

Assessing Egypt' Sustainable Development Strategy

"A Dynamic multi-sector Economy-wide Simulation Modeling Analysis"

Motaz Khorshid and Asaad El Sadek

In line with, the Global Sustainable Development Goals, the government of Egypt has recently launched a comprehensive Sustainable Development Strategy (SDS) up to 2030. The developed SDS is directed to situate Egypt among the top thirty countries world wide with respect to economic development, market competitiveness, human development, citizen happiness and anti-corruption. The strategy is centered around pillars such as: Economy, Social justice, Energy, Urban Development, Environment, Education, Knowledge, innovation and scientific research, Health, Culture and Transparency and Efficiency of Government institutions. For each pillar, the strategy clearly defines the key Performance Indicators (KPIs) used to judge Egypt's accomplishments up to 2030. The economic KPIs of the SDS are:

- Achieve an average annual GDP economic growth rate in real terms of 7 percent.
- Raise Investment rate to 30 percent of GDP in real term.
- Increase the contribution of services sector in GDP to around 70 percent.
- Augment the contribution of Egypt's exports to 25 percent of economic growth on the average in real terms.
- Reduce aggregate unemployment rate to 5 percent in 2030.

On the other hand, to secure a \$12 billion loan from IMF, the Egyptian government committed itself to an economic reform program articulated on 5 major policy trends:

- Liberalizing the exchange rate system
- Reducing energy subsidies
- Reviving the economic performance by boosting growth
- Implementing a tax reform directed to enhance government revenues
- Strengthening social safety nets and social protection

The purpose of the paper is to build a dynamic multi-sector economy-wide model based on the social accounting matrix principles and the computable general equilibrium tradition to test whether the 5 economic pillars of the reform program of Egypt will positively contribute to accomplishing Egypt's SDS. Specifically, the constructed model will be directed on the one hand to test alternative feasible development paths directed to achieve the above KPIs of Egypt's (SDS) up to 2030, and suggest on the other hand feasible policy reform region capable of achieving the desired goals.

The paper is organized around 4 sections, the first one summarizes Egypt's SDS with special emphasis on its socioeconomic part. The second section is directed to construct the most recent social accounting matrix (SAM) reflecting the structure and interactions of Egypt's Economy. The third section describes the economic rationale, mathematical structure and implementation strategy of the model with special reference to its relevance to the current policy analysis exercise. Finally, the last section discusses analytical results and suggests policy recommendations.

Keywords: Economy wide Analysis, Egypt's Sustainable Development Strategy, Social Accounting Matrix, General Equilibrium Modeling.

