



National Centre for Social and Criminological  
Research



Ministry of Insurance and Social Affairs

# Poverty Reduction Strategies and Human Development in Egypt

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*A Presentation to the 1<sup>st</sup> Meeting of the COMCEC Poverty Alleviation*

*Working Group (June 27<sup>th</sup>, 2013, Ankara)*

*“Enhancing Productive Capacity of the Poor in the COMCEC Member  
Countries through Improving the Human Capital.”*

# Outline

- ❖ Background
- ❖ Poverty profile
- ❖ Main Pillars of Egypt Poverty Reduction Strategy
- ❖ Government Actors
- ❖ Egypt Welfare System
- ❖ Responding to Public needs, on going reforms
- ❖ The Way forward

# Background

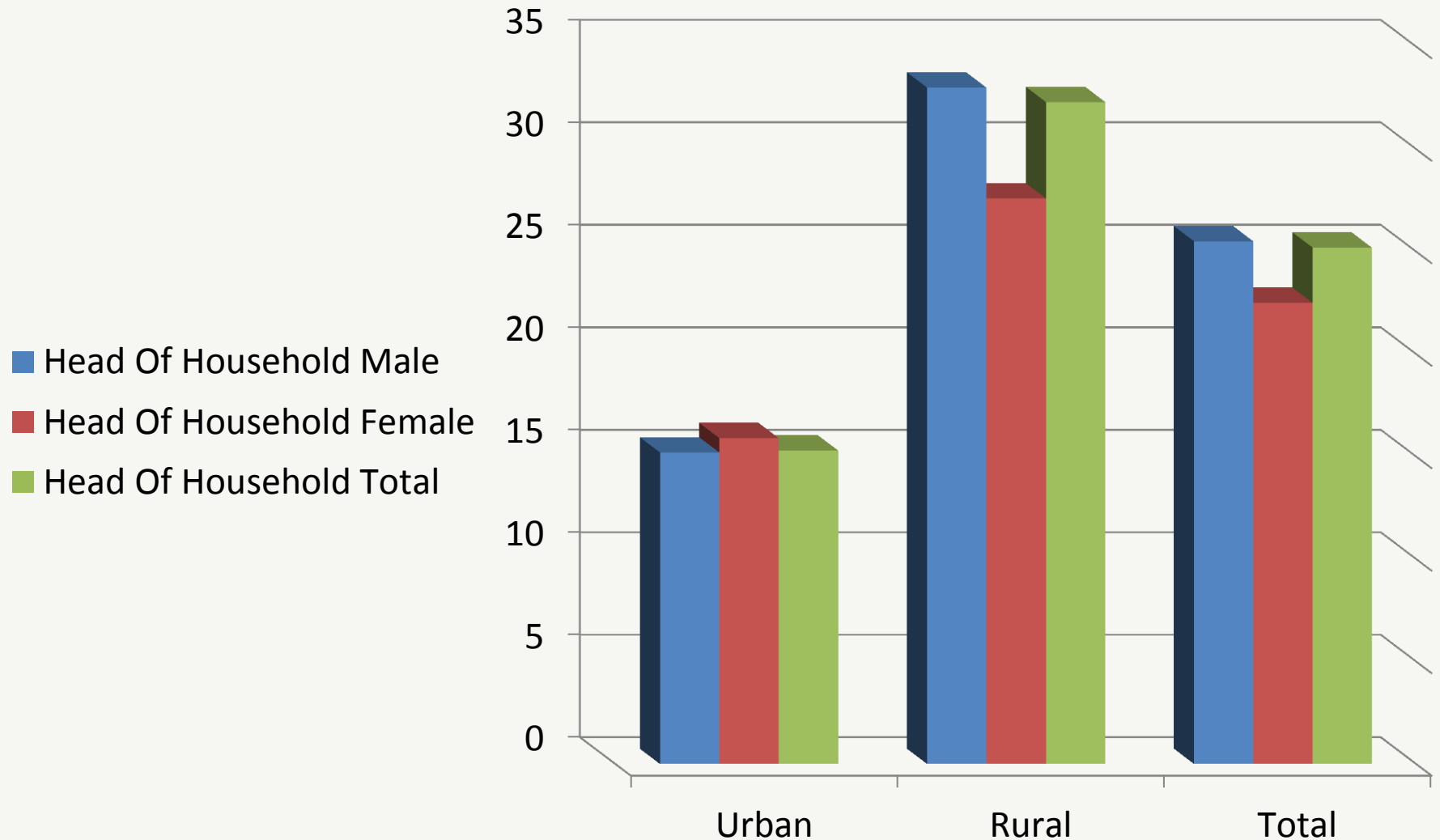
- Egypt is a LMIC with GDP per capita, PPP of \$2781 in 2011.
- Growth rate 2.2 percent in 2011/2012.
- Population of about 84 million with 43.6% urban.
- High poverty rate (25.2%).
- High unemployment rate (12.8%).
- Budget deficit 10.8% of GDP.
- Revolution on 25/01/2011.

# Poverty Profile

## ➤ Income Poverty

- ✓ Poverty in Egypt is persistent with increasing trend.
- ✓ poverty rate increased from 16.9 percent in 2000 to 25.2 percent in 2011.
- ✓ Poverty is a rural phenomenon with rate of 32.3 percent in rural areas, and 15.3 percent in urban areas.
- ✓ High percentage of near poor estimated at 23 percent rising the total poor to 48.2 percent.
- ✓ Very low percentage of extreme poor, only 1.7 percent using \$1.25 a day.

# Poverty Rate



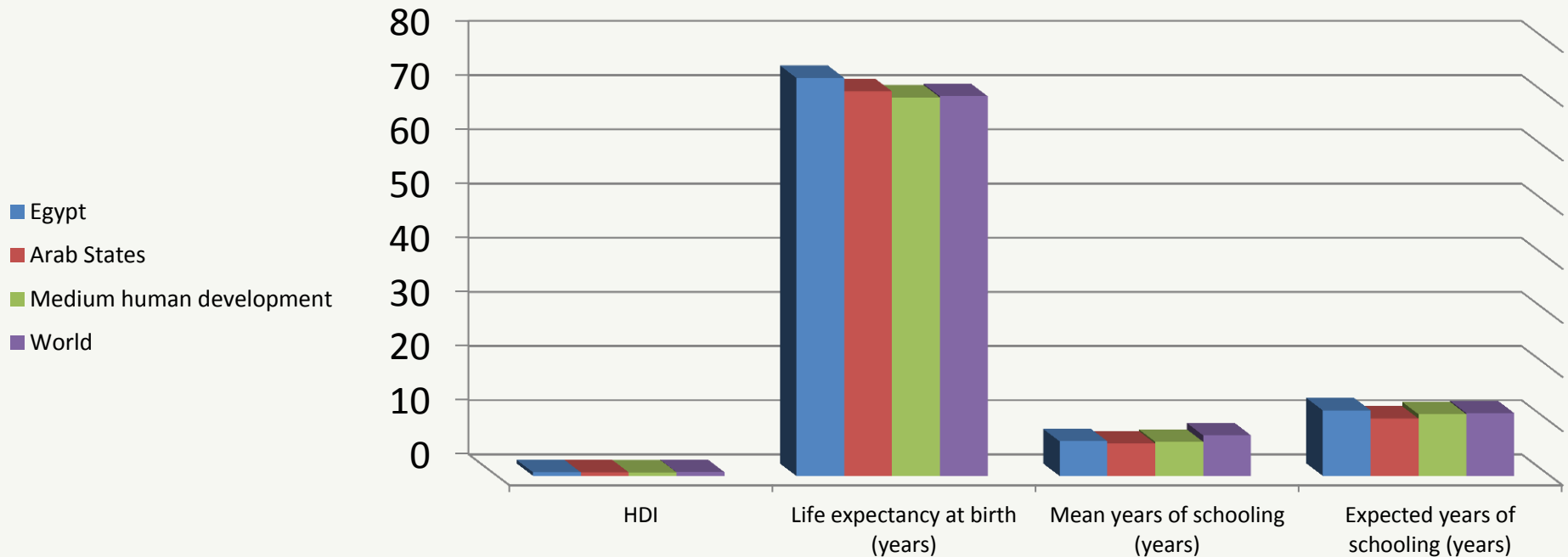
# Poverty Profile, cont.

## ➤ Non-Monetary Poverty,

- ✓ HDI value: 0.662
- ✓ HDI rank: 112
- ✓ IHDI value: 0.503
- ✓ MPI value: 0.024

# Human Development Indicators

| Region and HDI group | HDI   | Life expectancy at birth (years) | Mean years of schooling (years) | Expected years of schooling (years) |
|----------------------|-------|----------------------------------|---------------------------------|-------------------------------------|
| Egypt                | 0.662 | 73.5                             | 6.4                             | 12.1                                |
| Arab States          | 0.652 | 71                               | 6                               | 10.6                                |
| Medium HD            | 0.64  | 69.9                             | 6.3                             | 11.4                                |
| World                | 0.694 | 70.1                             | 7.5                             | 11.6                                |



# Main Pillars of Egypt Poverty Reduction Strategy

- Economic Development: increase current earning
- Human Development: increase future earning
- Social Safety Nets: protect vulnerable groups
- Provision of Basic Services



# Government Actors

- There is no unified government entity responsible for planning, coordinating and monitoring poverty alleviation programs.
- The Ministry of Planning and foreign cooperation draws the overall economic and social development plan.
- The Ministry of Insurance & Social Affairs provides several safety net programs (mainly cash transfers).
- The Ministry of Supply & Internal Trade provides food subsidies (Bread & ration Cards).
- Social Development Fund provides micro credit and finance community development programs.
- Several Ministries provide Free/subsidised public services.

# Egypt welfare System

- Egypt Social Safety Net system is very old, dating back to the nineteenth century.
- Since the 1960s GoE has expanded its welfare system to cover a broad range of basic goods and services including, food, education, health care, transport, and energy.
- Social spending is high but not effective.
- Universal subsidies on food and fuel accounts for 8% of GDP, almost the same as spending on education and health.

# Social Safety Nets in Egypt, main objective

- To guarantee basic survival needs of the unemployable poor.
- To build human capabilities of employable poor.
- To protect vulnerable groups from unexpected shocks.

# Cash Transfers

- Cash Transfers constitute small portion of total subsidies and accounting only for 0.2 percent of GDP.
- About 1.3 million families benefit from Cash transfer schemes. Most transfers are on monthly bases.
- Cash Transfers used to be allocated to unemployable poor: elderly, disable, widows, divorcees, orphans, prisoners' families, and women reaching the age of 50 without ever being married.
- New Social Pension Law expands the benefits to the employable poor. Due to budget constrains priority still given to previous groups.

# Cash transfers, cont.

- System benefits are progressive where highly vulnerable HHs receive more benefits; 30% of total transfers, vulnerable receive 21%, while the lowest vulnerability group receives 9%. This implies system leakages and a need for better targeting.
- New Targeting mechanism was developed using PMT, but not fully applied.
- The amount of benefit used to be very low, but almost doubled during the last 3 years

# Food Subsidies

- Food subsidy system is a major component of Egypt's social safety net. It consists of two programs: baladi bread, available for all, and ration cards which provide card holders with fixed monthly quotas of basic foodstuffs: mainly cooking oil, sugar.
- Food subsidies lifted 9 percent of Egyptians out of poverty in 2008/09. Baladi bread, the most important subsidized food, accounts for most of the poverty alleviation impact.
- But the system is costly (2% of GDP), and leakages are high with 28 percent of food subsidies did not reach intended consumers in 2008/09.

# Education

- Public education (70% of the System).
- Fee waiver, children of poor families.
- School allowances for children of poor families.
- A 10 year plan to eradicate illiteracy.

# Housing

- Expanding and improving the coverage of potable water and drainage systems.
- Providing different types/levels of social housing.
  - ❖ Relatively low price units.
  - ❖ Credit facilities to young couples.
  - ❖ Subsidised rents.



# Health

- Public hospitals and health units.
- Health System reforms.
- Improving quality of the services.
- Introducing free health insurance to poor women headed households.
- Gradual Introducing of free health insurance to the poor (Geographic Targeting).

# Technical and Vocational Training for the poor

- Training Centers (400 unites), targets those enrolled in productive families project. 14 thousands trainees during last year.
- Vocational Training Centers (71 Units), targets school drop outs in the age of 12-18 years.

# Income Generating Projects

- Productive Family Project
  - ❖ Objective: to enhance productive capacity of the poor.
  - ❖ Components: training, micro credit, and marketing opportunities
  - ❖ Target groups: families entitled to cash transfer programmes, women head of household, young graduates.
- Rural women development
  - ❖ Objectives: raise awareness, illiteracy eradication, skill development, economic empowerment.

# Credit Programs

- Different government agents provides different levels of credit:
- *The Social Fund for Development (SFD)*, was established in 1991 to protect and improve the status of the poor and unemployed during the period of transition.
- SFD aims to:
  - i. reduce poverty by supporting community level initiatives,
  - ii. increase employment opportunities,
  - iii. encourage small enterprise development.
- SFD Provides finance to micro, small, and medium enterprises.
- The fund support for micro credit is strongly pro-poor; the other programs have a more modest pro-poor orientation.

# Credit Programs, cont.

- *Nasser Social Bank*, provides soft productive and social loans:
  - ❖ Productive assets programs, provide those who deserve zakat with productive assets and/or input materials.
  - ❖ Social loans to employees and pensioners to meet emergent situations: marriage, medical expenses, education.
- *Ministry of Insurance and Social Affairs*, provide different range of programs either directly or via NGOs.
- Micro grants to cash transfers beneficiaries to start home-based productive activity.
- Micro credit, different types, productive family program, or similar programs in collaboration with NGOs and SFD.
- *But*, fragmented efforts, do not reach the very poor.

# Responding to Public Demands

- Promoting Social Justice, Enhancing Human Dignity and eliminating Poverty, through
  - ❖ Good Governance: transparency, accountability, nondiscrimination, democracy, fighting corruption.
  - ❖ Effective Social Protection and Safety Nets systems.
  - ❖ Provision of high quality Public Services.

# Ongoing Reforms

- Social Insurance,
  - ❖ To increase benefits.
  - ❖ To increase the coverage of casual workers.
  - ❖ Independent management of Social Insurance Funds, separate from government budget and stop government borrowing.

# Ongoing Reforms

- Health Insurance,
  - ❖ Rebuild more comprehensive system
  - ❖ Universal coverage,
  - ❖ Improve medical services,
  - ❖ Fee wavers,



# Ongoing Reforms

- Social safety Nets,
  - ❖ Improving Targeting via,
    - ❖ Building Database for the poor,
    - ❖ PMT scoring,
  - ❖ Improving delivery mechanism using smart card.
  - ❖ Emergency Cash Transfer Program.
  - ❖ Public Resource Reallocation.

# The Way Forward

- National Level
  - ❖ Restore stability.
  - ❖ Enhance good governance.
  - ❖ Promote more equitable and sustainable growth with broad productive base.
  - ❖ Provide enabling environment for private sector investment.
  - ❖ Improve pro-poor financial policies and provide innovative services to SMEs.
  - ❖ Improve Coordination between Government entities.

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Thank you

