

# **Accelerating global actions for a world without poverty: Egypt Experiences**

By

**Dina M. Armanious**

Professor of Statistics, Faculty of Economics and Political Science,  
Cairo University, Egypt

[Darmanious@feps.edu.eg](mailto:Darmanious@feps.edu.eg)

4 – 6 March 2020

# Contents

1

**Motivation and Objectives**

2

**Trends in Income Poverty in Egypt**

3

**Economic Situation of people in Egypt**

4

**Impact of Cash transfer Programs**

5

**Food Security Status in Egypt**

6

**Policy Recommendations**

# Motivation

- ❑ After years of slow growth after Egyptian revolution in 2011, the Egyptian economy has started to recover in 2014/2015 and **growth rates have exceeded 5% since the year 2017/2018.**
- ❑ However, results of Egyptian Household income, Expenditure and consumption survey (HIECS, 2017/2018) showed Continued increase in poverty rates that jumped from 27.5% in 2015 to 32.5% in 2018

# Questions were raised about:

1. **How to explain** increase in poverty rates in light of the increase in Growth rates and declining unemployment rates?
2. **What are the policies** to be followed in order to ensure poverty rates decline in response to the continuous efforts in Egypt?

# Objectives

1. Assessing Trends of **Poverty Status in Egypt**
2. Examining the **Real Income** and the **Employment status** of people in Egypt
3. Assessing the Impact of **Cash transfer programs** on poverty
4. Examining **Food Security Status in Egypt**
5. **Proposing policies** to be followed to ensure decline in Poverty rates and improved living standards

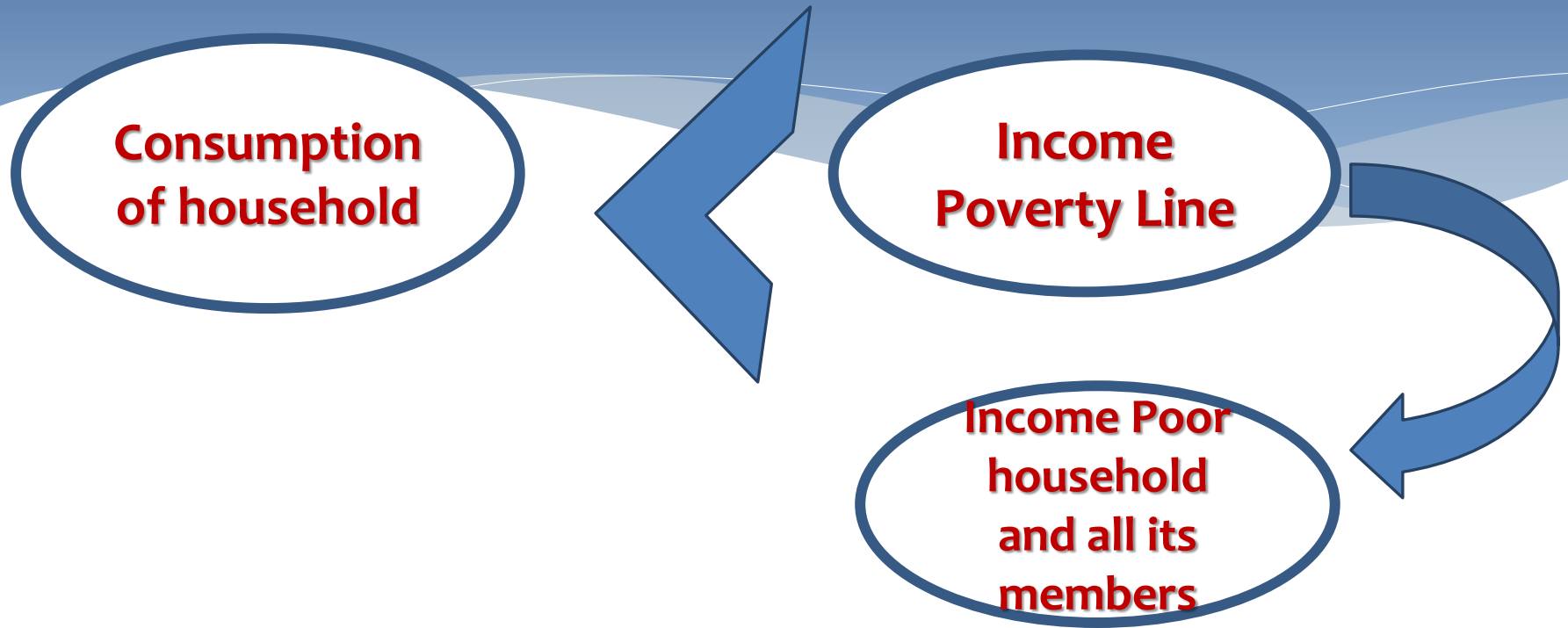
# Data

- ❑ The analysis relies on data from the **nationally representative Egypt** Household Income, Expenditure and Consumption Survey that ended in September 2018, (**HIECS, 2018**) carried out by the Central Agency for Public Mobilization and Statistics (CAPMAS), **which is the principal source of data for poverty in Egypt.**
- ❑ **HIECS 2015** is also used to do trends in the analysis



# **First: Current Situation of Income Poverty in Egypt**

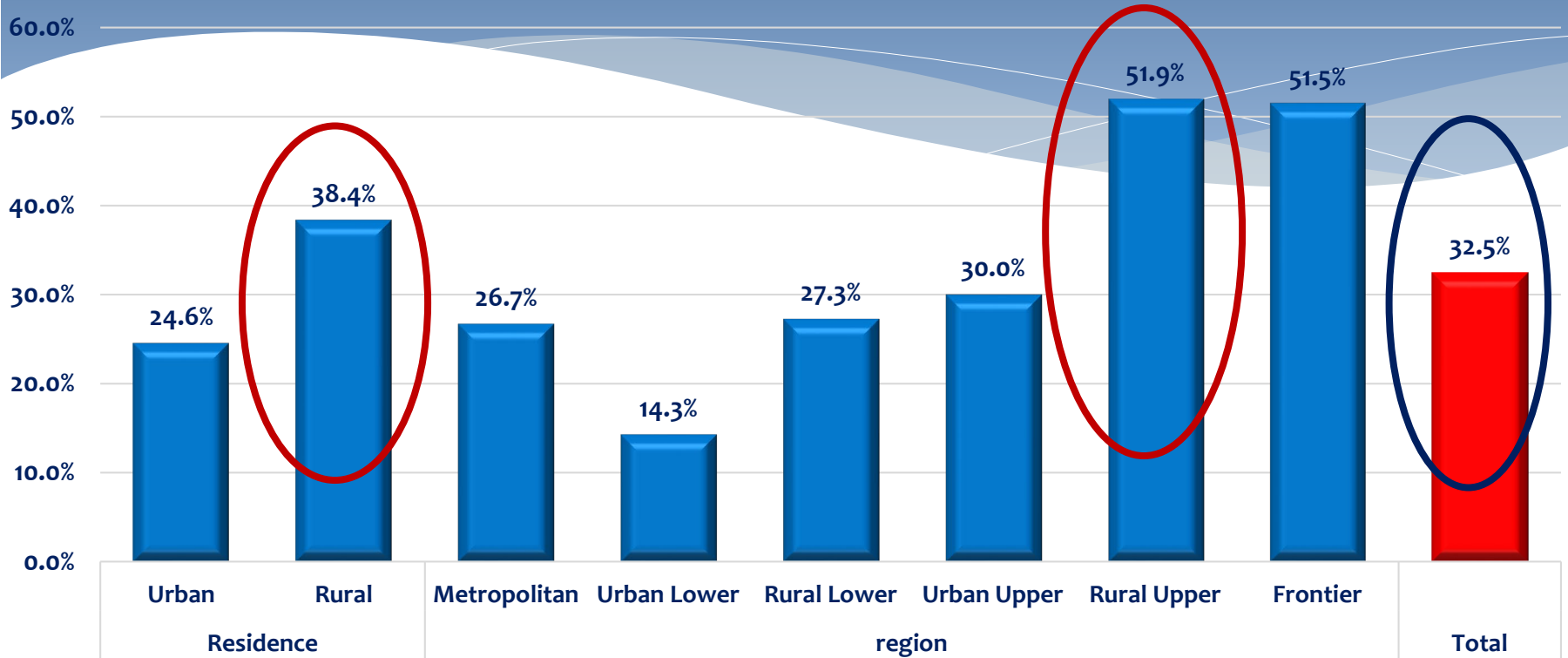
# Poor Households



- ❑ The 'money metric' measure of poverty is used
- ❑ Households are considered **poor** if they cannot afford to **consume minimum acceptable basic needs** (Poverty line)
- ❑ Extreme poor households **who cannot satisfy their basic needs of food**

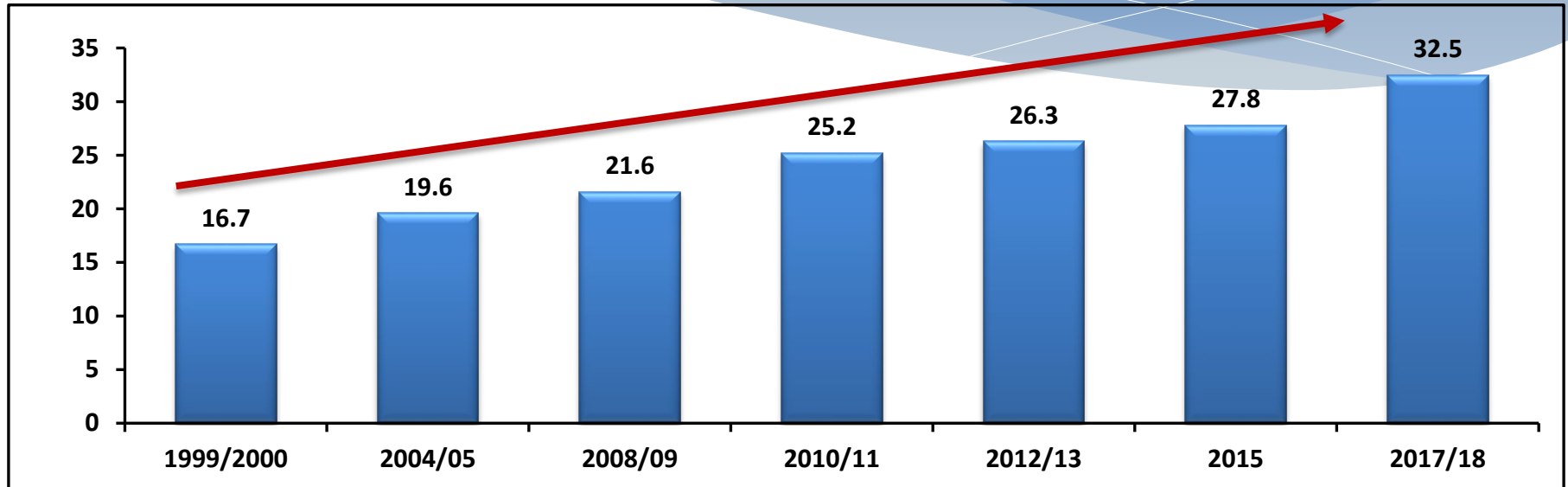


# Income Poverty, 2018



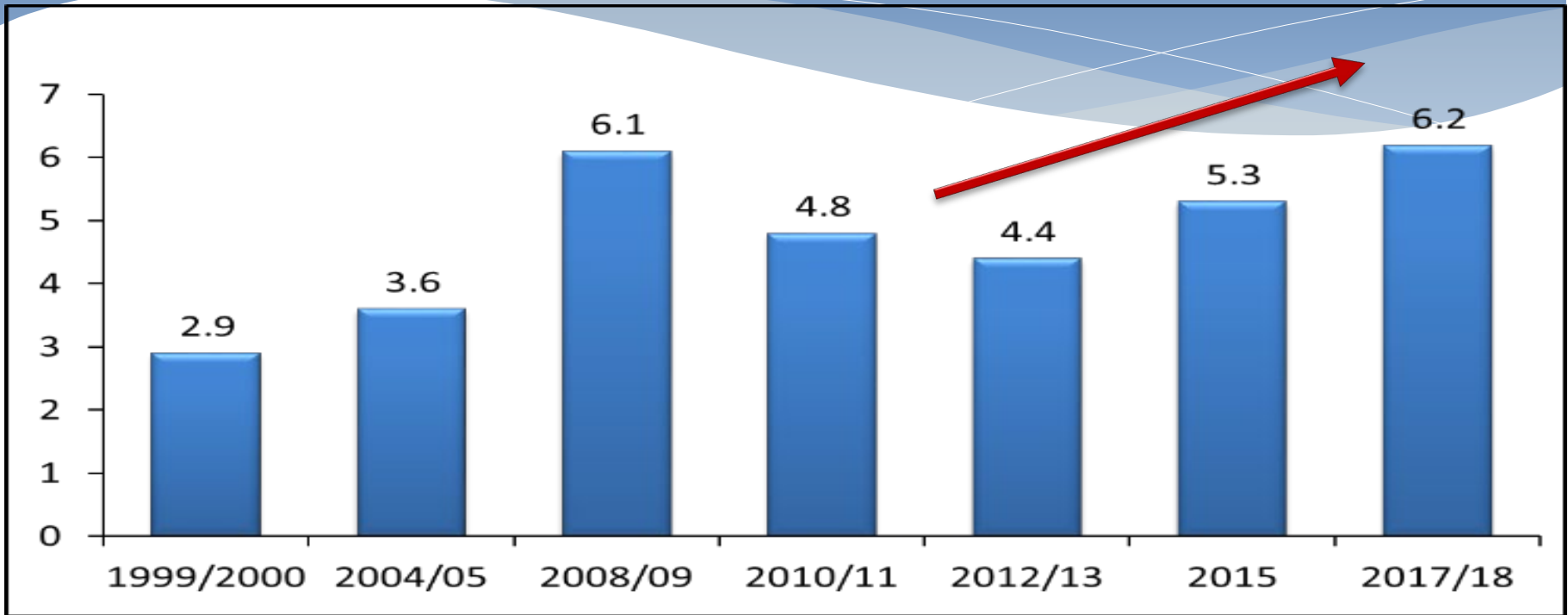
- On average **32.5%** of people in Egypt are poor in 2018 (**32 million people**) (**More than 7.5 million household**)
- Poverty is most profound in Rural areas, particularly in **rural Upper Egypt**, where poverty rate increases to **52%**.

# Income Poverty Trends 1999-2018



- ☐ **Steady Increase in Income Poverty Rates from 1999 to 2018.**
- ☐ Over the past 8 years, Income poverty increased by 7.3 percentage points, from 25.2% in 2010/11 up to 32.5% in 2018

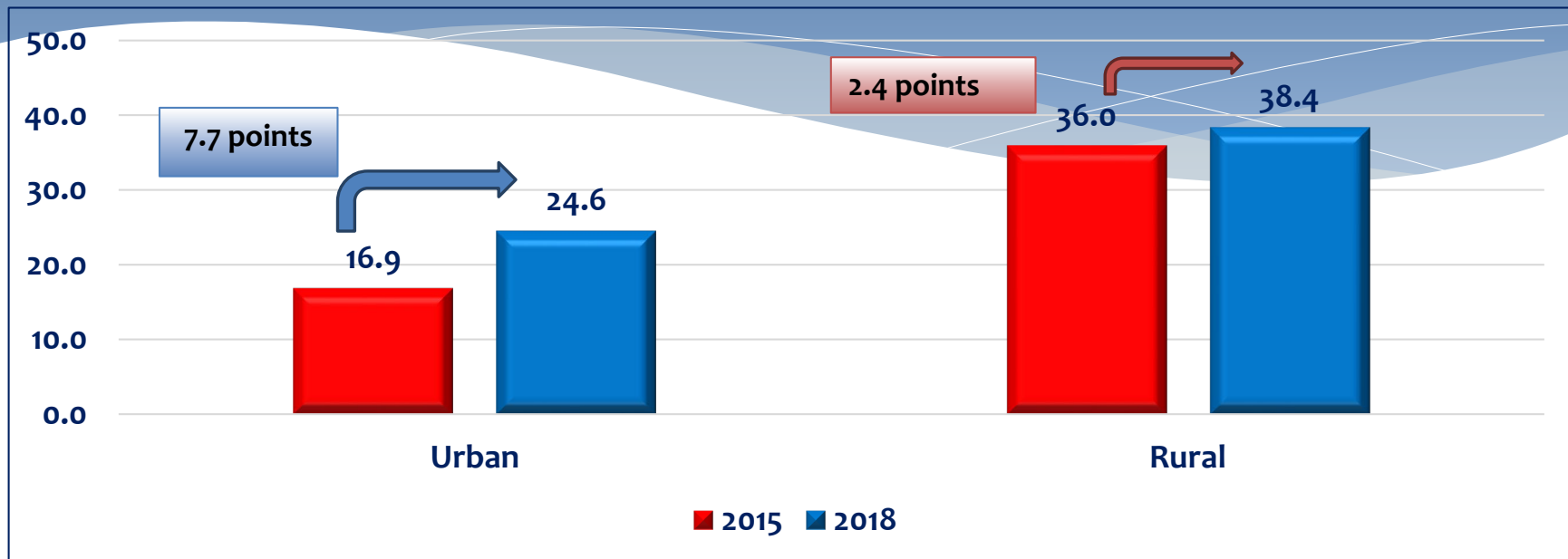
# Extreme Poverty Trends 1999-2018



❑ Extreme poverty Increase steadily from 2012 to 2018.

❑ **6.2% in 2018** are categorized as extreme-poor (**6 million people**) and unable to meet their minimum food requirements, **they suffer from food insecurity**

# Change in Poverty between 2015-2018 By Residence



- ☐ Poverty rates are generally higher in Egypt's rural areas in all years
- ☐ Because of the large increase in the percentage poor in urban areas between 2015-2018, For the first time, the gap between rural and urban standard of living has decreased

# Change in Poverty between 2015-2018

## By Region

Regions	2015	2017/2018	Change
Total Egypt	27.8	32.5	4.7
Metropolitan	15.1	26.7	11.6
Urban Lower	9.7	14.3	4.6
Rural Lower	19.7	27.3	7.6
Urban Upper	27.4	30.0	2.6
Rural Upper	56.7	51.9	4.8 -



- Percentage of the poor increased in all regions, except for **rural Upper Egypt**.
- For the first time, the rural area of Upper Egypt witnessed a decrease in poverty indicators, and the difference **was 4.8 percentage points**. **However, still it has the highest percentage of poor (52%) (12.6 million people)**

# Poverty Map for Better Targeting

- ❑ Aggregated level of poverty on governorate level **mask sub-governorate variation of poverty** because poverty-reduction interventions face challenges of spatial **heterogeneity of poverty** in Egypt
- ❑ Drawing **Poverty Maps** becomes an essential component to **design efficient programs to eradicate poverty**

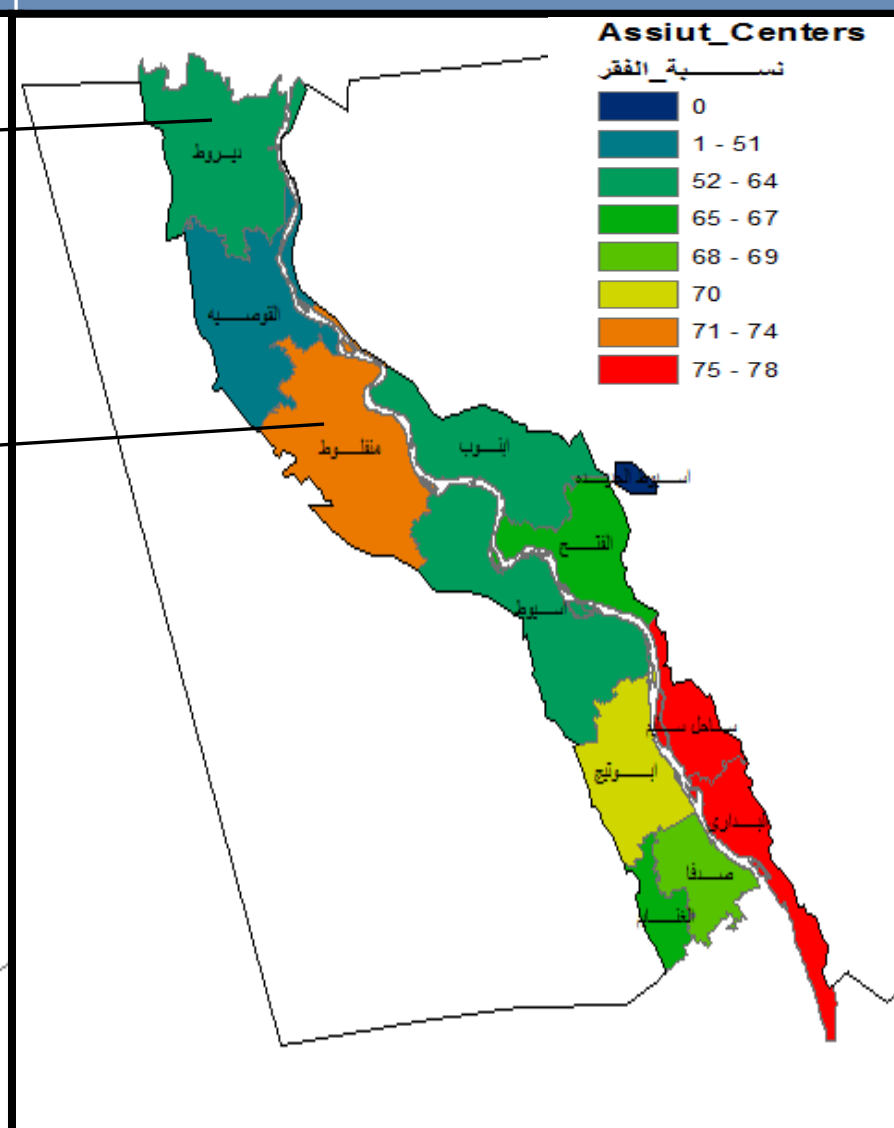
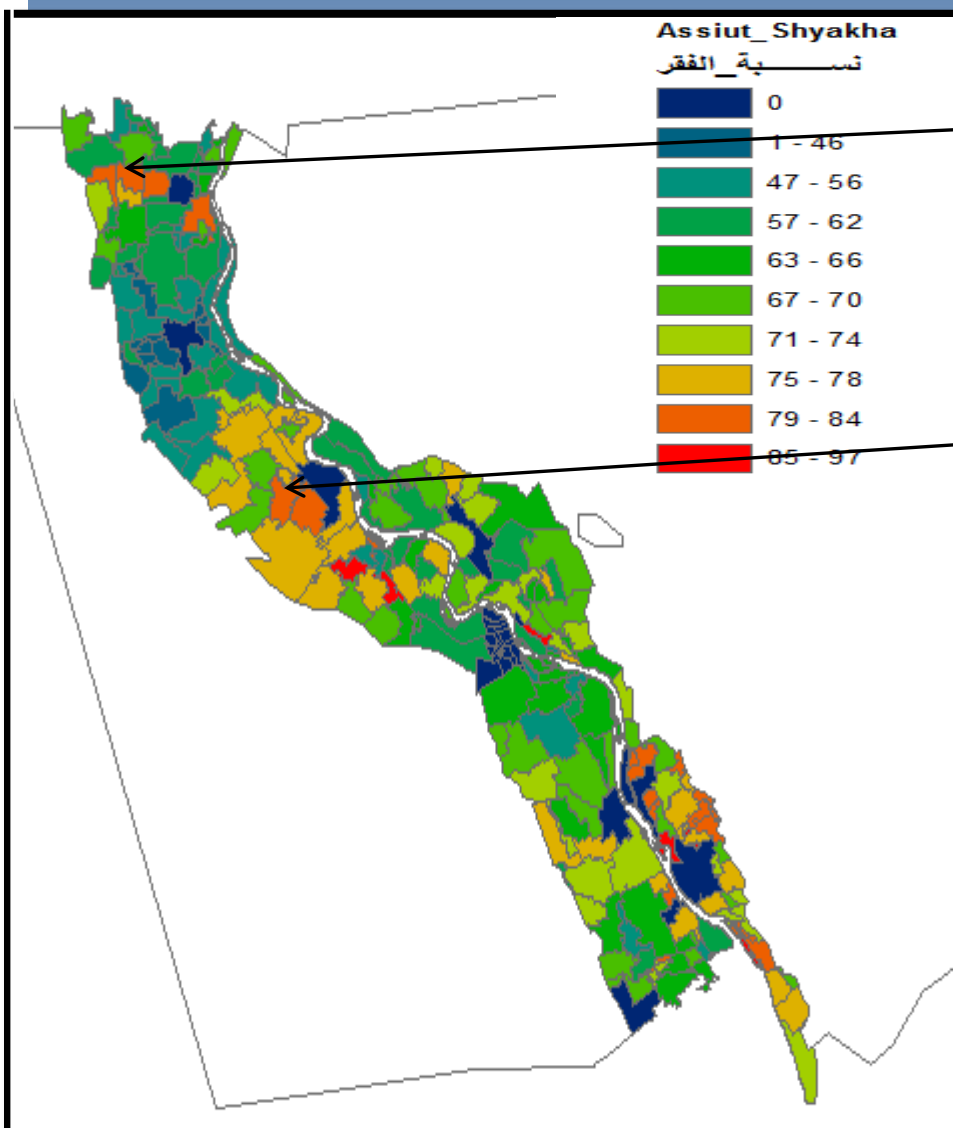
Poverty Map is essential to :

1. Highlighting **geographic variations**;
2. Understanding **poverty determinants**
3. Selecting and **designing interventions**;
4. **Better targeting mechanisms**
5. Monitoring progress.

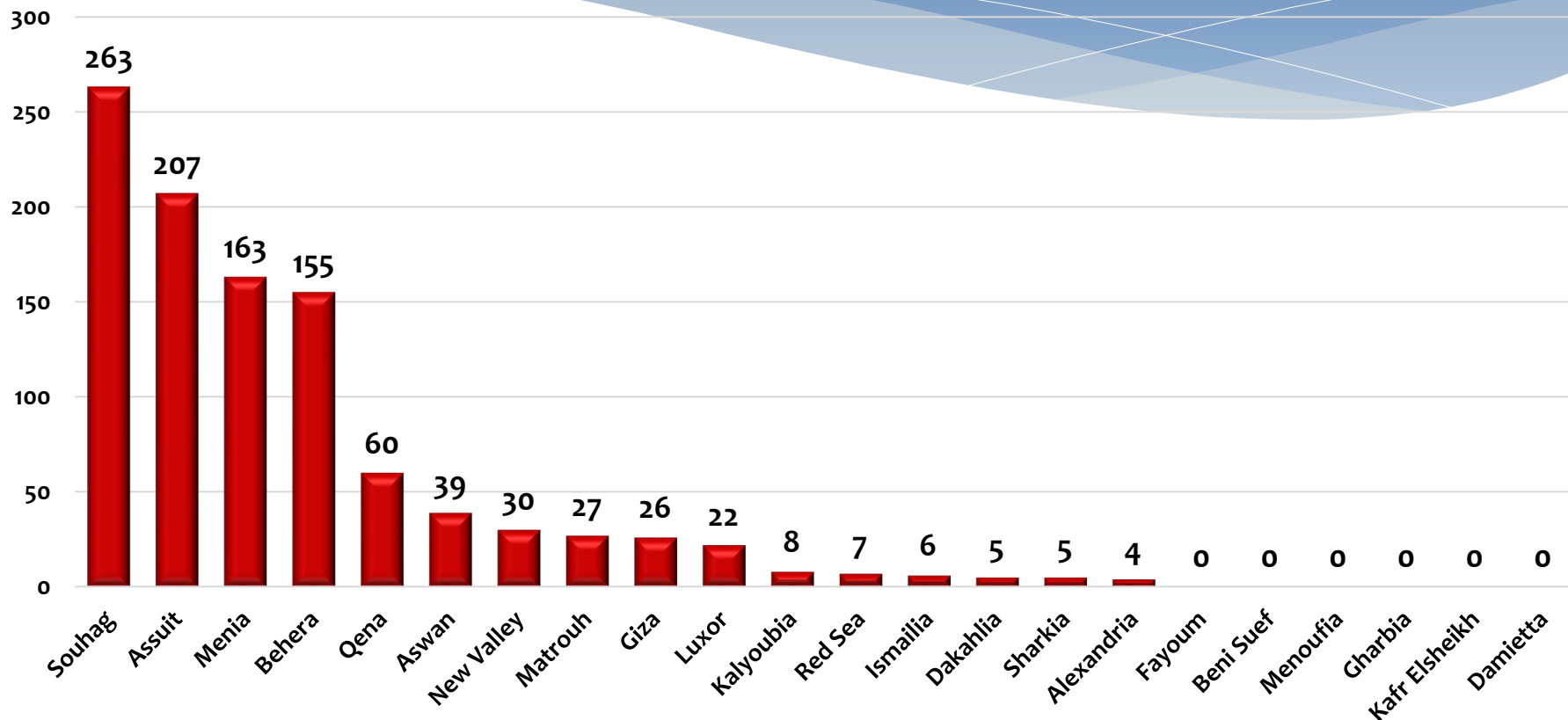
# Poverty Map in Assuit, 2018

Percentage of poor, villages

Percentage of poor, districts



# Distribution of poorest 1000 villages by governorates





**The question now is:**

**How to explain increase in poverty rates in light of the increase in Growth rates and declining unemployment rates?**

**First Negative Impacts on Poverty**

**(1) Decline in Household Real  
Income and in Real  
Consumption**

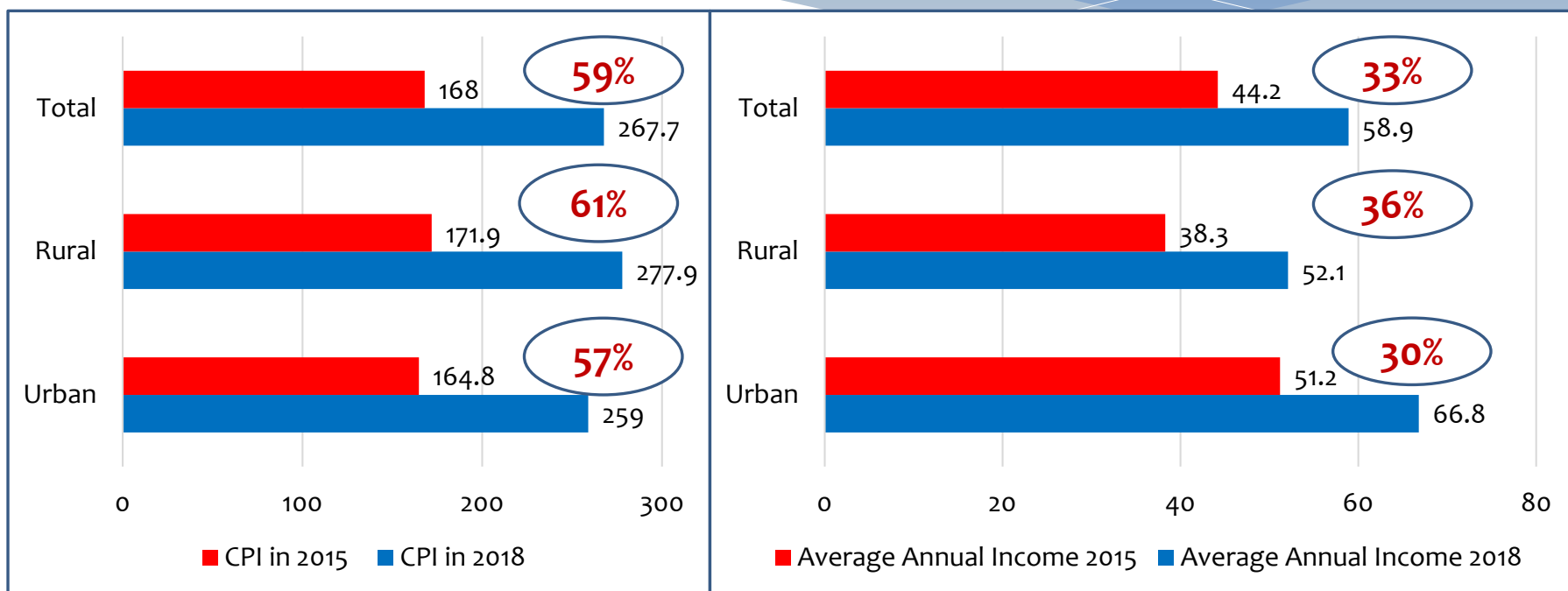


**Increase of Cost of Living**

# Higher Increase in Prices led to mask any increase in income between the end of 2015 and mid-2018

CPI in 2015 and 2018

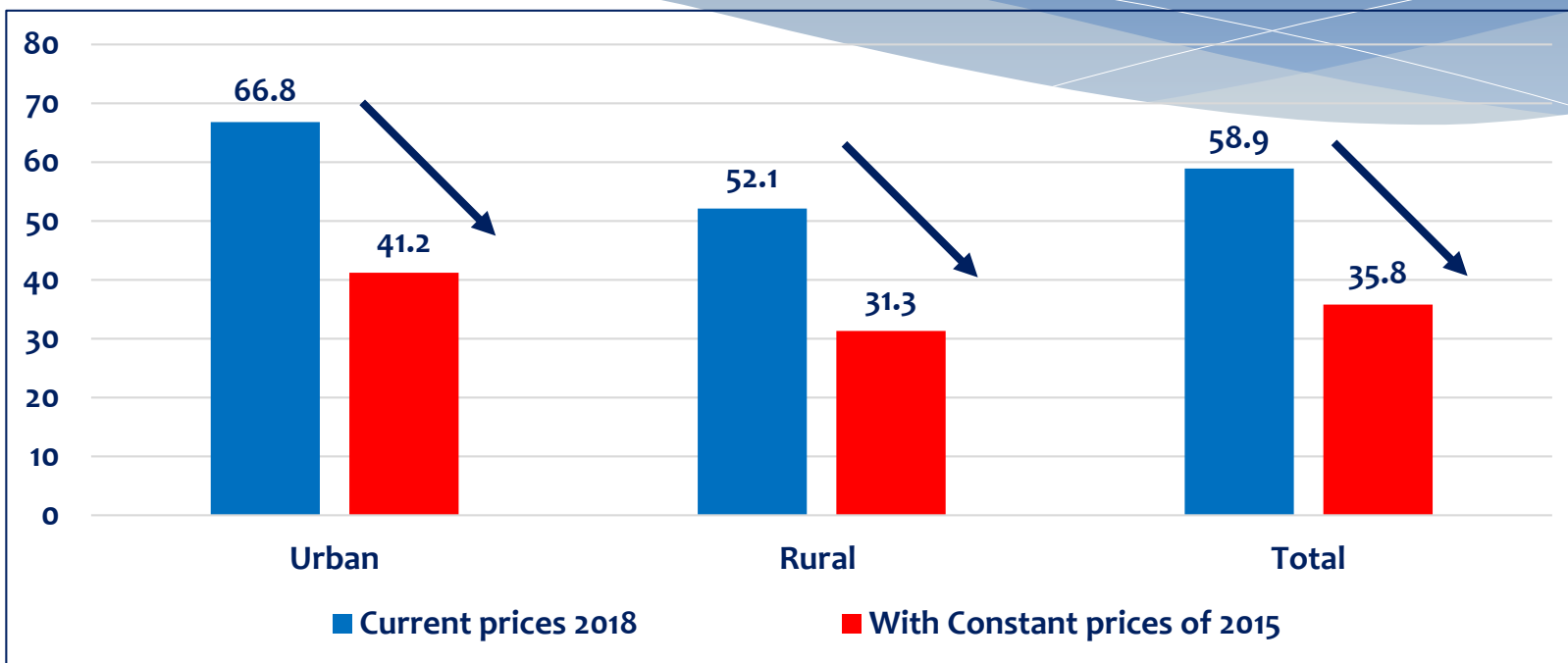
Average annual income of HH (thousands LE)



**Decline the Real Income**

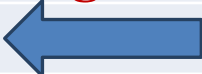
# Average Annual Income of HH in 2018 decreased using prices 2015

By Thousands Egyptian Pounds



- ❑ The average annual net income of households in 2017-2018 was 58.9 thousand pounds, which equals 35.8 thousand pounds at prices of 2015.

# Change in Real per capita Consumption between 2015 - 2018 (using 2015 prices)

Regions	Percentage Change
Urban	-8.4 
Rural	-1.4
Metropolitan	-11.8
Urban Lower	-5.7
Rural Lower	-5.6
Urban Upper	-3.7
Rural Upper	6.5
Urban Frontier	-24
Rural Frontier	-18.8
Total	-5.1

- ❑ Real Per capita consumption decreased between 2015 and 2018 by 5.1%
- ❑ Decrease in Urban areas greater than in Rural areas
- ❑ Rural Upper Egypt is the only region that real consumption increased, however, it is still has the highest percentage of poor

## **First Message**

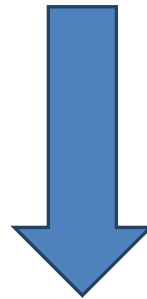
**Although the high Growth Rate,**

**Poverty increased**

**Because of the very high cost of living**

**Level of per capita consumption decreased**

**And Real Income Declined**

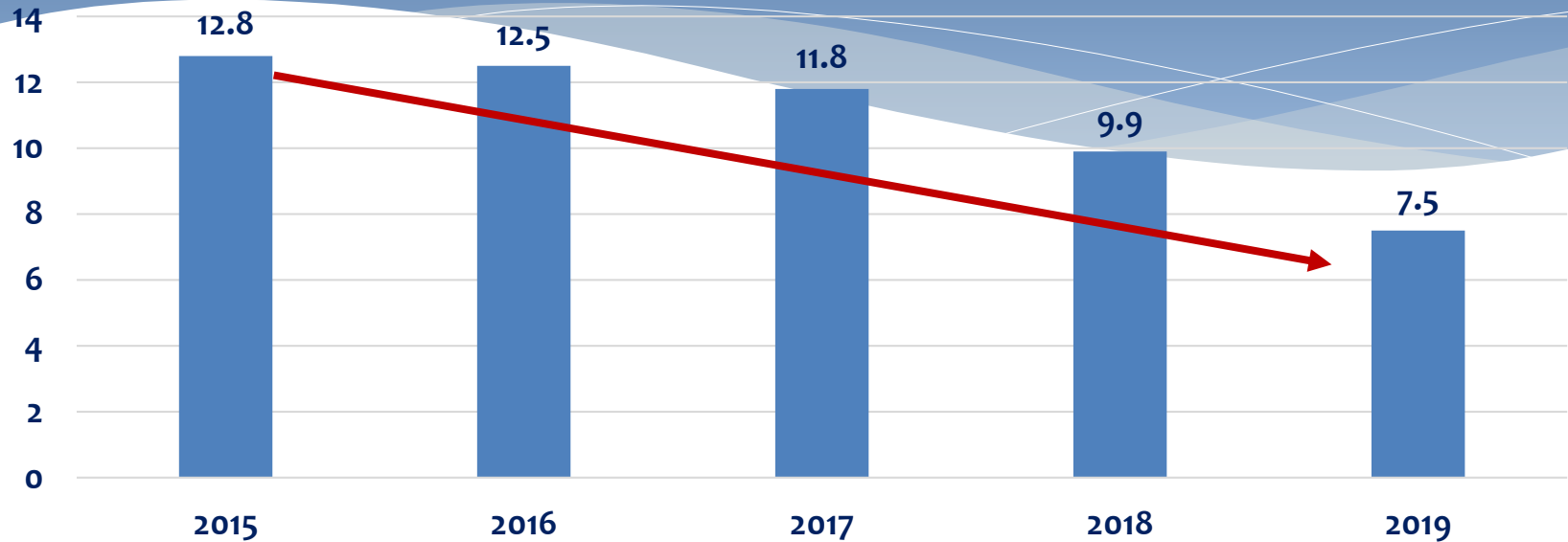


**Inclusive growth is the most effective**



**(2) Poor Conditions of employed people specially the poor**

# Unemployment Rates

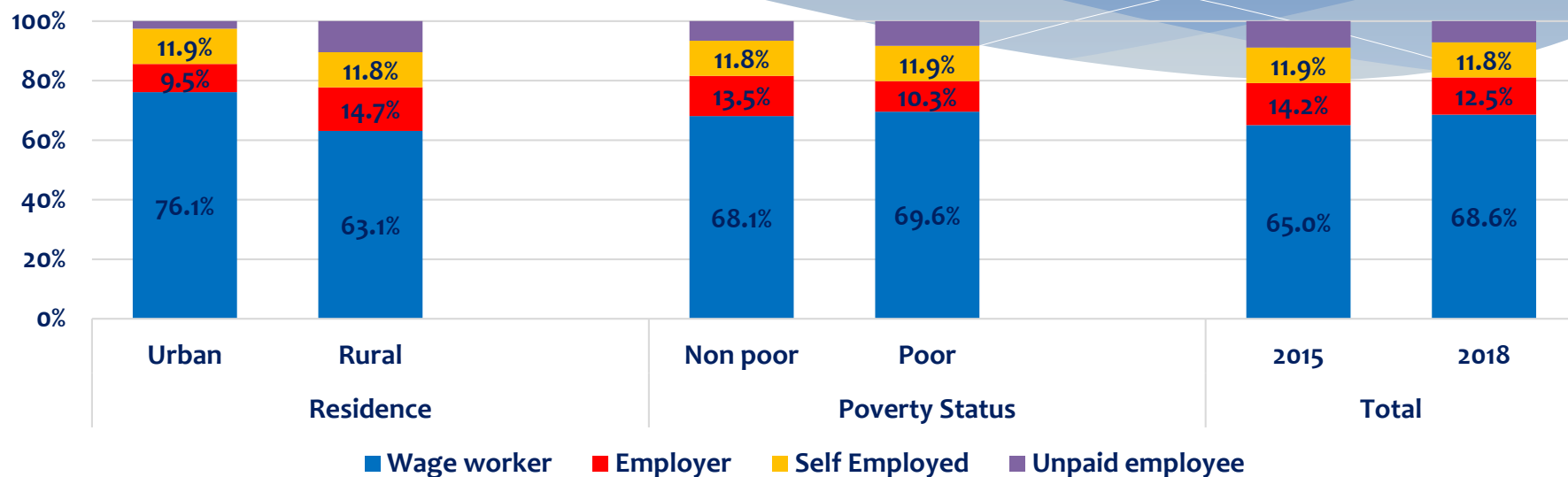


Source: Ministry of Finance

- \* Unemployment Rates decreased from the end of 2015 (12.8%) to mid-2018 (7.5%). This accompanied by shrinking labor force participation. This implies that the unemployment rate may fall, even though there has been no underlying improvement in the labour market.
- \* **The question is: What is the status of Employed People?**

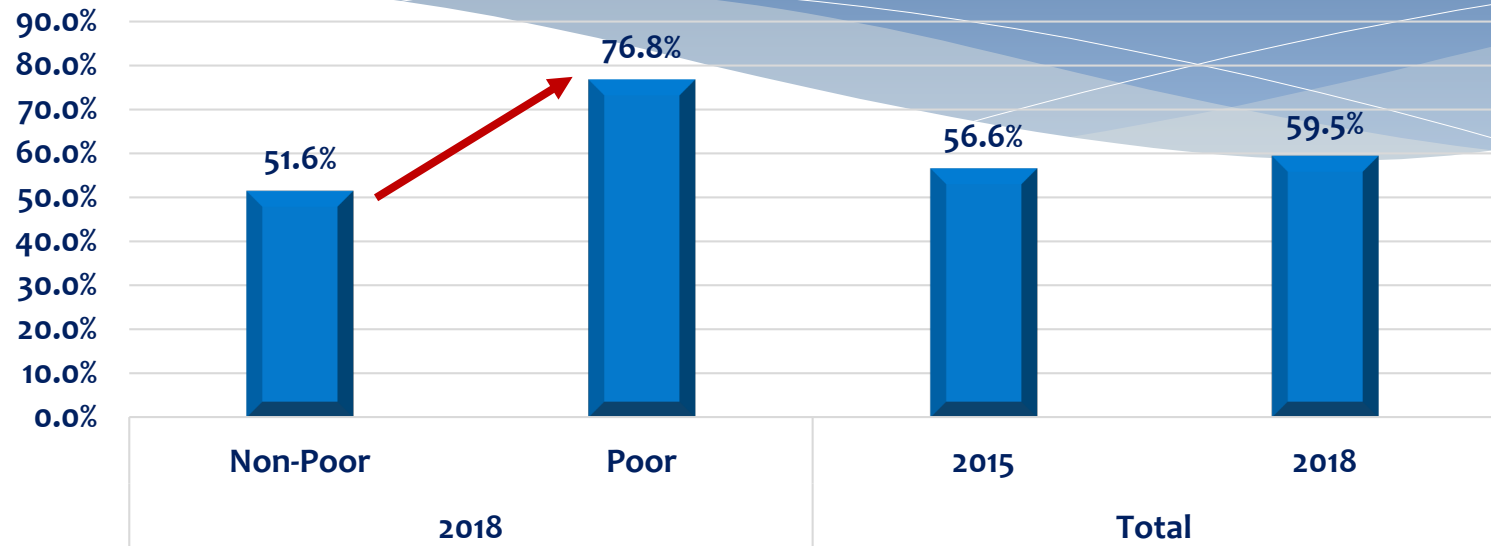


# Distribution of Employed People by Work Status, 2015-2018



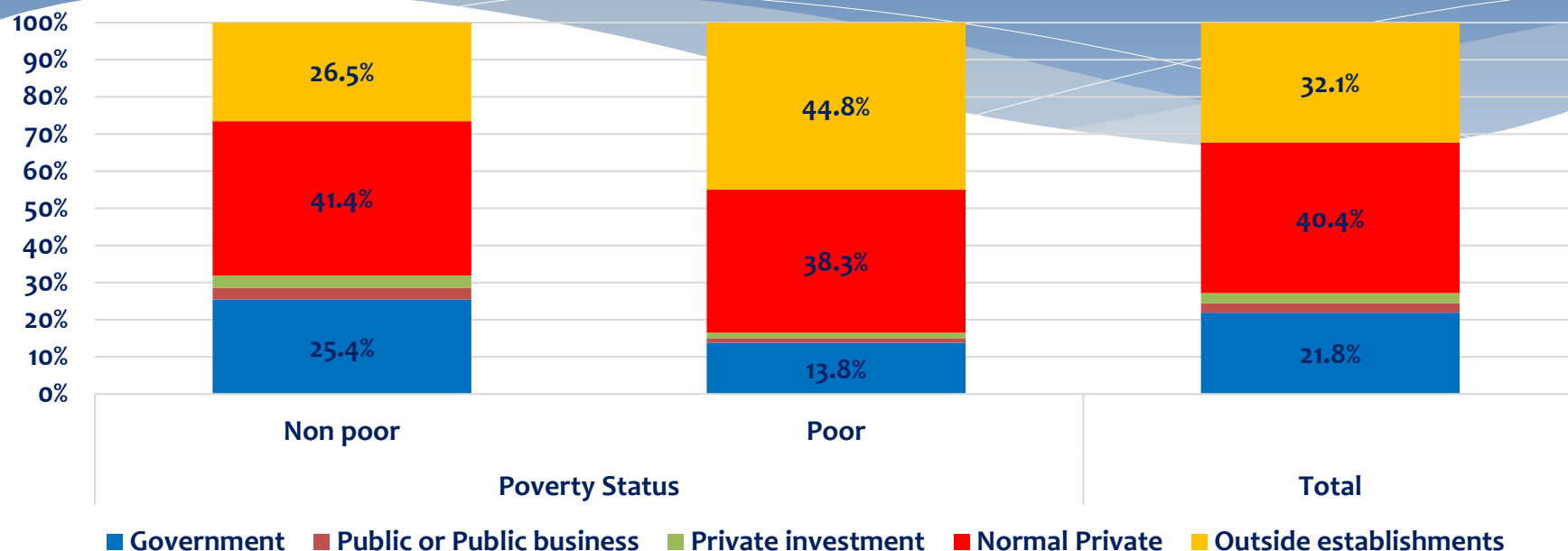
- ☐ The majority of employed people in Egypt are wage worker
- ☐ Percentage of wage workers increased from 2015 to 2018
- ☐ Why people still poor while they are wage workers?

# Most wage worker with no Employment Contract or with Temporary Contract



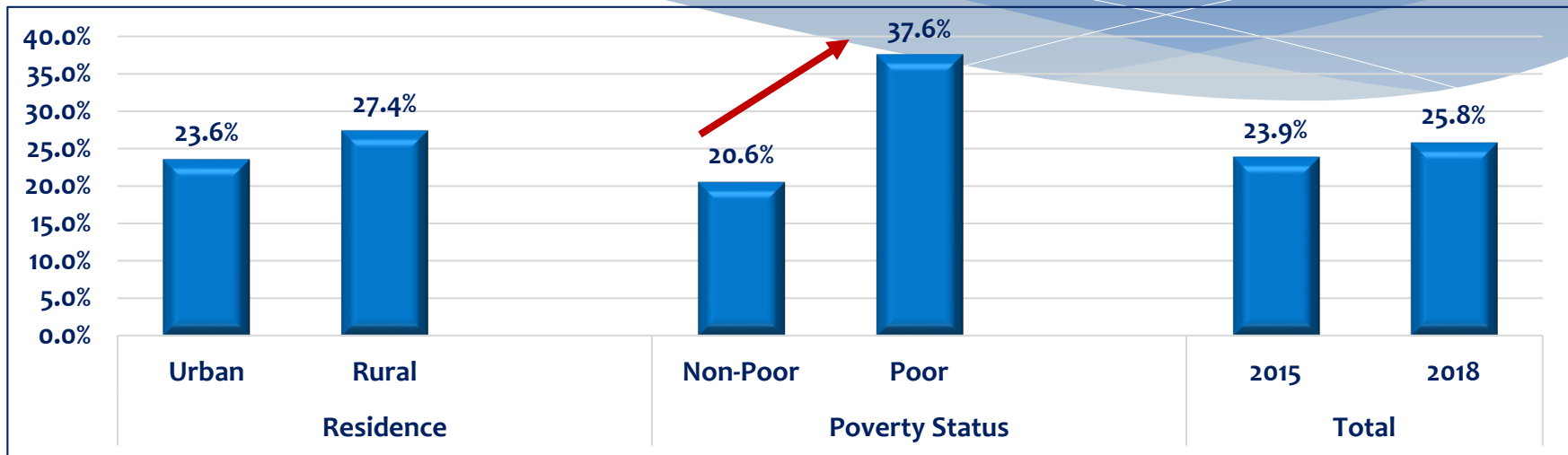
Relationship is clear between poverty and informal work  
All those with no contract **don't benefitted of Social Insurance**  
**(no social protection)**

# Distribution of Employed people by Sector in 2018



- ☐ **Poor Workers:** Most employed people (45%) working outside establishment and other 38% in Private sector
- ☐ **Non-Poor workers:** Most employed people worked in Private sector (41%)
- ☐ **Small percent** are working in the government

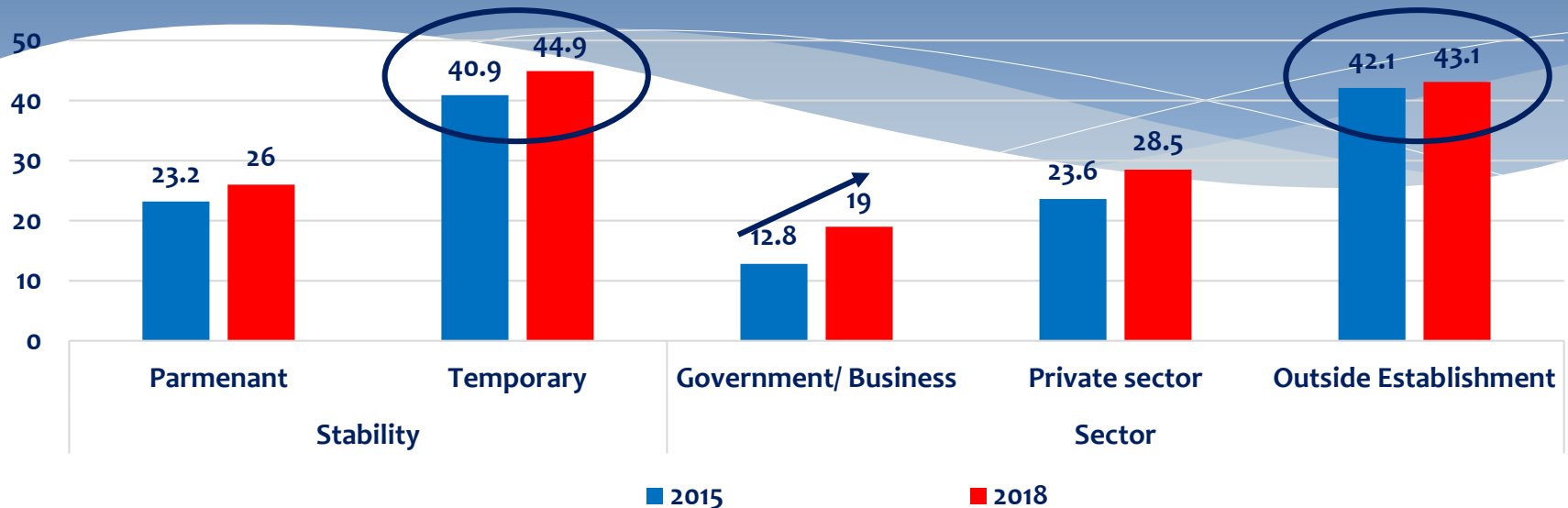
# Percentage work in Temporary Jobs



People work in Temporary Jobs among the poor is double that among the non-poor

They don't benefit of Social Insurance (no social protection)

# Percentage of poor by Stability and Sector

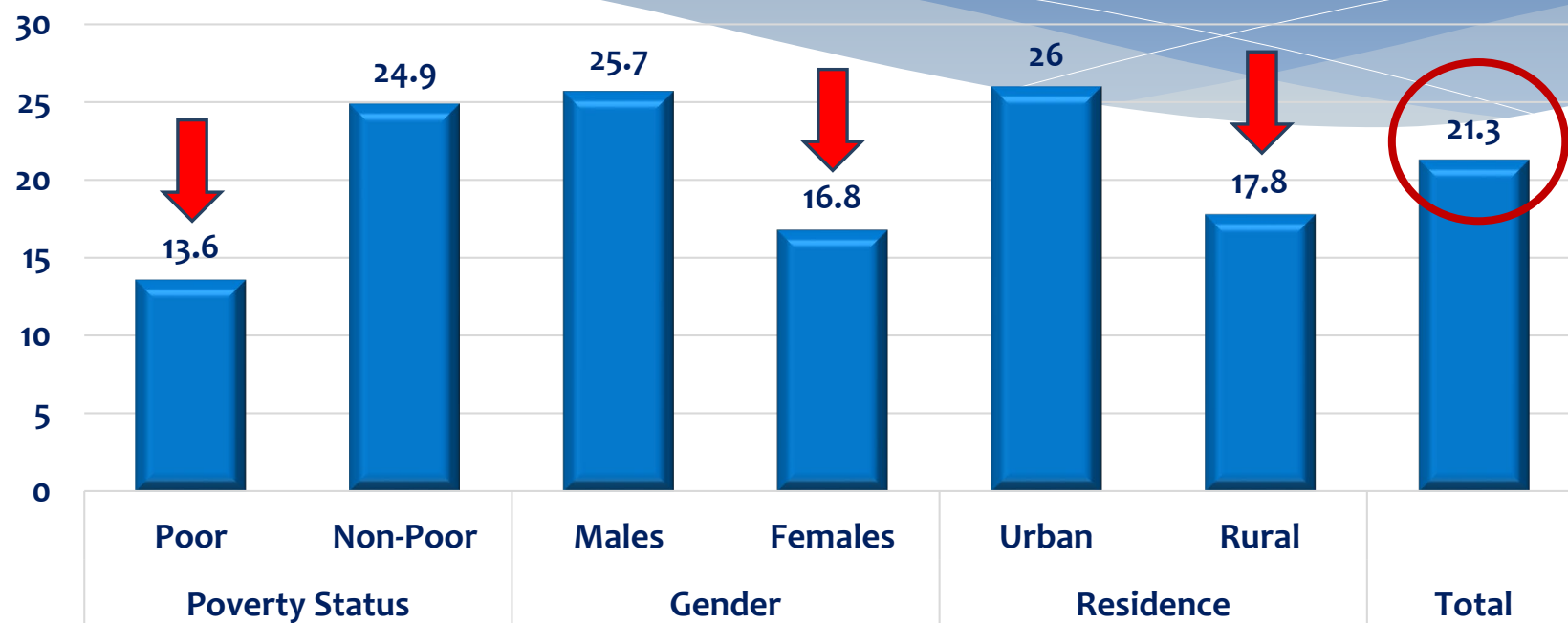


- ❑ Those with temporary jobs and outside establishment who do not have any social insurance are more likely to be poor than their counterparts
- ❑ The highest increase in Poverty rates is among workers in government as the increase in income is less than the increase in prices, and thus, the real income decreased

# Social Insurance

- ❑ Participation or benefit from social insurance **is the first line of defense for social protection and the ability to overcome shocks** that may result from personal factors such as disability, old age or death.
- ❑ Thus, **participants or beneficiaries of social insurance are less likely to become poor if they face one of these risks.**

# Percentage benefitted or participated in Social Insurance, 2018



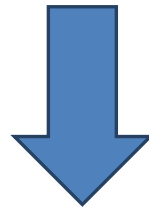
❑ Overall, Only **21% population benefitted or participated in social insurance.**

❑ Poor people, females and those in rural areas (who deserve SI) are less likely to participate or benefit from social insurance

## **Second Message**

**Although the high Growth Rate,  
Poverty increased**

**Because of rapid growth of informal sector  
(Working outside establishment, Temporary  
Jobs and employed with no Employment  
Contract) and thus no Social Insurance, in  
addition to decline in real income**



**Development of the informal sector and increase  
coverage of social and health insurance is required**



## **Second: Positive Impacts on Poverty in Egypt**

- 1- Social Protection through Financial Aids (Cash Transfer)**
- 2- Subsidized Programs**



## **(1) Impact of Cash transfer programs on poverty**

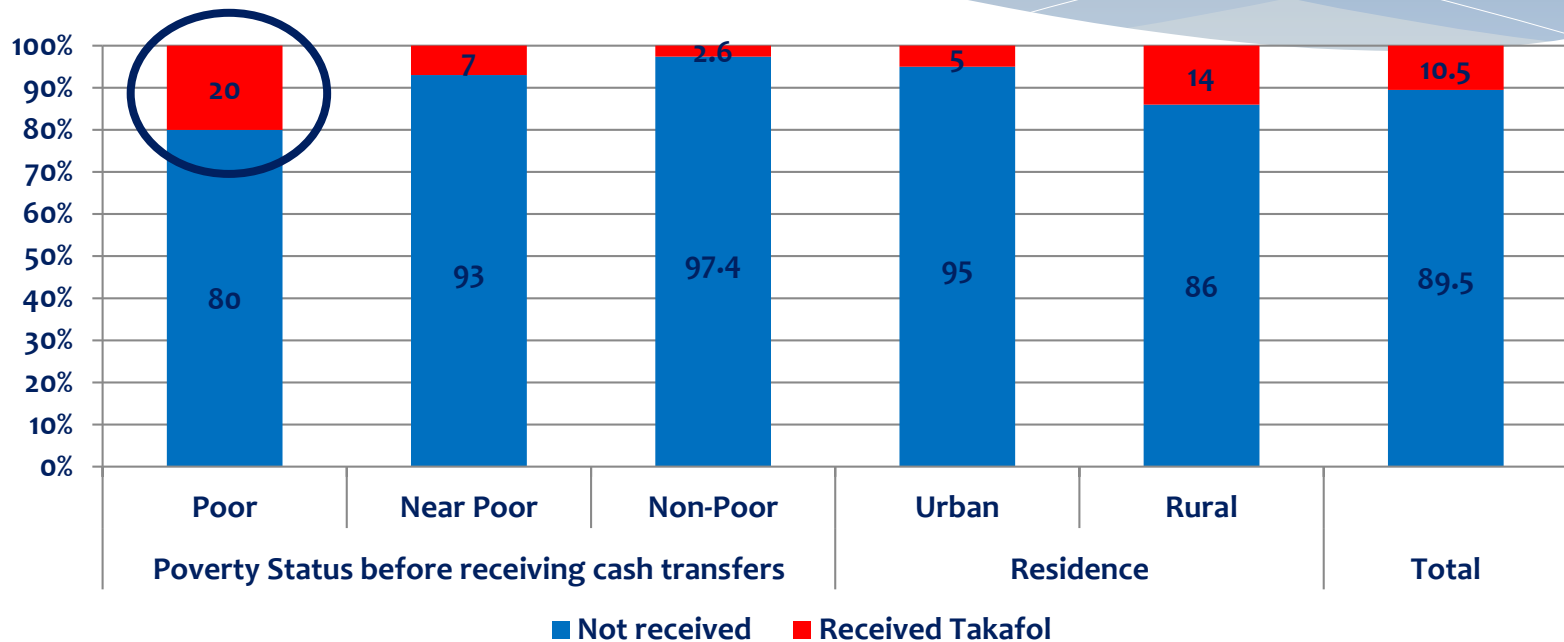
# Cash Transfer Program in Egypt (Takaful & Karama Program)

- ❑ These are Cash Transfer programs.
- ❑ Takaful is a family conditional cash transfer (CT) (to increase school enrollment rate)
- ❑ Karama is an individual CT which is conditioned on being poor and with Severe disability that prevents a person from working or being an Elderly (above the age of 65 years).

# Who are covered by Takaful CT?

## Still Limited Program

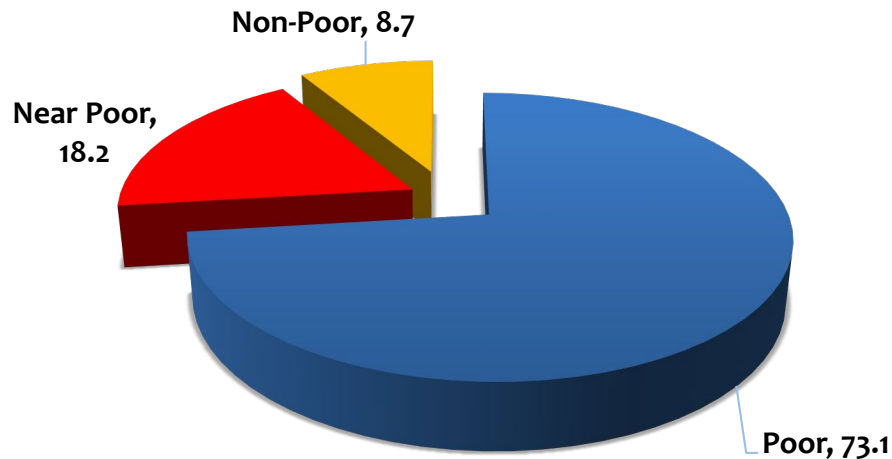
Distribution of households with children by receiving Takaful



**❑ Only 20% of poor households with children are receiving Takaful CT**

# Distribution of Takaful beneficiaries

## Well targeted but still limited

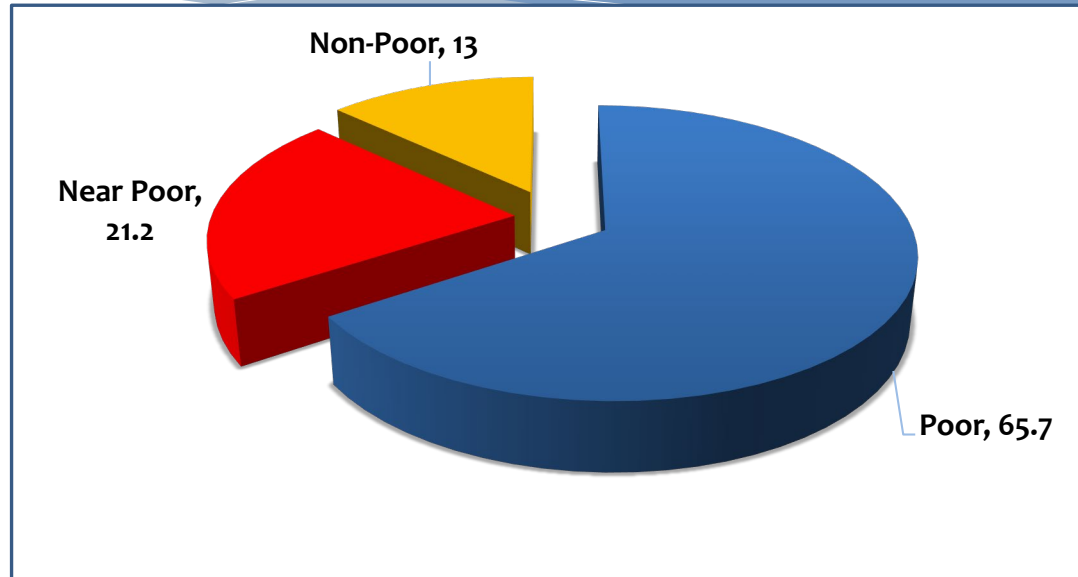


**63% of CT beneficiaries** are from **rural Upper Egypt**, and this illustrates the **impact of CT (as one of the interventions)** in **this region** that supports declining poverty.

- ❑ 73% of Takaful beneficiaries are poor and 18.2% are near poor,
- ❑ However, 8.7% of program benefits leaked to the non- poor.

**Accordingly,**  
**CT benefits are well targeted but the coverage is too small**

# Distribution of CT Karama beneficiaries



- ☐ Only 3.5% of elderly or disabled poor members received Karama.
- ☐ 66% of Karama beneficiaries are poor and 21% are near poor.
- ☐ Leakage to the non-poor is high reaching 13%

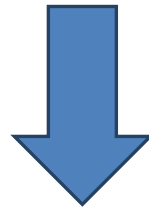
# Impact of **Takaful** on Poverty Status (**Exiting Poverty**)

Poverty after receiving Takaful	Poverty without Takaful			Total
	Poor	Near Poor	Non-Poor	
Poor	62.2			62.2
Near Poor	<b>9.6</b>	14.9		24.5
Non-Poor		<b>3.7</b>	9.7	<b>13.4</b>
Total	71.8	18.6	<b>9.7</b>	100.0

- ❑ About **10%** of Takaful beneficiaries **moved from being poor to near poor** and
- ❑ **3.7% move from near poor to be non-poor** after receiving Takaful
- ❑ Percentage of **non-poor increased significantly from 9.7% to 13.4%** after benefitting from Takaful transfer

## Third Message

Cash Transfer benefits are well targeted (It has an impact on poverty) but the coverage is too small



**Extending the coverage of CT programs are  
required**

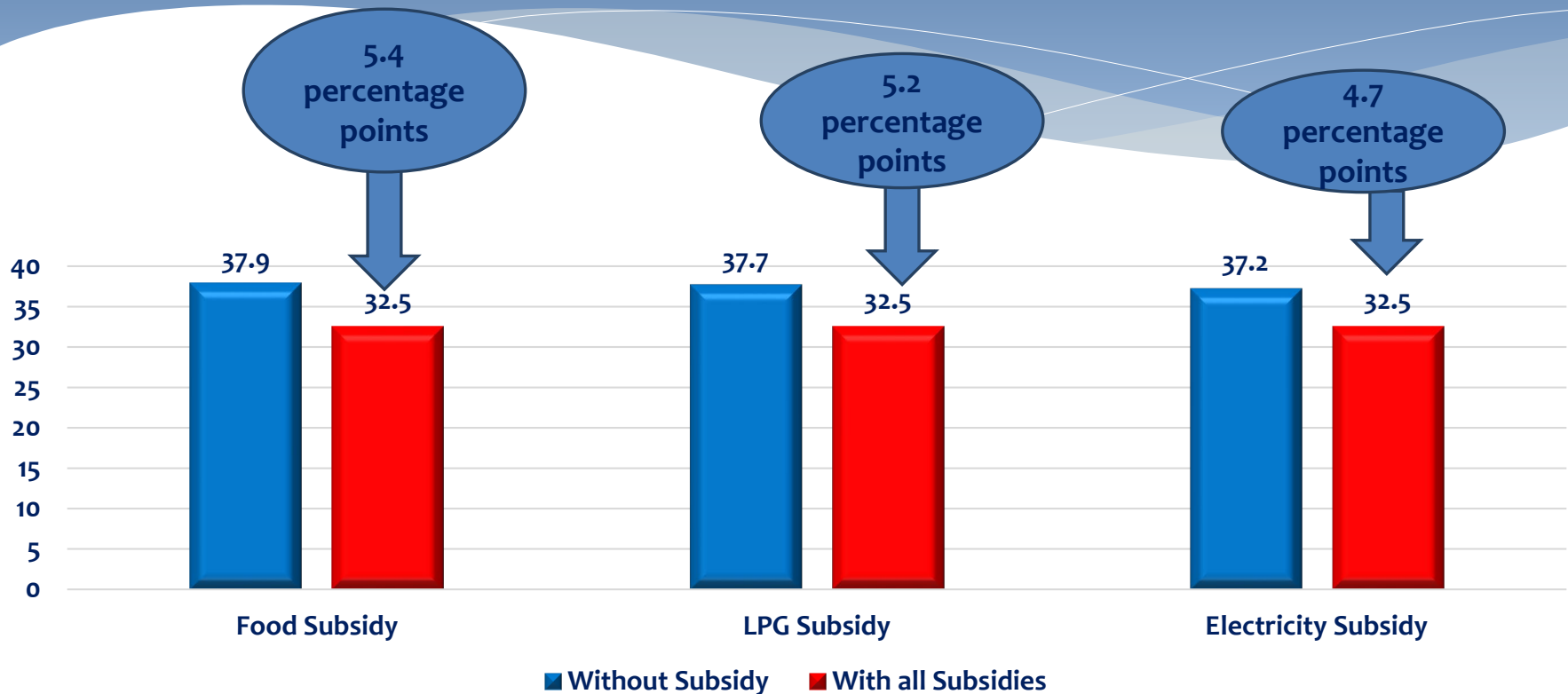


# **Second: Positive Impacts on Poverty in Egypt**

**2- Subsidized Programs**

**3- Programs launched by the government**

# Impact of Subsidy programs on Poverty



**Subsidy Programs have great impact on Percentage of poor people**

# Programs launched by the government

## A large number of programs were launched by the government:

1. **Decent housing:** Provide adequate housing for citizens and their children, “Decent Housing” project aims to rehabilitate 22,000 homes for the most vulnerable families who benefit from Takaful, Karama or Social Security pension program.
2. **Social housing:** The project aims to implement 725 thousand housing units during 6 years in all governorates and new cities, and it targets poor households.
3. The initiative "**A Good Life**" is Launched by President Abdel Fattah El-Sisi on January 2, 2019. It aims to help the most needy groups in Egypt. The initiative began with the selection of 277 villages with a poverty rate of more than 70%.
4. Launching **8 presidential initiatives to provide better health services.**

## **Fourth Message**

**Subsidies Programs are well targeted and have impact on Poverty Rates**



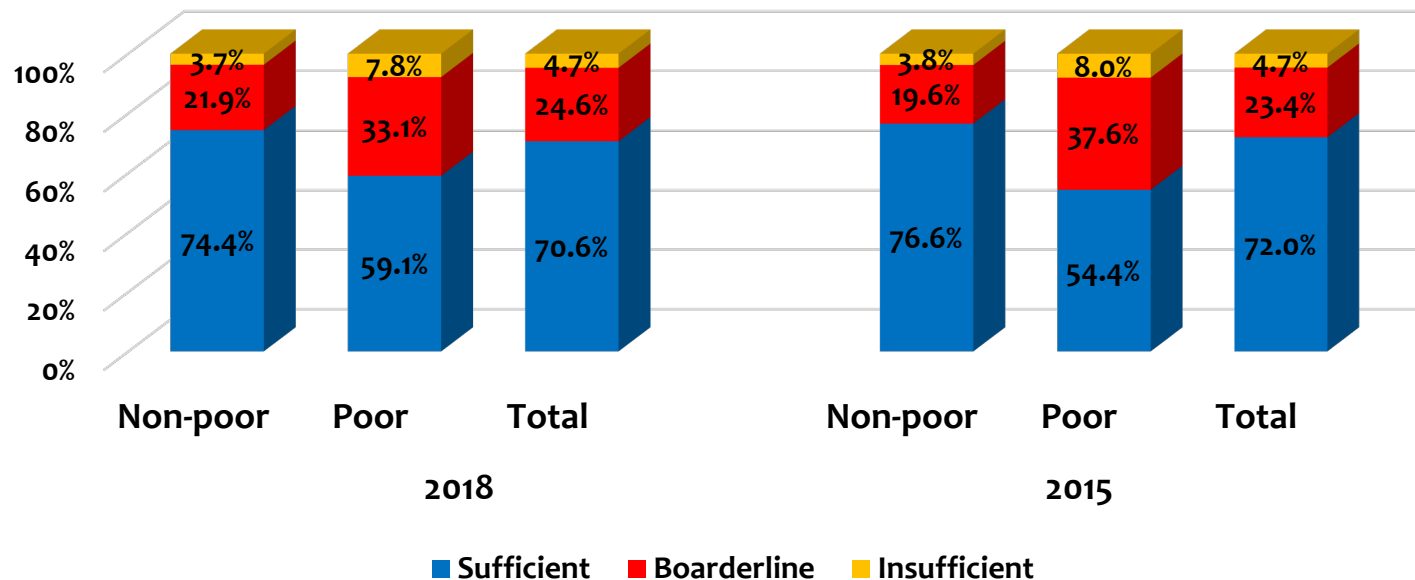
**Protection from impact of risks By  
Subsidy programs and CT**



# **Food Security in Egypt**

## **1- Adequacy of Food Consumption & Coping Strategies**

# Adequacy of Household Food Consumption



- ☐ In 2018, **30% does not consume adequate food** with no difference between 2015 and 2018.
- ☐ Among poor population: **41% reporting that they do not consume adequate food**, compared to **25.6% among non-poor**

# Coping Strategies for poor access to food

The coping strategies can be grouped into 4 categories according to WFP Methodology for those in borderline or insufficient food consumption :

1

## **Consumption strategies**

(such as **eating cheaper foods**, reducing number or portions of meals)

2

## **Stress strategies**

(such as **borrowing food** or borrowing money to buy food, use savings or Sell jewelry)

3

## **Crises strategies**

(such as **reducing expenditure on health and education**, sending children to work and Sell income-generating land)

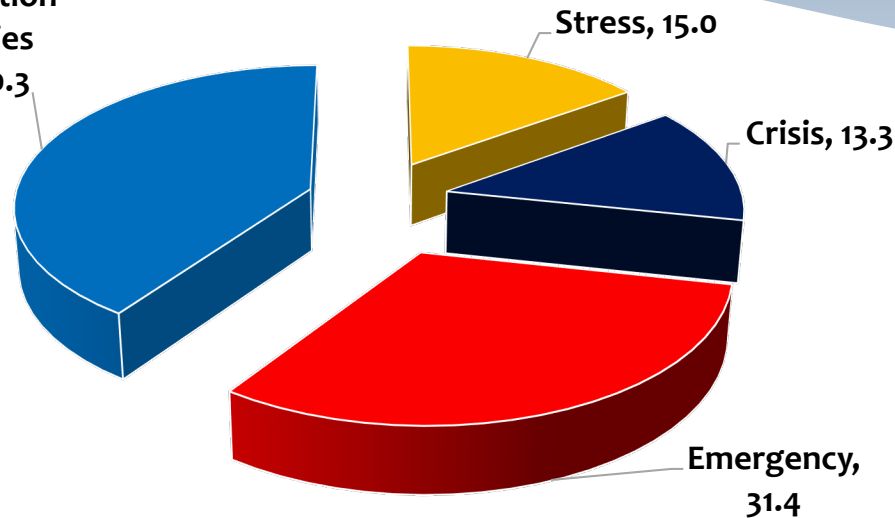
4

## **Emergency strategies**

(**Begging**, such as Rely on assistance from family and friends and Seek for donations)

# Coping Strategies for poor access to food, 2018

Coping with consumption strategies only, 40.3



- ❑ **40%** of households relied on **consumption strategies** (eating cheaper foods),
- ❑ **31%** adopted **emergency strategies** (Begging or seek for donation).
- ❑ **13%** depends on **crisis strategies** (reducing expenditure on health and education or sending children to work)

❑ **Poor households and those in Rural areas depend on emergency and crises strategies (begging, reduced spending on health and education and taking children out of schools and sending them to work).**



# **Food Security in Egypt**

## **2- Quantity and Quality of Consumed Food**

# Quantity and Quality of Consumed Food

❑ Food Security in Egypt measured by two ways:

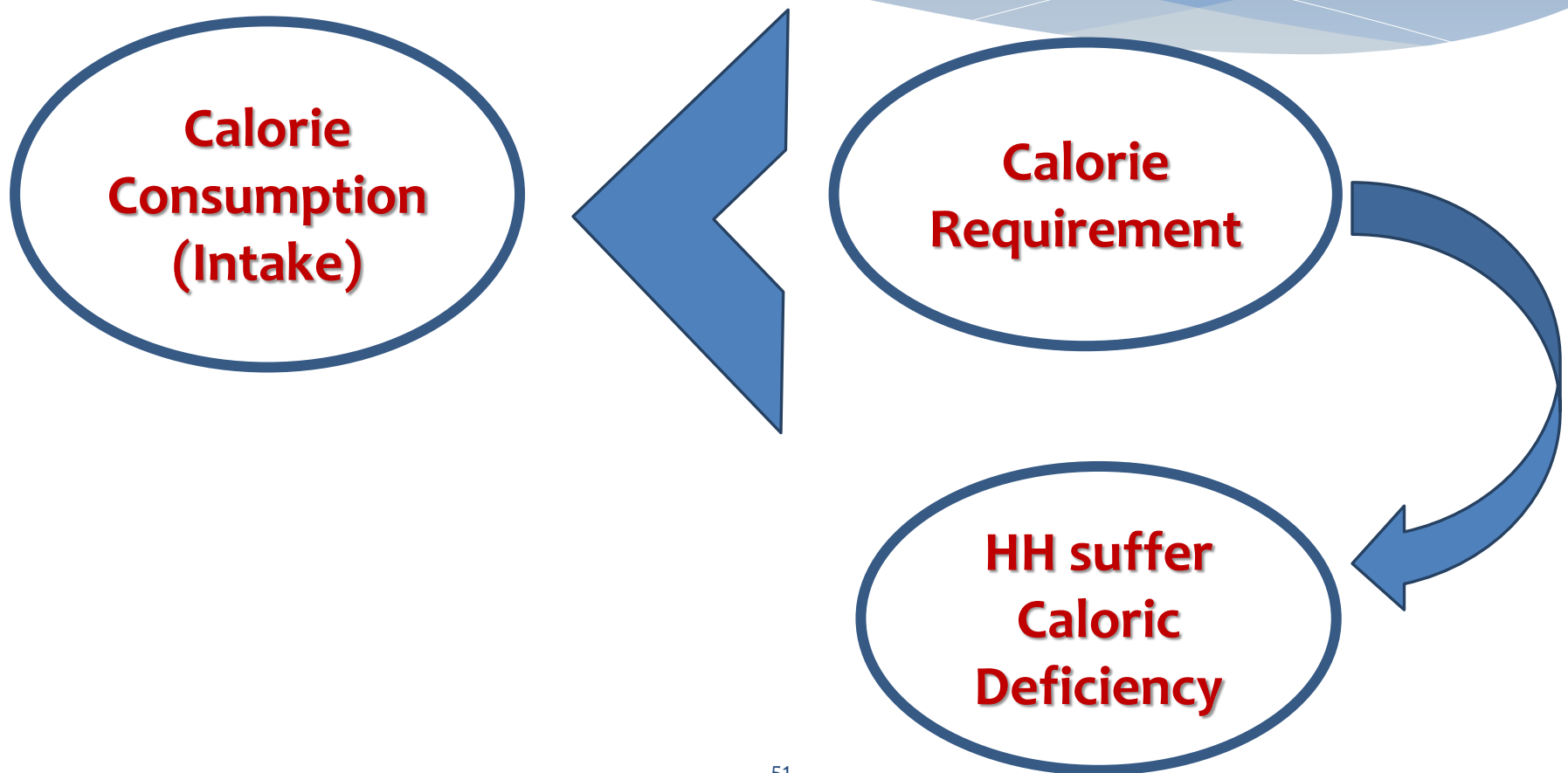
1. **Quantity of consumed food** measured by **deficiency in caloric intake**
2. **Quality of consumed food** measured by **Dietary Diversity**

**Dietary Diversity** means that the household consumed different types of food (by different weights):

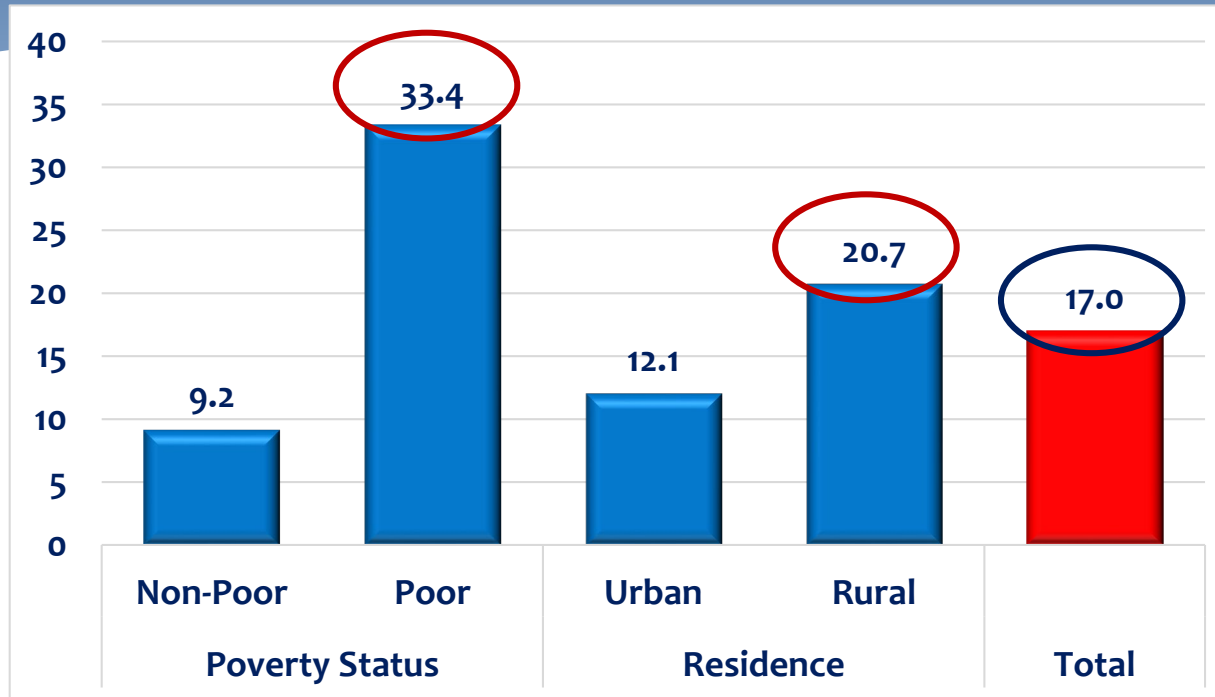
1. Cereals
2. Root and tubers
3. Pulses
4. Vegetables
5. Fruit
6. Meat and fish
7. Milk
8. Sugar
9. Oil

# (1) Quantity of consumed food

## Deficiency in Caloric Intake



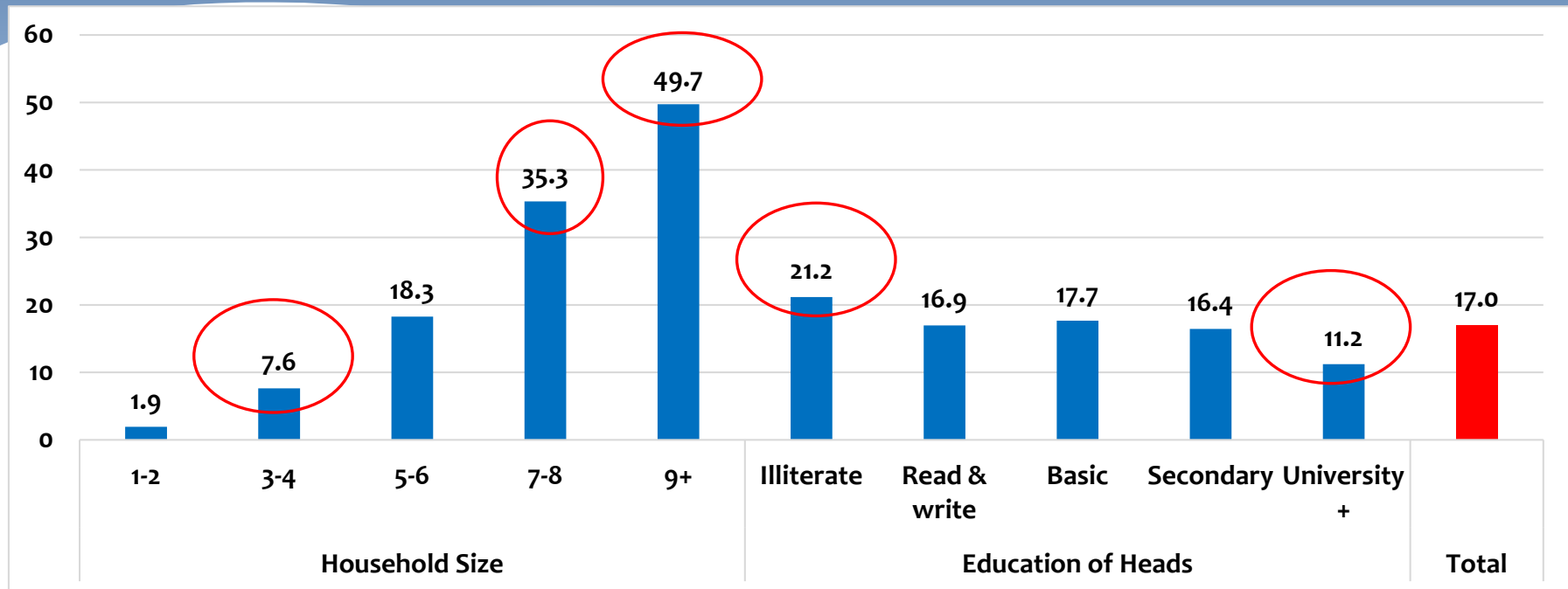
# Percentage of people suffer caloric deficiency, 2018



❑ Nationally **17%** of the population suffer caloric deficiency

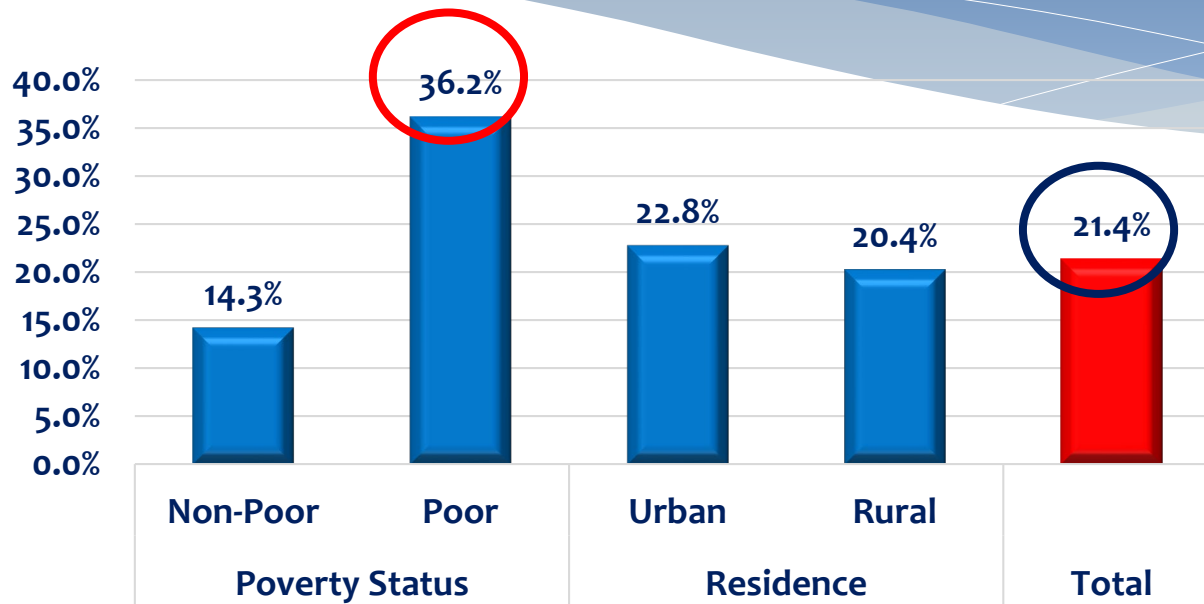
❑ **Poor people** and people in **Rural Areas** are more likely to suffer caloric deficiency

# % of population suffer caloric deficiency, 2018



❑ As expected, Prevalence of caloric deficiency increased with household size, and with illiterate heads or less educated heads

# % suffer Poor Dietary Diversity, 2018



- \* At the national level, **21% of people suffer poor food diversification** (poor Quality of food)
- \* **Marked difference between Poor and non-poor People in dietary diversity**

# **Social Risks in Egypt and Policy Recommendations**

# Social Risks in Egypt

## Risks on Macro level

1. Decline in Real Consumption
2. High cost of living and decrease in real income
3. Unclear Policies of increasing employment opportunities
4. Decline in Public Expenditure on Health and education

## Risks from Individuals point of view

1. Decline of quality of health and education services
2. Decline of Decent employment opportunities
3. Temporary Income
4. Increase in Dependency Ratio
5. Decline of enrollment rate and increase child labour, thus transition of poverty among generations



# Policy recommendations from findings

## 1<sup>st</sup> Message: Inclusive Growth

□ **Growth is a necessary condition for poverty reduction in Egypt, but it is not sufficient. Inclusive growth is the most effective.**

\* It allows:

1. Creation of enough decent jobs that generate incomes that reduce poverty
2. Generation of enough public resources for social protection financing needs

**GoE should focus on sectors in achieving sustainable inclusive growth, which are**

1. Transformative Industries
2. Agriculture
3. Wholesale and retail trade
4. Tourism
5. Communications, technology and information
6. Construction and real estate activities

# Policy recommendations

## 2<sup>nd</sup> Message: Social Protection System

- ❑ **Financial sustainability of social protection system** is required: fill the gaps of SP system, starting with the children, elderly and disabled.
- ❑ **Enhancing the capabilities of poor** to enter the labor market
- ❑ **Social assistance programs should be developed** such as cash transfers, school meals and improvement of livelihood of people in rural areas ...etc. to protect the poor from wrong practices such as borrowing, selling assets and child labor.
- ❑ **Extending the coverage of Cash Transfer programs** are required.

# Policy recommendations

## 3<sup>rd</sup> Message: Integration of all parts

- ❑ **Family planning** is a necessary and sufficient condition for reducing poverty.
- ❑ **The role of government, the private sector, civil society, and the poor themselves must be integrated** to achieve the desired Poverty impact, however this Integration requires the design of economic and social policies that have sufficient support to implement them.
- ❑ **Financial sustainability of basic public services**, in addition to improve the public services (especially education, health and housing conditions).

**This Required**

***Formulating a national strategy for social protection that integrates with Egypt's Vision 2030***



# Thanks