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Rural Vulnerability, Employment and Social Safety Programmes in Egypt: How Far Could State Initiatives Go?

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**Introduction**

In January 2019, the Egyptian president announced the launch of an initiative, entitled Haya Karima, which translates to "decent life", aiming to achieve inclusive development, and eliminate poverty in rural communities. The initiative approaches its goals through several interventions that are meant to address diverse developmental needs in the most vulnerable rural communities in Egypt.

Haya Karima has been ongoing since then, and its scale and operations have expanded significantly during the past years. Targeting rural communities in Egypt for the goal of ending poverty acknowledges the fact that poverty and vulnerability in Egypt are predominantly rural phenomena; they exist in urban communities as well but are far more prevalent in rural ones.

The scale of the initiative was expanded far beyond the original plan, and is celebrated by the state as the largest social safety programme, or even public project, ever implemented in Egypt. This calls for assessment of how far it could go in achieving its main goals through studying the scope of its interventions and root causes of rural vulnerability and poverty in Egypt.

This paper aims to carry out such assessment by first examining the Haya Karima initiative by focusing on its goals, interventions and scale. The paper will rely on the official disclosed data, which, despite lacking significant details and consistency, provides useful indicators of the operations since the launch of the initiative. Next, the paper will examine rural vulnerability and poverty in Egypt and their root causes, specifically the role of employment opportunities and quality. And, finally, in the last section, it will assess the likelihood of the initiative addressing the root causes of rural vulnerability in Egypt through planned interventions and will propose policy recommendations to address vulnerability and achieve inclusive development in rural Egypt.

In summary, the paper argues that Haya Karima has been hastily scaled up into a mega programme with massive dedicated public resources, while being inadequately planned. The programme has been disproportionately focusing on infrastructure interventions, in line with the state’s mega-infrastructure-projects-led developmental model during the past few years. Such interventions are unlikely to eliminate rural poverty in Egypt, which is rooted in insufficient and low-quality work opportunities, since they would not lead to sustainable job creation. The paper delves into the institutional underpinnings of the low supply of decent work opportunities in rural – as well as urban – Egypt, and argues that institutional reform, more than other interventions, would be the necessary route to inclusive development and job creation, and hence to fighting poverty in Egypt.

**Haya Karima: a surprisingly mega rural developmental programme**

Haya Karima is not the first rural development state programme in Egypt; there have been at least a couple of related large-scale initiatives in the past few decades, which were also quite ambitious but eventually fell short of their planned achievements.

One of the most celebrated developmental initiatives at its time in Egypt was the National Programme for Comprehensive Rural Development, known as Shorouk, which translates to "sunrise". The programme, which in fact was
the first national rural development programme (Nawar, 2006), was launched in 1994 and endorsed by the Egyptian president at that time and had a planned lifetime of more than 20 years, which spanned four phases from 1994 to 2017. The programme’s total required investments were officially estimated in 1996 at 267.1 billion EGP (Egyptian Pounds), equivalent to 78.6 billion USD (United States Dollar) at that time, and had three categories of interventions, infrastructure projects, human capital projects, and economic development projects (Moharram, 1998). Nevertheless, the ambitious Shorouk programme soon started to be phased out from 1999, and by 2002 there was no longer any official reference to it. During its brief lifetime until the end of 2001, Shorouk’s total implemented investments were estimated at a mere 540 million EGP (158 million USD then), two thirds of which were for the infrastructure projects (El Nour, 2014).

Afterwards, in 2007 the government announced another programme, aiming to develop the thousand poorest villages in Egypt, which was endorsed by the president’s son at the time. The programme had a planned first phase of 151 villages, and an estimated budget of 4 billion EGP (roughly 520 million Euros then) (Soliman & Gaber 2010), but was soon halted when mass protests ousted the Egyptian president early in 2011 and interrupted the political career of his son. The same programme was resumed again in 2012 after a new president was elected, but was shortly halted when he was also ousted in mid-2013. The enduring programme and its database of targeted villages were once more resurrected, forming the foundation of the recent Haya Karima in its initial conception.

In 2019, the current Egyptian president launched Haya Karima, an initiative that aims mainly to achieve inclusive development and eliminate poverty in rural communities in Egypt as a goal within the framework of the country’s sustainable development strategy 2030 (Haya Karima, 2023).

It was announced that the initiative would operate in three phases. The first would target the most vulnerable villages, with poverty rates of 70% or more. The second phase would target villages with poverty rates between 50% and 70%, while the third phase would target villages with poverty rates below 50%. According to official statements, the initiative has brought together more than 20 ministries and state entities, in addition to 23 civil society organizations (CSOs), which have been working to achieve its goals for the last couple of years (Haya Karima, 2023).

Seven categories of interventions were identified to serve the initiative’s goals. These included improving housing quality in targeted communities, investments in infrastructure, enhancing healthcare facilities, improving educational infrastructure, economic empowerment through training and employment, social interventions targeting the most vulnerable groups, such as children, senior citizens and the disabled, and, finally, environmental interventions related to waste management (Haya Karima, 2023).

The initiative was soon expanded into an umbrella programme that includes other specialised initiatives, which address one or more of the interventions, with the aim of localisation of the SDGs (Sustainable Development Goals) (Mohieldin, 2022). It is currently comprised of more than 10 formerly stand-alone sub-programmes that target issues such as decent housing, cash transfers, waterways improvements, road infrastructure, national healthcare insurance, and so on (Ministry of Planning and Economic Development, 2023). The origi-
inal timeframe of Haya Karima is between 2020 and 2023, but it is unlikely that it would be concluded in time due to the ambitious and expanding scale of its targeted operations.

Originally, the initiative’s total budget was estimated in 2019 when it was first launched, at only 675 million EGP (equivalent to 35 million Euros in 2019, and to 20.8 million Euros in early 2023 after EGP devaluation). It then got massively scaled up in 2021, and was endorsed as a presidential initiative, with a budget of 500 billion EGP (26.5 billion Euros in 2021, and 15.4 billion Euros in 2023’s rate) (Ministry of Planning and Economic Development, 2021a). The scale of required investments was expanded further, and the most recent estimates are at 700 billion EGP (37 billion Euros in 2020/2021 when estimated, and 21.5 billion Euros in 2023), making it by far the largest public project ever carried out by the Egyptian state, according to official statements. At its current scope, the initiative now targets 4,584 villages in 20 different governorates, benefiting almost 60 million beneficiaries in total (Ministry of Planning and Economic Development, 2021b).

The targeted scale of the initiative’s investments was expanded by more than 1,000 times in less than two years. These massive and sudden changes in the initiative’s scale, and consequently interventions, very shortly after it was launched, reflect lack of planning and feasibility studies for a project celebrated as the largest to date in the country.

Such planning shortcomings are also highlighted in the conflicting official statements regarding the scale and cost of the initiative’s phases. According to some of the sources, the initiative was planned to have a pilot phase, targeting 375 villages, benefiting more than 4.5 million inhabitants, with 13.5 billion EGP of investments, followed by the first phase, which targets 1,436 villages in 52 districts in 20 governorates, benefiting more than 18.5 million inhabitants (State Information Service, 2023). The cost of the first phase was estimated at around 260 billion EGP (13.8 billion Euros in 2020/2021, and 8 billion Euros in 2023), but other sources cite only 103 billion EGP and far less targeted villages, with conflicts even in the timeframe of each phase. Some official sources claim that the first phase was concluded in 2020 and the second one was already launched (Egypt’s Project Map, n.d.a), while other sources claim that until the end of 2022 the first phase was still underway (State Information Service, 2022a).

The targeted districts for the first phase were selected based on several criteria, including the share of rural population to total population of the district, share of poor rural population, access to waterways and public sewage network, illiteracy rate, and other related criteria. The initiative has highlighted specific expected outputs in the targeted villages as a metric for the programme’s achievements. On top of them were cutting the poverty rate, improvements in coverage of healthcare and education, access to clean water, and providing thousands of jobs (Ministry of Planning and Economic Development, 2021b).

To follow up and assess the outputs of Haya Karima’s interventions, the government announced the launch of an electronic system for monitoring the initiative, which is supposed to compile the developmental needs of the targeted villages, and monitor and assess the interventions underway and their subsequent outputs (Ministry of Planning and Economic Development, 2021c). Nevertheless, the system has not been made publicly accessible. There have also been at least two reports to measure the impact of
the initiative: the first was completed at the end of 2020 and the second by mid-2022. Neither has been made public but some of their selected findings were published.

The published excerpt findings of the first report did deliver some output-related indicators. A composite quality-of-life index was constructed to measure the initiative’s impact in relation to several of the SDGs, but with no further details about the methodology or data. According to the report’s findings, in the targeted villages, the index improved by 18 percent points by the end of 2020, compared to prior to the initiative’s launch. Average poverty decreased by 14 points, health services coverage increased by 24 percent points, educational services coverage increased by 12 points, and sanitation coverage increased by 46 points (Ministry of Planning and Economic Development, 2021d).

Unlike its earlier version, the published excerpt from the second report, completed by mid-2022, did not include updates on the composite index, or its components in the villages where operations were completed, or underway. Instead, it focused on reporting the progress of interventions, not their output (Ministry of Planning and Economic Development, 2022).

The latest available updates so far for the initiative’s interventions are up to the third quarter of 2022. According to these updates, the first phase was still underway by that time, operating in 1,477 villages. 30,000 projects have been completed within the targeted 20 governorates; in 8 governorates more than 90% of targeted projects were completed, in 7 governorates more than 70% of targeted projects were completed, and in 5 governorates less than 70% were completed by that time (State of Information Service, 2022).

The cited interventions include a wide array of projects such as working on establishing 495 health units and medical centres, 4 central hospitals, and 186 ambulance points, in addition to equipping and increasing the efficiency of exiting healthcare facilities in the villages. The initiative has also established 61 service complexes, and a further 115 complexes are being established as well. These complexes include units for real estate registration, civil registry, post offices, social solidarity units, and other services. Work is also underway to establish 160 agricultural complexes, of which 13 have been completed. These complexes include units that provide agriculture-related services to rural communities (State of Information Service, 2022).

Furthermore, work was completed in 530 youth centres, including establishing 117 new centres, replacing and renewing 97 centres, and developing 316 existing centres. Work is underway in another 461 youth centres, the majority of which are also developing existing ones, while preparation is also underway for another 51 youth centres (State of Information Service, 2022).

The initiative has also completed constructing or renovating 132,000 housing units, and extending thousands of household sewage and water connections. The initiative has also implemented interventions in electrical infrastructure, including adding more facilities and renovations and maintenance to existing ones, with an estimated cost of 24.2 billion EGP (1.3 billion Euros in 2021/2022, and 740 million Euros in 2023) (State of Information Service, 2022).

3,000 nurseries and 127 schools with 2,311 classrooms were also established or renovated, according to the sources. 175 medical convoys were deployed, which provided services including thousands of surgeries and medical operations
in the villages (State of Information Service, 2022).

As part of the interventions as well, 20,000 kilometres of waterways were planned to be renovated, mainly through lining, by 2024 (A. Alaa, 2022), with an estimated budget of 80 billion EGP in 2021 (4.2 billion Euros in 2021, and 2.5 billion Euros in 2023). By the third quarter of 2022, 5,847.98 kilometres were already completed (M. Alaa, 2022).

**Rural employment and vulnerability in Egypt**

A three-year programme to eliminate rural poverty in Egypt is quite an ambitious endeavour, if not unrealistic, especially since poverty in Egypt is a predominantly rural phenomenon. According to the latest available official data, the total national poverty rate in 2019/2020 was 29.7% (Central Agency for Public Mobilization and Statistics, 2020). This rate has most likely increased since then, following the COVID-19 pandemic impact, the Russian-Ukrainian war, and the subsequent and unprecedented collapse in the Egyptian currency in 2022 and early 2023. This has translated into foreign currencies’ exchange rates doubling against the EGP in less than 12 months, and an official annual inflation rate that surged to 21.3% in December 2022 (Central Bank of Egypt, 2022b), and to more than 100% in independent estimates (France24, 2023), which would raise the value of the national poverty line, and consequently the poverty rate as well.

According to the 2019/2020 data, poverty rates in Egypt are significantly higher in rural communities. In southern governorates, poverty in rural regions stood at 42.8%, while in urban ones it was 12%. In northern governorates, poverty in rural regions was 23.1%, while it stood at only 4.4% in urban regions. Meanwhile, poverty in metropolitan (entirely-urban) governorates, including Cairo for example, stood at 14.7% (Central Agency for Public Mobilization and Statistics, 2020). Hence, poverty rates in both southern and northern governorates alike are almost four times as high in the rural regions as in the urban ones.

The rural-urban poverty gap in Egypt has existed for a long time but has been increasingly growing bigger. The World Bank estimated in 1991 that the poverty headcount in urban Egypt in 1990/1991 was 21%, while that of rural regions was 25%, reflecting a relatively small disparity, which only grew from that point. Furthermore, several studies have even estimated rural poverty to have been lower than urban poverty in Egypt a decade earlier in 1981/1982 (World Bank, 2002).

Table 1 highlights the growing rural-urban gap in poverty across Egypt, based on several available data points from 1995/1996 until the most recent in 2019/2020; it also highlights the persistent southern-northern poverty gap, which could be explained by geographical structural differences in concentration of wealth, natural resources, and services (Salem & Gleason, 2003). As the table shows, in times of an all-regions surge in poverty, such as from 1999/2000 to 2010/2010, poverty in rural areas increased more than in urban, while in times of an all-regions decline, as in the recent, and probably temporary, period from 2017/2018 to 2019/2020, poverty declined at a significantly slower pace in rural areas, compared to urban ones, reflecting widespread vulnerability and more persistent underpinnings of poverty in rural Egypt.
Poverty is found in general to largely hinge on employment and labour market conditions as its leading determinants through income generation (United Nations, 2007), which makes employment status key to risk of poverty for households (OECD, 2009). Poverty data in Egypt confirms this relation, and highlights a close correlation between instability of work and incidence of poverty in the country, regardless of the region (Central Agency for Public Mobilization and Statistics, 2020).

Hence, the rural-urban poverty gap in Egypt would be expected to reflect worse labour market indicators in rural regions compared to urban ones. On the contrary, data persistently show much lower rural unemployment across different sub-regions in the country. In 2021, unemployment stood at 9.3% in urban regions, and 5.2% in rural ones, in northern governorates. In southern ones as well, urban unemployment was higher at 8.5%, compared to only 3.1% in rural areas. Meanwhile, metropolitan governorates had a significantly higher unemployment rate, at 14% (Central Agency for Public Mobilization and Statistics, 2022b).

However, such data, with notably low rural unemployment, does not stem from a healthy rural labour market but reflects falling participation in the labour force, and low-quality employment opportunities in rural regions. The employment rate – percentage of working-age individuals who work – could provide a better reflection of the labour market conditions and developments in the last few decades. In 2021, the rural working-age population was 37.8 million, of whom only 15.5 million (41%) were employed (Central Agency for Public Mobilization and Statistics, 2022b), while the rest were unemployed or outside the labour force completely.

The rural employment rate has fallen to this low level as a result of slow growth of employment, in comparison to population growth over the past few decades. Graph 1 shows the development of the working-age population, employed population, and employment rate in rural Egypt between 2000 and 2021.
According to the data in graph 1, between 2000 and 2021, the working-age rural population in Egypt grew by 15.6 million people, while the number of employed individuals in rural regions grew by 5.7 million only, which means that almost 10 million people entered working age in rural regions but have not had work. This has consequently driven the rural employment rate in 2021 to its lowest level in 20 years at least. In 2000 it stood at 44.1%, and increased to 49.8% by the year 2010 (Central Agency for Public Mobilization and Statistics, 2000b, 2022b), before falling throughout the last decade.

A closer inspection of sectoral employment, especially agricultural employment, and its shifts during the last few decades helps explain the slow growth of employment in rural Egypt. Agriculture, the largest sector employment-wise in rural Egypt, and in fact in the country’s entire labour market so far, has been unable to absorb more labour during the last decade, and has even seen the total number of its workers fall persistently.

As graph 2 highlights next, rural employment in agriculture in Egypt increased from 4.8 million in 2000 to 6 million in 2010, before falling to 5.8 and then to merely 4.7 million in 2015 and 2021, respectively (Central Agency for Public Mobilization and Statistics, 2000b, 2022b), mirroring the trend in the rural employment rate during the last two decades. The sharp fall in total rural agricultural employment in the last decade, by 1.3 million people, in contrast to a surge of 1.2 million in the decade before, comes despite a persistent increase in the agricultural area in Egypt throughout the same period. The total cultivated area increased from 7.8 million feddans (one feddan is roughly 1.038 acres) in 2000 to 9.5 million feddans in 2019, the latest available data; the total crop area, which includes re-cultivating the same land plots during the year, also increased from 13.9 to 16.3 million feddans over the last two decades (Central Agency for Public Mobilization and Statistics, 2000a, 2022a).
An increase in agricultural areas with simultaneous sharp fall in labour could be an indicator of growing reliance on labour-saving technologies, especially in large-scale state/corporations-owned land reclamation projects, and/or a shift to different crops that are less labour-intensive (United Nations, 2007). Such changes in the labour size and output of the agricultural sector in Egypt have gone hand in hand with a rise in average wage of agricultural labour as a percentage of total average wages in Egypt’s labour market, specifically during the last decade. In 2005, average agricultural wages to average total wages was 69.7%. It increased slightly to 70.4% by 2010, and then surged to 86.4% by 2021 (Central Agency for Public Mobilization and Statistics, 2000b, 2022b). Such an increase in agricultural wages and productivity, with falling agricultural labour and overall rural employment rate, predicts growing inequality within rural regions in Egypt as well, but more data is necessary to verify this.

The decline in agricultural employment in rural Egypt has been partially compensated by employment growth in other sectors, such as construction and retail and the wholesale trade. As a result, the sectoral distribution of the employed population in rural Egypt has changed, as graph 3 shows. The share of agricultural employment to total rural employment declined from 48.5% in 2000 and to 30.3% in 2021, while the share of construction employment has more than doubled during the same period, from 7.1% to 16.1%, to become the second largest sector, employment-wise, in rural Egypt. The retail and wholesale sector has also grown and surpassed manufacturing, which is now the fourth largest sector in rural regions, down from the second in the early and mid-2000s (Central Agency for Public Mobilization and Statistics, 2000b, 2022b). Nevertheless, employment growth in these sectors was slow, so it was unable to absorb the rapid growth of working-age rural population, simultaneously with the fall in agricultural employment, which has contributed to the aforementioned fall in the rural employment rate.

Changes in sectoral distribution of rural employment have also probably contributed to a widening gender employment gap, thus exacerbating the gender dimension of rural vulnerability in Egypt, mainly due to replacing agricultural employment with construction work. Agriculture, a traditionally female-friendly sector, used to employ at least two thirds of all working women in rural Egypt. Female rural employment in agriculture has fallen from a peak of 1.9 million in the last decade to only 750,000 in 2021. As highlighted in graph 3, the fall in agricultural employment coincided with a fast rise of construction, as the second largest sector in rural Egypt, in terms of employment. The sector that employed 2.5 million people in rural regions in 2021, adding nearly one million jobs in the last decade, is almost entirely male dominated (Central Agency for Public Mobilization and Statistics, 2000b, 2022b).

Figure 3. Sectorial distribution of employed population Rural Egypt (2000-2021)


Figure 4. Employment rates by gender Rural Egypt (2000-2021)

Such changes in sectoral job growth have led to more rural women dropping out of the workforce altogether. Consequently, rural female employment rate fell to merely 12% in 2021, the lowest during at least the last two decades. Rural male employment rate has also fallen from the peak levels of the 2000s but not nearly as significantly as the females', and has shown some improvement in the last few years, as displayed in graph 4 below (Central Agency for Public Mobilization and Statistics, 2000b, 2022b).

Despite the low and falling employment rates in rural Egypt for males and females, they are still persistently higher than urban employment. In 2021, the latter stood at 37.9%, compared to the aforementioned rural rate of 41% (Central Agency for Public Mobilization and Statistics, 2022b). Simultaneous higher employment and poverty rates in rural regions could thus imply more in-work poverty due to the lower quality of rural jobs compared to urban employment.

This is evident from the predominance of informal employment in rural areas compared to urban ones in Egypt. Informal employment usually entails unstable employment, no minimum wages, no paid leave, no benefits and insurance, and so on. Such circumstances increase the likelihood of in-work poverty for informal employees, compared to formal ones, whether in the public or private sectors. In 2021, workers outside of establishments (an indicator for informal workers) represented 55.1% of all workers in rural Egypt, compared to 30.8% in urban regions (Central Agency for Public Mobilization and Statistics, 2022b). Such a large rural-urban gap in informality share has been persistent, and was in fact much wider, but also started to shrink mainly due to rise of informality in urban regions in recent years. The surge in construction employment in rural regions is not helping to curb rural informality, since the majority of rural construction employment is informal (more than 90%), in addition to a significant share of retail and wholesale work as well, which are the sectors that added most rural jobs in the last two decades, as highlighted above (Central Agency for Public Mobilization and Statistics, 2000b, 2022b).

The incidence of in-work poverty in informality is evident in the data. In 2019/2020, the latest poverty data available, 39.3% of all informal workers in Egypt were poor, compared to only 15.6% of public sector employees, while there is no data for poverty within formal private sector employees for 2019/2020, but it has historically been somewhere in the middle of the two categories (Central Agency for Public Mobilization and Statistics, 2020). This could help explain why poverty is more predominant in rural areas, despite higher employment rates, through the channel of informality that usually reflects both lower wages and benefits, and underemployment.

Shortcomings and the road to rural development in Egypt

The primacy of the role of decent work and growth of labour income in poverty reduction is clearest in the most successful global experience in that context, China. Between 1978 and 2019, China eliminated rural poverty as the proportion of rural population in poverty fell from 96.2% to 0.6%, representing 765 million fewer poor people in four decades. As graph 5 highlights, increased labour income accounted
for two thirds of the rural poverty reduction during the key success period between 1988 and 2007, with the demographic dividend contributing most of the remaining part, while transfer income, both public and private, such as remittances, played a complementary role in later mature stages (World Bank, 2021).

**Figure 5.**

Successful targeting of rural poverty reduction should necessarily prioritise boosting labour income through efforts to address employment issues, whether lack of opportunities or their low quality. Hence, the main issue of the mega Haya Karima initiative, to eliminate rural poverty in Egypt in three years, is not merely its over ambition but how it approaches rural poverty through chosen interventions.

It is established that the initiative was meant to be on a much smaller scale and purpose, and that there was no thorough planning to support such grand ambition, evident from scaling it from a 675 million EGP to a 700 billion EGP programme after a little over one year of operation. However, lack of planning should not be an excuse to condone allocating such unprecedented public funds, with as little focus on the root causes of the issue.

Despite citing economic empowerment through training and employment as one of the main intervention categories, and creating jobs as one of the expected outputs of the initiative, as highlighted in section 1 of this paper, official sources were even more unclear when it comes to interventions related to employment compared to other categories.

Findings of the second report to measure the initiative’s impact, referred to in section 1 of the paper, did mention that the initiative’s interventions resulted in the creation of 400,000 job opportunities up until mid-2022 (Ministry of Planning and Economic Development, 2022). Nevertheless, no further details are provided, especially regarding sectoral distribution. However, other official sources have mentioned that the initiative creates job opportunities in the targeted villages by employing their inhabitants during the interventions, citing...
30% of total workers in these projects from the villages (State Information Service, 2021). This indicates that most of these job opportunities are most likely temporary construction jobs that are not sustainable, since the majority of interventions are infrastructure projects that after completion will not create or maintain much employment. What supports this is that in two years of the initiative, between the end of 2019, shortly after it was operational, and the end of 2021, the latest data, rural employment added a net of 300,000 jobs, of which the construction sector added a net of 200,000 jobs, with a net decline in agricultural and manufacturing employment (Central Agency for Public Mobilization and Statistics, 2019a, 2022b).

Besides briefly citing the number of job opportunities created so far by the interventions, official sources also refer to a sub-initiative that was supposedly launched, entitled Start, which has in turn launched a first phase of a programme for labour training (State Information Service, 2022a). However, there are no further details on how many trainees are targeted, or how many have already received it, or a timeframe for the goals of this training programme, or its scope and contents.

The weak focus on sustainable job creation compared to infrastructure is also evident in the distribution of Haya Karima’s planned investments. As graph 6 shows next, less than 10% of all funding allocations of the initiative are in fact dedicated to decent work (0.5%), poverty elimination (8.6%) and hunger elimination (0.4%) combined. Infrastructure interventions, on the other hand, through several categories, are allocated nearly three quarters of the total investments (Ministry of Planning and Economic Development, 2023). Allocations of the initiative’s interventions are divided into categories based on the SDGs, in accordance with the initiative’s aim of localising them.

**Figure 6.** Share of Haya Karima allocations to sustainable development goals

Furthermore, not only does the initiative concentrate the funding and efforts on infrastructure interventions, but also the lack of planning is taking its toll on the efficiency of allocated infrastructure spending. For example, the category with highest share of allocations – 43% as shown in graph 6, i.e., clean water and sanitation, includes interventions for lining 20,000 kilometres of waterways, with an estimated cost of 80 billion EGP in 2021, as mentioned in section 1. However, by the end of 2022, after already lining almost 6,000 kilometres of waterways, the Ministry of Irrigation decided to re-evaluate the project and study each waterway individually to assess whether it needs intervention or not, and started working on a manual to set future guidelines for the rest of the project (M. Alaa, 2022), highlighting that lining all the waterways is a waste of public resources (Badr et al., 2023).

Haya Karima is in conclusion a massive ill-planned infrastructure project. It is likely to improve provision of valuable services to the rural population, including healthcare, educational, sanitary and governmental services. However, spending on these infrastructure projects will likely be inefficient due to ill-planning, and these interventions are unlikely to create sustainable jobs or eliminate rural poverty as promoted.

Even investments in education, which evidently lag in rural areas compared to urban ones (Central Agency for Public Mobilization and Statistics, 2019b), will not suffice to deliver the ambitious goal of Haya Karima. Education no longer guarantees landing a decent job in Egypt, in light of a severe shortage of formal job opportunities in the labour market (Assaad, et al., 2019). This is reflected in the inverse correlation between level of education and unemployment in Egypt. Unemployment is 2.2% for the illiterate population, and rises gradually with more education, with a peak at 14.9% for university and post-graduate education levels (Central Agency for Public Mobilization and Statistics, 2022b). This is explained by the reluctance of highly educated graduates, compared to the illiterate, or ones with lower levels of education, to accept informal employment – at least for early years after graduation –, which has grown into the main employment destination (Assaad, 2014).

Fighting rural poverty in Egypt through decent work creation will thus require a different set of policies. Policy-makers in Egypt should realise that decent work for the rural population will most likely not be in the same sectors that currently dominate rural employment, whether agriculture, construction, or wholesale and retail. They should also realise that such poverty-alleviating work might not even be geographically located within rural regions altogether.

Successful structural transformation globally has relied on workers shifting from agricultural employment to an emerging and fast-growing manufacturing sector, and later to services (Guillermo Beylis, et al., 2020). In the aforementioned successful Chinese experience in eliminating rural poverty, increased labour income has contributed with two thirds of rural poverty reduction between 1988 and 2007, as mentioned earlier. Such an increase in labour income largely relied in the first period (1988-1995) on increased productivity in agriculture, while a surge of labour opportunities in industry and services drove the rise in labour income, and hence poverty reduction, in the second period (1995-2007) (World Bank, 2021).

In Egypt, a deeply-rooted issue has been the failure of structural transformation through the previous decades; the working-age rural population grew fast due to demographic transition but has not shifted to employment in high-productivity sectors,
while agriculture became saturated and stopped absorbing more labour, as mentioned. This in turn has led to falling employment rates, and to reliance upon informal, unstable and low-productivity employment, where in-work poverty is widespread. Failure of structural transformation in Egypt has been caused by slow growth of the manufacturing sector, which has not absorbed excess rural labour and has accounted for less than 15% of total employment during at least the last 30 years (Central Agency for Public Mobilization and Statistics, 1990, 2022b). The labour market has conventionally drawn upon the construction sector, which exhibits a predominant informality. Furthermore, low productivity and an inflated public administration sector, along with other services characterized by low productivity, including hospitality, retail, and wholesale trade, are also marked by a widespread informality (Ikram, 2019).

The slow growth of formal high-productivity employment in Egypt, in manufacturing and elsewhere, has largely been a result of a discouraging business environment (Islam, et al., 2022). Cronyism, corruption and uneven state intervention to favour inefficient connected businesses have been the state of play in Egypt since transition to a market economy decades ago (Hertog, 2016). This has been exacerbated by stifling trade barriers and uneven competition due to the direct role of state enterprises, which exceed 297 companies, 51 economic agencies, and 60 companies affiliated to the Ministry of Defence, competing with the private sector in 23 of the total of 24 industry groups in the domestic economy (International Finance Corporation, 2020).

A successful structural transformation in Egypt to create sustainable decent employment for the rural population and alleviate rural poverty will thus not hinge on more state programmes and mega infrastructure investments. It will rather necessarily require deep institutional reforms to improve the business environment, attract investments and encourage growth of formal private sector. Such reforms would need to include fighting corruption, protecting property rights, curbing public policy uncertainty, removing barriers to trade, and limiting the role of state-owned and military-affiliated enterprises.

Nevertheless, such reforms to address broad policy failures, or government failures in other words, are usually conducive to growth of less sophisticated industry and services sectors. Growth of advanced sectors, on the other hand, that are technology and innovation-intensive, yielding the type of structural transformation that generated fast inclusive growth and lifted tens of millions out of poverty in Asia and elsewhere would require policies that address sector-specific market failures as well, namely active industrial policies (Cherif, et al., 2022). Such policies include focusing on export orientation, in contrast with import-substitution strategies, through measures such as targeted tax benefits for export sales, tariff rebates on imported intermediates, subsidies for purchase of domestic inputs, and export promotion agencies. Proven policies also include the use of public procurement to encourage domestic production and technological change, allocating lending directly or indirectly to specific sectors, establishing incubators, providing access to public land at below-market rates, reducing labour taxes for specific sectors, and providing research and development incentives and subsidies (Cherif, et al., 2022).

These industrial policy measures, which require intensive state intervention, bring us back to square one. In a weak institutional environment such as the Egyptian one, it is likely that these policies would be captured by special interests, which indeed
has been the case for decades of cronyism in Egypt (Chekir & Diwan, 2014; Diwan, et al., 2018; Eibl & Malik, 2016), thus pushing institutional reform again as the necessary route forward. On the contrary, some of the leading institutional and governance indicators have been deteriorating in Egypt during last few years, on top of accountability and control of corruption. And although some other indicators have slightly improved, Egypt is still in the bottom third of countries worldwide for most governance indicators (World Bank, 2022). There are also signs of less state appetite for global trade. Haya Karima’s aforementioned sub-initiative Start offers a brief vision for industrial development that ominously echoes import substitution policies (State Information Service, 2022a), which have long been proven unsuccessful (Cherif, Hasanov, 2019).

Furthermore, aside from speculations, there are few signs yet of a de facto curbing of the role of state-owned enterprises and military-affiliated entities in the economy. Haya Karima even features a key role for the Ministry of Military Production, which is supposedly involved with the labour training initiative (State Information Service, 2022a). The ministry and other military-affiliated entities are also major sources in Haya Karima’s massive procurement supply chain (Agag, 2021).

Conclusion

Haya Karima’s infrastructural interventions will most likely be unsuccessful in eliminating rural poverty in Egypt. In fact, and as mentioned, it is likely with the current economic crisis in the country – reflected in the sharp and unprecedented devaluation of the EGP and soaring inflation in 2022 and early 2023 – that poverty has already sharply risen in Egypt, especially in vulnerable rural communities. However, no official data on poverty is yet available after 2020 and, as mentioned, the official data and reports on Haya Karima after 2020 also stopped including updates on poverty outcomes.

It could even be argued that the model relying on mega infrastructure projects to generate growth and employment (State Information Service, 2022b), adopted by the Egyptian state during most of the last decade, has in fact contributed to the current economic crisis in the country. For the past few years, the state has been spending tens of billions of dollars on mega low-return infrastructure and construction projects, including a new administrative capital to the east of Cairo, with an estimated cost of 58 billion USD, a third line for Cairo metro, with a cost of 5.8 billion USD, a monorail for the new capital, with a cost of 4.5 billion USD, King Salman Bridge, costing 4.5 billion USD (Delloitte, 2021), a 4.5 billion USD high-speed electric rail, a bypass to the Suez Canal, with an estimated cost of 8 billion USD (Springborg, 2022), and a further extension to the Suez Canal underway, with a cost of 14 billion USD (Egypt’s Project Map, n.d.b).

These massive investments were largely financed by borrowing. Consequently, Egypt’s external debt has skyrocketed from 46.1 billion USD in mid-2014 (Central Bank of Egypt, 2016), when the president assumed power, to 155.7 billion USD by mid-2022, the latest data (Central Bank of Egypt, 2022b). Thus, when the external shocks of COVID-19 and the Russian-Ukrainian war hit the Egyptian economy, affecting flows of foreign currency and cost of imports, the crisis unfolded.

The regime’s choice of this unsustainable growth model was most likely to avoid the necessary and deep institutional and political reforms that are required for an encouraging business environment and success of an inclusive growth model,
with a functioning private sector leading sustainable and inclusive job creation.

This current model has unsurprisingly failed to yield inclusive development and has arguably pushed the Egyptian economy and living standards of the population into quite a vulnerable position. It is thus unlikely that mobilising even more public investments into another massive infrastructure project would solve Egypt's socioeconomic issues, and it is fair to expect that this might even exacerbate them.
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Rural Vulnerability, Employment and Social Safety Programmes in Egypt: How Far Could State Initiatives Go?


