4.4.1. World Governance Indicators (WGI).....	125
4.4.2. Freedom House Indicators for Egypt.....	132
4.4.3. Egypt Corruption Perceptions Index (CPI)	133
4.4.4. Egypt's Indicators for Ibrahim Index of African Governance (IIAG).....	133
4.5. The Linkage Between Good Governance and Human Development ..	137
4.5.1. The Linkage Between Good Governance and Human Development.....	137
4.5.2. The Impact of Good Governance on the Healthcare Dimension ..	137
4.5.2.1. <i>Inadequate Expenditure on the Health Sector:</i>	138
4.5.2.2. <i>Inefficient Health Insurance System:</i>	138
4.5.2.3. <i>Insufficient Quality of Health Services:</i>	139
4.5.2.4. <i>Complex Organization Structure and Reliance on Vertical Donations:</i>	139
4.5.3. The Impact of Good Governance on Standard of Living	139
4.5.4. The Impact of Governance indicators on Human Development..	140
Section Summary.....	143

Part Three: Modeling Governance and Human Development	144
Chapter Five: Panel Data Modeling	145
5.1. Introduction	145
5.2. Econometric Methodology	145
5.3. Data Definition and Sources.....	148
5.4. Econometric Model	151
5.4.1. High Income Level Countries Econometric Model (1)	151
5.4.2. Upper Middle Income Countries Econometric Model (2)	157
5.4.3. Lower Middle Income Countries Econometric Model (3) ...	162
5.4.4. Low Income Level Countries Econometric Model (4).....	167
5.5. Summary of Results	173
Section Summary.....	179
Chapter Six: Estimating the Impact of Governance on Human Development in Egypt	181
6.1. Introduction	181
6.2. Econometric Methodology	181
6.3. Data Definition and Sources.....	183
6.4. Econometric Model	185
Section Summary.....	200
Conclusion and Recommendations	203
References.....	214
Appendices	227
Arabic Summary.....	-

LIST OF TABLES

Table (1.1): Human Development Concepts	21
Table (2.1): Working Definitions of Good Governance	48
Table (2.2): Economic Risk Index	54
Table (2.3): Financial Risk Index.....	54
Table (2.4): Political Risk Index	55
Table (2.5): Representative Components of CPI.....	56
Table (2.6): Democracy Index Categories.....	57
Table (3.1): Human Development Sub-Indices Trend in Egypt,1990-2020.	85
Table (3.2): Egypt’s HDI and Components Indicators Relative to selected Groups, 2019.	87
Table (3.3): Egypt’s Inequality Adjusted HDI (IHDI) Relative to selected Groups, 2019.	88
Table (3.4): Egypt’s Gender Development Index Relative to selected Groups, 2019.	89
Table (3.5): Health Status Indicators in Egypt, 1990-2019.....	95
Table (3.6): Trends of Healthcare Indicators in Egypt Relative to selected Groups, 2019.	96
Table (3.7): The Total Number of Hospitals and Beds in the Egyptian Health system, 2019.	97
Table (3.8): Total Numbers of Doctors and Nursing Staff in Government Hospitals, 2010-2018.....	98
Table (3.9): The Number of Female Students Enrolled in One Class School, 2018.....	102
Table (3.10): Evolution of Enrollment in Education in Egypt, 1996 – 2018.	105
Table (3.11): Egyptian Universities in International Rankings, 2019.	107
Table (3.12): Total Population in Egypt,1990-2020.	108
Table (3.13): Total Beneficiaries of the SHMFF Program,2019.....	112
Table (3.14): Coverage of Sanitation and Drinking Water Services (%),2014-2020.....	113
Table (5.1): The Variables Symbols, Definition, and Data Sources.	149
Table (5.2): The Descriptive Analysis for High-Income Countries Model Variables Model (1).	152
Table (5.3): Hausman Test for Determine the Appropriate Panel Model.	152
Table (5.4): Determine the Impact of Governance Indicators on Human Development Model (1).....	153
Table (5.5): Determine the Goodness of the Model (1).	156

Table (5.6): The Descriptive Analysis for Upper Middle Income Countries Model Variables Model (2).....	158
Table (5.7): Hausman Test for Determine the Appropriate Panel Model.	158
Table (5.8): Determine the Impact of Governance Indicators on Human Development Model (2).....	159
Table (5.9): Determine the Goodness of the Model.	161
Table (5.10): The Descriptive Analysis for Lower Middle Income Countries Model Variables Model (3).....	163
Table (5.11): Hausman Test for Determine the Appropriate Panel Model.	163
Table (5.12): Determine the Impact of Governance Indicators on Human Development Model (3).	164
Table (5.13): Determine the Goodness of the Model.	166
Table (5.14): The Descriptive Analysis for Low-Income Level Countries Model Variables.....	168
Table (5.15): Hausman Test for Determine the Appropriate Panel Model.	168
Table (5.16): Determine the Impact of Governance Indicators on Human Development.....	169
Table (5.17): Determine the Goodness of the Model.	172
Table (5.18): The Summary Result of the Four Groups of Countries' Models.	173
Table (6.1): The Variables Symbols, Definition, and Data Sources.	184
Table (6.2): The Descriptive Analysis for Egypt's Model Variables.....	185
Table (6.3): Unit Root Test for Egypt's Model Variables.....	187
Table (6.4): VAR Lag Order Selection Criteria.	187
Table (6.5): Estimating the Impact of Good Governance on Human Development in Egypt.	188
Table (6.6): Determine the Goodness of the Model.	190
Table (6.7): Granger Causality of the Unrestricted VAR Model.	191
Table (6.8): Variance Decomposition of the Unrestricted VAR Model.....	193
Table (6.9): Cointegration Test of the Unrestricted VAR Model.....	194
Table (6.10): Identified Cointegration Vector (Long-Run Coefficients) Model (1).	195
Table (6.11): Loading Matrix (The Speed of Adjustment) Model (1).	196
Table (6.12): Identified Cointegration Vector (Long-Run Coefficients) Model (2). ...	196
Table (6.13): Loading Matrix (The Speed of Adjustment) Model (2).	197
Table (6.14): Identified Cointegration Vector (Long-Run Coefficients) Model (3).	198
Table (6.15): Loading Matrix (The Speed of Adjustment).	199

LIST OF FIGURES

Figure (1.1): The Structure of Human Development Index.	27
Figure (1.2): The Structure of Inequality-Adjusted Human Development Index (IHDI)..	30
Figure (1.3): The Structure of Gender Inequality Index (GII).	32
Figure (1.4):The Structure of Multidimensional Poverty Index (MPI).	34
Figure (1.5): Smith Growth Process.....	36
Figure (1.6): The Stages of the Rostow Model.	41
Figure (1.7): The process of Transfer of Labor to the Modern Industrial Sector.	43
Figure (2.1). Framework of Good Governance.	52
Figure (2.2): Freedom House Index (FHI).	53
Figure (2. 3): World Governance Indicators Dimensions.	58
Figure (3.1): Human Development Index Progress Worldwide, 2019.....	74
Figure (3.2): Human Development Index Values by Regions 1990-2019.	75
Figure (3.3): Life Expectancy at Birth, by Human Development Group,2019.	75
Figure (3.4): Expected Years of Schooling and Mean Years of Schooling by Human Development Group,2019.....	76
Figure (3.5): Gender Inequality Index, by Developing Region, 2019.....	76
Figure (3.6): Multidimensional Poverty Index (MPI) by Region in 2019.....	77
Figure (3.7): Gross Domestic Product (GDP) Constant 2010 \$,1996-2019.....	81
Figure (3.8): Gross Domestic Product Growth Rate,1996-2019.	81
Figure (3.9): Gross Exports of Goods and Services (% of GDP),1996-2018.....	83
Figure (3.10): Unemployment Level in Egypt (% of the total labor force),1996-2019....	84
Figure (3.11): Human Development Index Progress in Egypt,1990-2020.	85
Figure (3.12): Human Development Index in Egypt, Arab countries and Worldwide, 1990-2019.	86
Figure (3.13): Human Development Index Trend for Egypt, Tunisia, Libya, and Iraq, 1990-2019.....	87
Figure (3.14): Number of Primary Health Care Units During the period,2010-2020	97
Figure (3.15): Current Structure of the Education System in Egypt, 2018.	101
Figure (3.16): Illiteracy Rate as a Percentage of the Total Population in Egypt, 1986-2018.....	104
Figure (3.17): Mean Years of Schooling and Expected Years of Schooling, 1996-2019..	105
Figure (3.18): Numbers of Students, Schools and Classes in Egypt, 2010 - 2019	106
Figure (3.19): Student's Performance Trends in International Mathematics and Science Study (TIMSS) and Other Selected Countries, 2019.	107

Figure (3.20): Government Expenditure on Education, Total (% of GDP) 1990-2019....	108
Figure (3.21): Government Expenditure on Education, Total (% of GDP) on Egypt and Other Selected Countries, 2019.	109
Figure (3.22): Percentage of Students Taking Private Lessons by educational level, 2015..	110
Figure (3.23): Youth Unemployment Rates by Level of Completed Education and Sex, 2012	111
Figure (4.1): Voice and Accountability by Region,2020.	117
Figure (4.2): Political Stability and Absence of Violence by Region, 2020	117
Figure (4.3): Government Effectiveness by Region,2020	118
Figure (4.4): Regulatory Quality by Region,2020.....	119
Figure (4.5): Rule of Law by Region,2020	119
Figure (4.6): Control of Corruption by Region,2020	120
Figure (4.7): Governance Indicators for Income Level Countries	120
Figure (4.8): Voice and Accountability (VA) in Egypt,1996-2020	125
Figure (4.9): Political Stability and Absence of Violence (PV) in Egypt,1996-2020	126
Figure (4.10): Government Effectiveness (GE) in Egypt,1996-2020	127
Figure (4.11): Regulatory Quality (RQ) in Egypt,1996-2020	128
Figure (4.12): Rule of Law (RL) in Egypt,1996-2020	129
Figure (4.13): Control of Corruption (CC) in Egypt,1996-2020	131
Figure (4.14): Freedom House Indicators for Egypt, 2013-2020	132
Figure (4.15): Corruption Perceptions Index (CPI) for Egypt,2002-2020	133
Figure (4.16): Governance pre- and post-Mubarak Resignation,2010-2019.....	134
Figure (4.17): Egypt's Indicators for Ibrahim index of African Governance, 2010-2019....	134
Figure (4.18): Egypt's Indicators for IIAG Compared with Other African Countries, 2010-2018	135
Figure (4.19): The Linkage Between Good Governance and Human Development...	137
Figure (4.20): Total Expenditure on Health as % of GDP for Egypt and Selected Countries, 2019.....	138
Figure (4.21): Health Insurance in Egypt % of the Total Population,1990-2019....	138
Figure (4.22): Economic Inequality (Gini index) in Egypt,1995-2019.....	139
Figure (4.23): Percentage of Population Living Below 2 \$ a day Income Poverty Line,1995-2019	140
Figure (4.24): CPI and HDI in Egypt, 2000-2018.....	141
Figure (6.1): Graphic Analysis for the Variables at the Level and First Difference	186
Figure (6.2): Impulse Response Function (Cholesky One SD Innovation).....	192

LIST OF ABBREVIATION

Abbreviation	<i>Full term</i>
ADB	<i>Asian Development Bank</i>
ADF	<i>Augmented Dickey-Fuller</i>
ARDL	<i>Auto Regressive Distributed Lag Model</i>
ERSAP	<i>Economic Reform and Structural Adjustment Program</i>
FDI	<i>Foreign Direct Investment</i>
FE	<i>Fixed Effect</i>
FHI	<i>Freedom House Index</i>
GDP	<i>Growth Domestic Product</i>
GII	<i>Gender Inequality Index</i>
HDI	<i>Human Development Index</i>
IHSI	<i>International Human Suffering Index</i>
MPI	<i>Multidimensional Poverty Index</i>
OLS	<i>Ordinary Least Squares</i>
PQLI	<i>Physical Quality of Life Index</i>
RE	<i>Random Effect</i>
SDGs	<i>Sustainable Development Goals</i>
UNDP	<i>United Nations Development Programs</i>
VAR	<i>Vector Autoregressive</i>
VECM	<i>Vector Error Correction Model</i>
WGI	<i>World Governance Indicator</i>