



Policy Brief

About Egypt's Mega Projects: Infrastructure & Hayah Kareema

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This Policy Brief is part of ECES's assessment of the present economic situation. It is authored by Abla Abdel Latif, PhD, Executive Director and Director of Research, ECES.

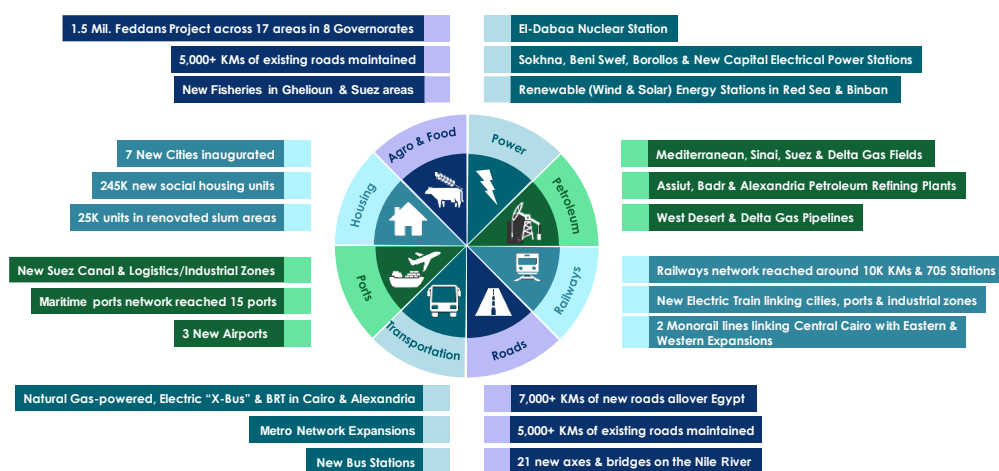
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Why focus on mega projects? and why ‘roads and bridges’ and ‘Hayah Kareema’ in specific?

- Mega projects are huge investments (as seen in figure 1) and this in itself is a good enough reason for assessment.
- Beyond the new administrative capital and the expansion of Suez Canal, these two projects are the biggest accounting combined for investments in the range of approximately (LE 740 billion)
- The importance of checking the extent to which the priority agenda of these projects meets the developmental needs of the country. These two in specific are key for people and investments (dream projects if implemented right)
- The importance of knowing the extent to which these projects achieved or will achieve their original objectives and in what time frame, especially in light of the opportunity cost of such huge investments (checking if success conditions are there)
- The importance of checking the sources of finance and the impact on the debt situation especially in light of how critical it is now, and also in light of recent devaluation
- The importance of checking the extent to which stakeholders are involved in decision-making as their involvement is critical for success on the ground and sustainability of results
- In spite of all the talk on the projects and media campaigns very little is actually known about the institutional framework of these projects, their management system, sources of finance, monitoring and evaluation systems etc.

Figure 1. A snapshot at Egypt’s mega projects starting 2014



Source: Egypt’s Projects Map, <https://egy-map.com/>.

Issues that need serious addressing if these projects are to succeed in achieving their objectives

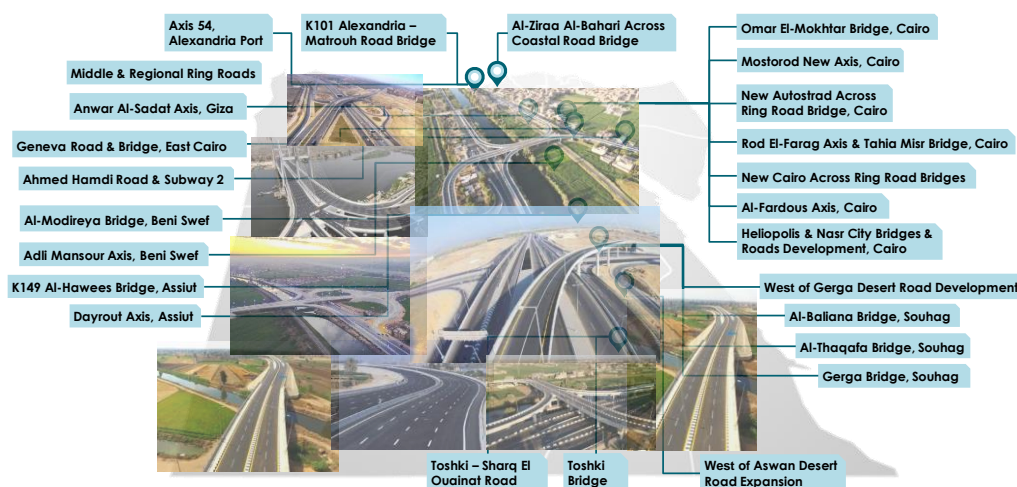
- Extent of overlap with developmental agenda for Egypt
- The institutional framework managing each initiative
- Sources of finance and extent of pressure on Egypt’s debt situation
- Existence of policy infrastructure supporting achievement of objectives
- Involvement of stakeholders in decision making
- Existence of monitoring and evaluation systems

The National Project for Roads

The announced overall plan of the project:

- The ‘National Project for Roads’ was first announced in 2014 and actually started in 2015
- It is considered to be a dream project for achievement of sustainable development by connecting the new road network with existing one, as well as establishing logistic areas to support economic development, supporting the establishment of new cities. In addition to better allocation of resources and better servicing of agricultural development needs
- The plan involves 3300 kms of new roads with an overall cost of LE 36 billion (as seen in figure 2)

Figure 2. Infrastructure (roads, axes & bridges): Some of the new roads, axes & bridges



Source: Egypt’s Projects Map, <https://egy-map.com/>.

- Project implementation by the Ministry of Transportation represented by the General Authority for Roads, Bridges and Land Transportation (1300 kms), Ministry of Housing represented by the Central Agency for reconstruction (800 kms) and the Armed Forces represented by the Egyptian Armed Forces Engineering Authority (1200 kms)
- The National Investment Bank is to contribute in financing the project for the two ministries, follow up its implementation, and solve all problems impeding it

Key positive observations:

- In general, there is an overlap between all infrastructure projects and Egypt's development agenda
- As far as roads and transportation in specific are concerned, the project is very ambitious and meant to connect the whole country together which is supposed to improve traffic, reduce old city concentration and attract investments due to improved transportation
- Fast execution of roads and bridges actually reduced the number of problems faced by people in traffic
- Toll gates revenues is covering a tangible share of bridge and road construction
- New bridges in the delta area in specific have visible results that everyone feels
- Big private sector companies are doing the actual construction and through them a large number of smaller companies through sub-contracting

Key 'not so positive' observations:

- The word '**Infrastructure**' is believed to be the equivalent of '**necessary projects**' that **must** be implemented irrespective of their nature, when in reality there is priority listing even within infrastructure and resource allocation needs to respect it. Some road segments could have been postponed given limited resources and the high opportunity cost of not directing enough resources to human capital for example
- The return on huge investments in roads and bridges typically comes much later through attracting investments and increasing productivity following job creation and improved mobility. Meanwhile their cost has to be well calculated so as not to put a burden on the economy, especially that there are other infrastructure needs remain unmet (for ex. industrial zones in Upper Egypt) lost a lot of investment opportunities due to lack of infrastructure.

- The needed policies for encouraging direct investment that is the ultimate goal of these projects, or at least one of them, are proceeding very slowly in comparison to actual infrastructure investments (**a lot of spending and not enough pushing for return**)
- Little transparency in awarding projects (mostly direct awarding), little known about sources of finance or actual detailed costs, or overall management of projects especially that (after execution) different roads lie under the jurisdiction of different public organizations
- The original plan on establishment of logistic areas that support economic development was hardly realized on the ground
- No involvement of stakeholders in decision making

Hayah Kareema for a better quality of life in rural areas

The announced overall plan for the project

- Initiative started in 2019 and is planned to be completed in three years. It is to be implemented along with “Takaful and Karama”, “100 Million Health” initiatives etc. to achieve complete transformation of rural Egypt
- 4584 villages to benefit from the initiative with 60 million beneficiaries
- Overall investment estimated at LE 700 billion
- Sources of finance: government funds and in kind contribution by civil society (around 10 percent)
- Program divided into three stages starting with the poorest districts
- As announced, stage one completed for 52 districts, 1413 villages in 20 governorates, total cost LE 260 billion
- Implementation of projects by Ministry of Housing, Armed Forces Engineering Authority and more recently civil society (22 NGOs)
- Representatives of ‘Hayah Kareema Foundation’ supervise implementation and report directly to the Prime Minister.

Key positive observations:

- There is a very strong overlap between Hayah Kareema and Egypt's development agenda (interest in rural areas, poverty alleviation, improved quality of life, improved geographical justice, job opportunities in rural areas...etc)
- Civil society is partly involved in implementation of the project to a certain extent
- There is interest in education, health and intention of availing government services for rural population
- The announced plan involves creation of job opportunities for youth through small industrial clusters and other projects

Key 'not-so-positive' observations:

- Too much focus on infrastructure within Hayah Kareema between: “**important and necessary**” such as sewage, electricity, clean water, more livable housing etc. and “**less necessary and easily substitutable**” such as buildings to provide governmental services
- Inconsistency of priorities in implementation of projects geographically (the unit of focus is “el marakez” - districts not villages)
- Interest in education and health are focused on building new classes and hospital beds, when these are of limited use if there aren't enough teachers and doctors
- No transparency in financing the project and actual burden on the budget or debt
- No involvement of stakeholders in decision making thus leading sometimes to wrong allocation of resources
- Finance sustainability for project completion is questionable
- Focus on creation of temporary jobs and little attention to permanent job creation
- Management system for implementation is too simple for implementation of such a huge project and it bypasses governors (**no decentralization**)
- Not clear who is responsible since projects are implemented under different ministries
- All implementation is by direct order (no tenders)- very high cost
- Monitoring and impact evaluation through KPIs hasn't started yet
- Incomplete projects are a burden on the people in rural areas

- Follow through of projects into economic benefits, is not taking place at the same pace thus postponing the benefits of projects (for example drop irrigation by farmers following canal coating)

What needs to happen for maximum benefit from both projects to take place (For new projects)

- Revisiting priorities in infrastructure especially following devaluation
- Policy reforms to precede any construction (might be enough to achieve the target)¹
- Coordination of efforts of all organizations involved including army and security organizations to minimize exaggeration in projects and improve allocation of resources as per developmental priorities
- More transparency in financing projects to reduce impact on overall debt
- No direct awarding for implementation of projects, allow tenders only
- **One budget for all government** is critical, so that financial constraints can be quickly identified and be part of all decisions

¹ Buildings and construction currently account for a large percent of government investments in general. (specific evidence in the appendix).

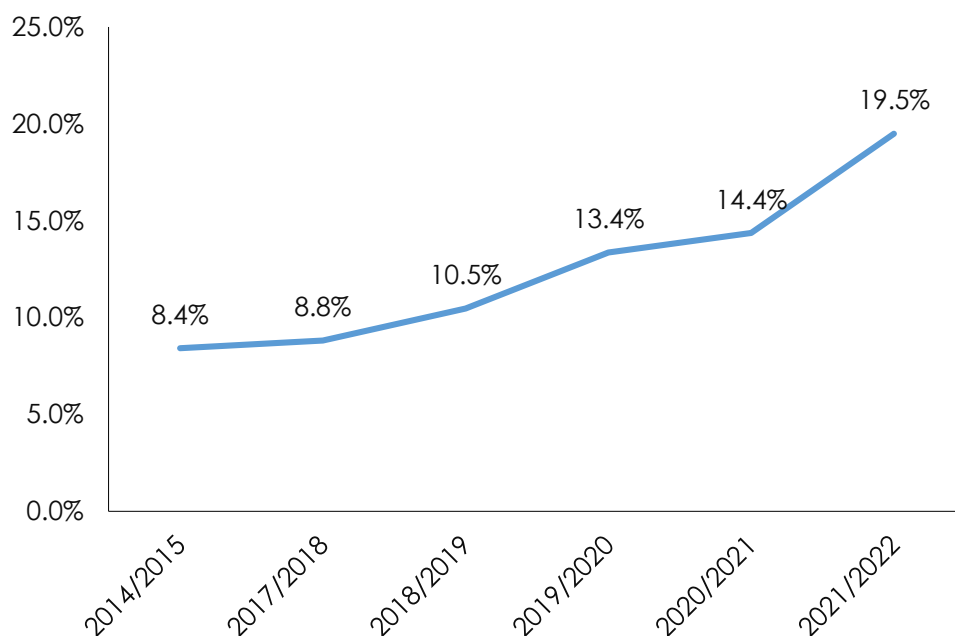
What needs to happen for maximum benefit from both projects to take place (For already implemented ones)

- Complement the physical infrastructure with needed policy infrastructure
- ‘Closing circles’ by completing projects so that planned positive impact of the whole big project is realized and felt by the people
- Decentralization is a must for proper management of all projects and sustainability of results, local authorities and civil society are best in assessing needs and priorities
- Adoption of a well governed institutional framework for implementation suitable for the size of Hayah Kareema
- Impact assessment on people by independent agencies and civil society is needed from the beginning to correct potential future mistakes
- Training of residents in rural areas for jobs needed in service delivery (schools, hospitals, post etc..)
- Much more focus on **permanent job creation** and sources of income for people that really work such as ‘**your job next to your home**’ initiative successfully working in Qaliubia for the last seven years
- Unified responsibility for maintenance of roads, putting signs, and announcing changes in road map in media

Finally.. Big Dreams and Big Efforts Need to be Complemented with Proper Policies to Guarantee realization of Objectives, and expected Returns on Investments at all Levels... if Not ..all these Great Investments Become ‘Water, Water Everywhere but Very Few Drops to Drink’

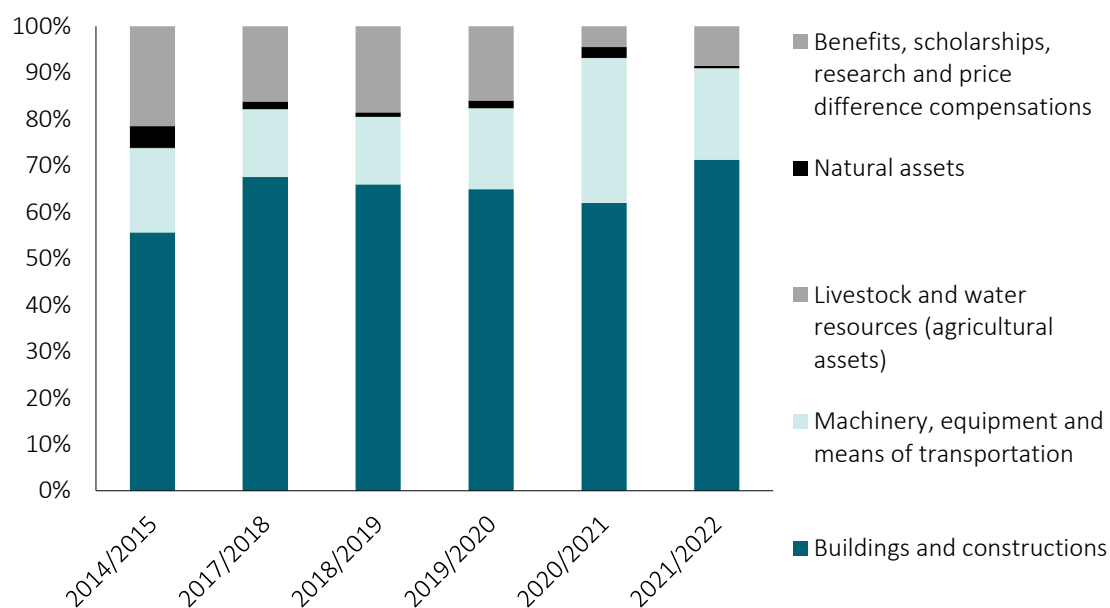
Appendix

Figure A1. Evolution of government investments as a percentage of expenditures



Source: ECES calculations based on data from the Ministry of Finance (MoF), *the state's budget*, various years.

Figure A2. Buildings and construction account for 70% of government investments in the 2021/2022 budget



Source: ECES calculations based on data from the Ministry of Finance, *the state budget*, various years.