

Egypt's Haya Karima Initiative: An assessment of its rural and economywide impacts

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Egypt's Haya Karima (HK) Initiative aims at improving the quality of life in the country's rural communities through interventions related to human development, infrastructure, and economic sectors. This presidential initiative, whose name translates to "Decent Life" in English, has four strategic goals, all targeting Egypt's rural population: building human capital, improving quality of life, improving the standard of living for the most vulnerable, and providing decent and productive job opportunities. The initiative is aligned with the UN Sustainable Development Goals (SDGs) and the objectives of Egypt Vision 2030

HK aims to not only curb material poverty but also multidimensional poverty by expanding the umbrella of comprehensive social protection, with a focus on education, health, infrastructure, and employment. It also focuses on achieving the goal of geographical equity by addressing regional disparities that affect rural areas such as Upper Egypt. Here, we describe a recently completed study that



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assesses the economywide effects of the first phase of HK. The analysis was done by the International Food Policy Research Institute (IFPRI), in collaboration with Egypt's Ministry of Economic Planning and Development (MPED) under the project Evaluating Impact and

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Haya Karima is a large-scale poverty reduction and rural development program.

As the first of three phases, phase one (2022–2024) prioritizes the neediest communities by implementing development projects with a focus on villages with relatively high poverty rates and limited access to basic services.

The first phase of HK will cost 350 billion Egyptian pounds in total, with around 50 percent of investments spent on water and sanitation projects. The remainder includes 14 percent allocated to electricity, 9 percent to health, 5 percent to canal rehabilitation, 4 percent to roads, 2.5 percent to decent housing, and 2 percent to education. These investments have helped implement 23,000 projects in 1,477 villages, benefiting a total of 18 million citizens. Upper Egypt received almost 68 percent of total allocated investments in the first phase, benefiting around 11 million people (61 percent of total beneficiaries)³.

HK has focused on enhancing investments in human capital by constructing 382 health units, a central hospital, 317 ambulance units, more than 14,000 classrooms, and 787 youth centers. To develop and improve drinking water networks, HK implemented 1,160 projects, and developed and constructed 169 water purification stations. The initiative aims to develop and establish 323 drinking water stations with the aim of making clean water services available to 100 percent of the population.

To improve sanitation services, HK has already completed 9 treatment plants and 739 sanitation projects, along with 287,000 domestic connections to the sewage system, with the aim of improving the availability of sanitation services from 20 percent to 90 percent. As part of the government's efforts to enhance digital transformation and automate its services, the initiative established fiber optic networks in 187 villages and installed 1,028 network towers to strengthen mobile networks. Additionally, natural gas services have been provided to 173 villages as part of efforts to ensure energy security and reliance on clean energy sources. To improve the quality of local services, HK also developed and paved 15 main roads, 20 smaller roads, 60 railway stations, and 562 irrigation canals for water flow.

Haya Karima is projected to have a positive long-run impact on the development of Egypt's SDG agenda.

The study by IFPRI and the MPED assessed the economywide effects of different phase one interventions implemented during the 2022–2024 period. The analysis explored the potential long-run impact of the first phase of the HK project on Egypt's economic development, drawing on what to date is known about this evolving project, conducting sensitivity analysis to bracket what may be its ultimate impact (see Appendix 1). For the

² - Lofgren, H. and Cicowiez, M., Egypt's Haya Karima Initiative: An assessment of its rural and economywide impacts, Paper prepared for IFPRI and Ministry of Planning and Economic Development, unpublished.

³ MPED. 2023. Executive Report on the Large-Scale program for Rural Development "Haya Karima"- The First Phase 2022/2023, <https://mped.gov.eg/Files/Report2023.pdf>.

analysis, the team used SDGSIM ([Sustainable Development Goal Simulation](#)), a recursive dynamic computable general equilibrium model designed for medium- to long-term policy analysis at the country level. The model was adapted to the Egyptian context and calibrated to a new 2019 [social accounting matrix](#).

Box 1
Methodology: SDGSIM

SDGSIM is a CGE model designed for country-level analysis of medium- and long-run development policies with a focus on the SDG agenda and structural change. The model is composed of a set of simultaneous linear and non-linear equations. It is economy-wide, providing a comprehensive and consistent view of the economy, including linkages between disaggregated production sectors and the incomes they generate, households, the government (its budget and fiscal policies), and the balance of payments.

The objectives of producers and households are to maximize profits and utility, respectively, while the government's decisions are subject to rules specified in the simulation. In each period, the different agents (producers, households, government, and the nation) are subject to budget constraints: receipts and spending are fully accounted for and by construction equal (as they are in the real world).

For the nation, the real exchange rate adjusts to ensure that the external accounts are in balance in a setting with exogenous foreign borrowing and reserve changes. Wages, rents and prices play a crucial role by clearing markets for factors and commodities (goods and services).

The basic accounting structure and much of the data required to implement SDGSIM is derived from a SAM. The model also relies on complementary stock, elasticity, and base-year employment data. In this study, the base year for the SDGSIM database is 2019, the most recent year for which enough data for the construction of a sufficiently disaggregated SAM is available.

Source: Lofgren, H. and Cicowiez, M., Egypt's Haya Karima Initiative: An assessment of its rural and economywide impacts, Paper prepared for IFPRI and Ministry of Planning and Economic Development, unpublished.

Results from the simulation analysis show that, as intended, the program promises to have a positive long-run impact on the achievement of Egypt's SDG objectives, with particularly strong gains in terms of household consumption and poverty reduction for its rural population and regions with substantial rural populations. More rapid growth in per-capita household consumption is realized in both rural and urban consumption. The fact that rural gains spill over to urban areas reflects the strong links between rural and urban economies. For instance, productivity gains that favor agricultural activities, which are primarily rural, are spread throughout the economy since they reduce (relative) prices of agricultural products, thus benefiting consumers in urban areas and industries that use inputs from agriculture. Stronger poverty rate reductions in Upper Egypt reflect the fact that a larger share of their population is close to the poverty line and as a result, gains in household consumption growth have a relatively strong bearing on poverty rates. In addition to the economic impacts covered in this analysis, the project should have positive impacts on numerous other aspects of human well-being including, for example, better access to water and sanitation.

Next steps

The Ministry of Planning and Economic Development is monitoring and evaluating the progress of the initial phase of the HK initiative, in collaboration with CAPMAS (Central Agency for Public Mobilization and Statistics). In addition, MPED is currently designing a detailed plan about the activities that shall be incorporated in the second phase of HK initiative. Such activities are important and key to the successful implementation of policies, strategies, and programs like Haya Karima.

Appendices

Appendix 1: Haya Karima policy interventions

Area (1)	Description of spending	Total cost 2022-2024		Impact channel (shock parameter) (3)	Shock size
		(2)	% Of 2019 GDP		
Water and sanitation (wtsn+)	Investments in water treatment and sewage projects	1.3		efficiency of rural household health consumption (3)	Average rural household saves LE 6/year
				labor productivity as long-run benefit	+0.8%; starting in 2036 and gradual
Roads (road+)	Paving of rural roads	0.3		input needs for agricultural marketing	-0.4%
				TFP horticulture due to reduced food losses	+1.4%
Electricity (elec+)	Investments in electrical transformers	1.0		TFP (all sectors)	+0.6%
Agricultural services (agrsrv+)	Investments in agricultural service centers	0.03		TFP agr	+0.3% fruit, vegetables & livestock; 0.1% other crops
Health services (hlth+)	Investments in hospitals and health units	0.5		efficiency of rural household health consumption (3)	Average rural household saves LE 54/year
Fiber optic networks (fiber+)	Investments in fiber optic infrastructure	0.2		TFP <i>growth</i>	+0.01%
Irrigation (irrig+)	Investments in bridges & canals	0.2		agricultural land productivity	+1.2%
Education (educ+)	Investments in school buildings (reducing class size)	0.1		rural labor share increases in secondary education, decreases for primary	+0.6% for labor with secondary education
Natural gas (natgas+)	Investment to connect rural households to natural gas	0.2		efficiency of rural household gas consumption (4)	60% decrease in (effective) price of natural gas
Others	Local cultural services (youth, theaters, etc.)	1.1		Marginal gain in rural labor productivity	+0.01%
Total		4.8			

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- MPED. 2023. Executive Report on the Large-Scale program for Rural Development “Haya Karima”- The First Phase 2022/2023, <https://mped.gov.eg/Files/Report2023.pdf>.
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