

Overall poverty masks differences in welfare among regions and among governorates within the respective regions of Egypt

# A Profile of Poverty Across Egypt and Recommendations

Egypt Network for Integrated Development

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**Policy Brief 015**

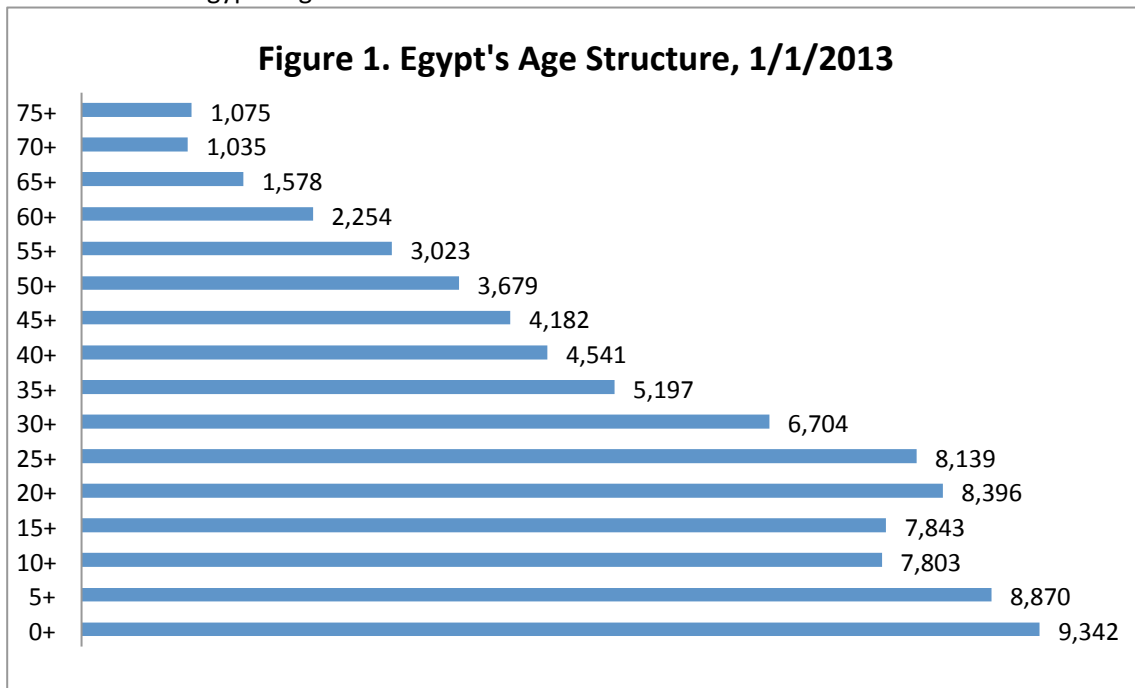
## A Profile of Poverty Across Egypt and Recommendations

The current priority for Egypt is now to redress the balance in government budget allocations on a geographic basis and in favor of the country's most deprived regions. Overall poverty masks differences in welfare among regions and among governorates within the respective regions of Egypt.<sup>1</sup> In 2011, the incidence, depth and severity of poverty varied considerably within each region. The poverty rate is highest in Upper Egypt and specifically rural Upper Egypt (51.5 %), followed by urban Upper Egypt (29.4 %) and it is the least prevalent in Urban Governorates (9.6 %); the same applies to the poverty gap and the squared poverty gap.

A noteworthy comparison must be made regarding the percentage of Upper Egypt's rural and urban populations to the country's total respective population. 28% of Egypt's urban population is located in Upper Egypt, whereas a significant 44% of Egypt's rural population is located in Upper Egypt. Poverty in Upper Egypt is mainly structural/chronic poverty that is driven by lack of adequate public infrastructure, private capital accumulation, and low investment in human capital and the absence of pro-poor program-based fiscal policy, which collectively lead to deterioration in living standards<sup>2</sup> in Upper Egypt, compared to other regions.

### The Demographic Characteristics of Rural and Urban Upper Egypt

Egypt's population is still considered a very young population. As much as 31% of Egypt's population in 2013 is dependent, with 26 million children under the age of 15 years and another 29% between the ages of 15 and 30 years (24.4 million youth). What is a dramatic and unsustainable trend has been stagnation in the rate of decline in population growth starting 20 years ago and even followed by an increase in annual birth rates as can be seen from Figure 1.1 which shows Egypt's age structure.



<sup>1</sup> Geographically, Egypt is divided into seven regions: Metropolitan including Cairo, Alexandria, Port Said and Suez governorates which are fully Lower Urban and Lower Rural which include urban and rural areas of Damietta, Dakahlia, Sharkia, Qualiobia, Kafr el Sheikh, Garbeyya, Menoufia, Beheira, Ismailia governorates, Upper Urban and Upper Rural which include urban and rural areas of Giza, Bani Suef, Fayoum, Menia, ,Assiut, Sohag, Qena, Aswan and luxor governorates, and Border Urban and Border Rural which include urban and rural areas of Red

<sup>2</sup> Including factors such as work, empowerment, education, food security and consumption

Source: CAPMAS, Population Department

Although rural Upper Egypt accounts for only 25% of Egypt's population, it accounts for 41% of births, reflecting the very high positive correlation between fertility rates and the multiple indicators of poverty.<sup>3</sup> The large number of rural births is attributed to particularly high reproductive rates among women of the age group 20-24 and 25-29. Per 1000 women living in rural Upper Egypt, there are 204 births among the 20-24 segment and 201 among the 25-29. This is far greater compared to urban Upper Egypt, where 130 and 191 births per 1000 women respectively are noted.<sup>4</sup>

Results of the work of El-Tawila et al<sup>5</sup> reflect a negative impact of high fertility on household income and welfare. These show that having a younger head of household translates into positive growth and reduced poverty in terms of increased per capita consumption until the head's age reaches 35-44 years. Controlling for all other factors in the model, when the age of the head of the household is 45-54 years, poverty is at its peak.<sup>6</sup>

### Poverty and Deprivation in Rural Upper Egypt

Table 1. shows that of the 1000 poorest villages in Egypt, 941 are located in Upper Egypt and the remaining 59 villages are scattered across the North. Table 1. also shows the population densities in these governorates.

**Table 1. Egypt's 1000 Poorest Villages in Poverty within Governorates**

Upper Egypt Governorate	No. of Poorest Villages	Total number of Families in the Poorest Villages	Number of Poor Families	Total Population in the Poorest Villages	Number of Poor People	Population Density / km2
Giza	18	28,377	10,357	133,601	48,811	5,951
Beni Suef	13	15,542	5,584	86,807	31,162	1,933
Al Minia	310	654,148	272,083	3,049,039	1,270,324	1,987
Assiout	234	527,027	298,569	2,530,302	1,436,795	2,337
Souhag	250	593,151	274,017	2,733,101	1,268,608	2,473
Qena	112	305,470	119,167	1,497,021	587,743	2,276
Aswan	4	1,803	656	6,518	2,391	1,316
<b>Total</b>	<b>941</b>	<b>2,125,518</b>	<b>980,433</b>	<b>10,036,389</b>	<b>645,834</b>	

Source: Egypt's Poverty Map Report (2007)

In addition to the group of poverty indicators in Egypt's poverty map and which illustrate that 94% of the poorest villages in rural Egypt are in the South, it is important to shed light on the most serious indicators of deprivation.

**Table 2. Indicators of Deprivation Across Regions of Egypt**

	Public sewage	Indoor toilet	Floor material	Poor+near	Consump-	Food Share
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<sup>3</sup> Maged Osman, Information and Decision Support Center – IDSC, (2008).

<sup>4</sup> Demographic and Health Survey, 2008.

<sup>5</sup> El-Tawila et al, 2013, "Income Poverty and Inequality in Egypt's Poorest Villages", World Bank.

<sup>6</sup> To the contrary, in terms of the gap in income and consumption per capita across households, the ratio of working household members had a positive impact on consumption. The implications are that job creation is one of the most important solutions to tackling rural poverty.

	network	with flush	natural	poor	tion per capita (L.E.)	in income
Qena Governorate	5%	10%	40%	78%	3256	49%
Rural Upper Egypt	14%	15%	33%	75%	3285	48%
Rural Lower Egypt	33%	32%	5%	49%	4488	44%
Urban Upper Egypt	74%	59%	6%	50%	4699	38%
Urban Lower Egypt	88%	72%	1%	30%	5557	37%

Source: Household Income, Expenditure and Consumption Survey (HIECS) 2010-2011, CAPMAS

As shown in Table 2 (HIECS 2010-2011), the population of rural Upper Egypt is dramatically worse off than rural Lower Egypt (the Delta region), and Qena governorate suffers most severely from among all Upper Egypt. The proportion of poor and near poor households is as high as 78% for Qena which is above the average for rural Upper Egypt (75%) and consistent with other indicators such as consumption per capita and the large weight of food share in income.

### Poverty in the Poorest Villages of Egypt

When we focus on income and expenditure within the one thousand poorest villages, we refer to the analysis under taken by EL- Tawila et al with a representative sample of 141 villages out of the one thousand.<sup>7</sup> The results shows that toward the end of 2009, a person in Egypt was considered poor if s/he spent on average less than LE 197 per month (LE 2364 per year) and those who spent less than LE 148 per month (LE 1776 per year) were considered ultra-poor. Findings from the data indicate that the average monthly per capita consumption in the 141 villages was only LE 131 per month (LE 1572 per year), less than the threshold to escape extreme poverty (LE 148 per month/ LE 1776 per year). Furthermore, unlike the overall shallow nature of poverty in Egypt (where most of the poor cluster around the poverty line), poverty in these particular villages is deep. The poverty gap index<sup>8</sup> amounted to 35.3% compared to 5.9% at the level of total rural Egypt.

### Multi-dimensional Poverty

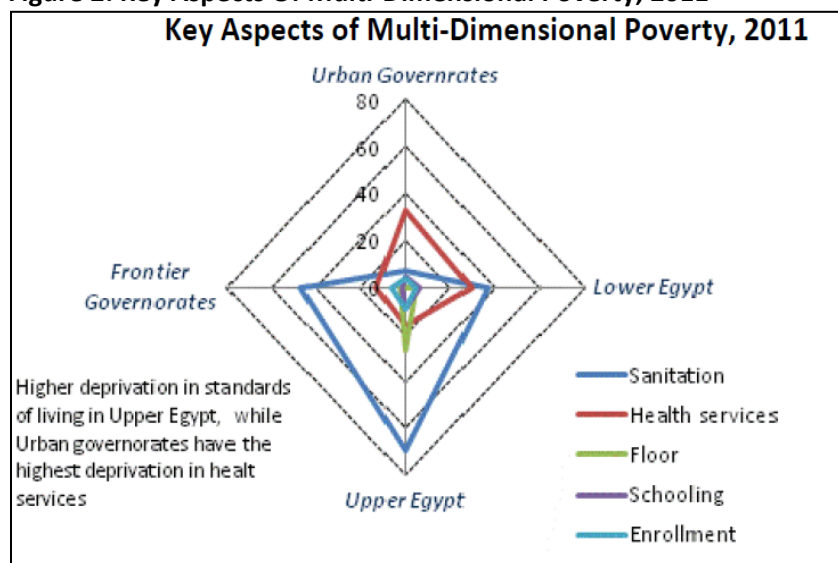
Multi-dimensional poverty assesses the nature and intensity of poverty by identifying multiple deprivations (in health, education and standard of living) and the extent of these at the individual level. It uses micro data from household surveys and can be aggregated into the national measure of poverty assessed in line with the standard UNDP definition, looking at indicators of health (nutrition and child mortality), education (child enrollment and years of schooling,) and living standards (measure of assets in a household), access to hard flooring, water, electricity, a toilet and cooking fuel).<sup>9</sup> This concept has been applied for Egypt as shown in Figure 1.2, in order to compare conditions in the four main geographic regions of the country. Urban governorates which include Cairo, Alexandria, Port Said and Suez are by far the best off except for health services.

<sup>7</sup> El Tawila et al “Income Poverty and Inequality in Egypt’s Poorest Villages”, 2013.

<sup>8</sup> Poverty gap is the mean shortfall from the poverty line (counting the nonpoor as having zero shortfall), expressed as a percentage of the poverty line. This measure reflects the depth of poverty as well as its incidence.

<sup>9</sup> Alkire, S. and Santos, M.E., Multidimensional Poverty Index, (Oxford Poverty & Human Development Initiative, Oxford, July 2010)

**Figure 2: Key Aspects Of Multi-Dimensional Poverty, 2011**



Source: Figure16 in CAPMAS and World Food Program (WFP), May 2013, Heba Ellaithy and Dina Armanios

The increasing prevalence of income poverty in recent times is compounded by the prevalence of poor living conditions and inadequate access to education and health services resulting in extreme multidimensional poverty amongst 11.9 % of the population in 2011. Upper Egypt shows the highest prevalence rate (18 %) compared to all other regions, much higher than Lower Egypt and Urban Governorates (8.7 % and 6.8 % respectively). Moreover, the prevalence of poor living standards is generally higher in rural areas; deprivation of sanitation is as high as 87% in rural Upper Egypt and 47 % in rural Lower Egypt.

Governorates that demonstrate the highest income poverty rates are also those with the highest rates of extreme multi-dimensional poverty; mostly Menia, Assuit, Sohag, Bani Suef, Fayoum and Qena in Upper Egypt.

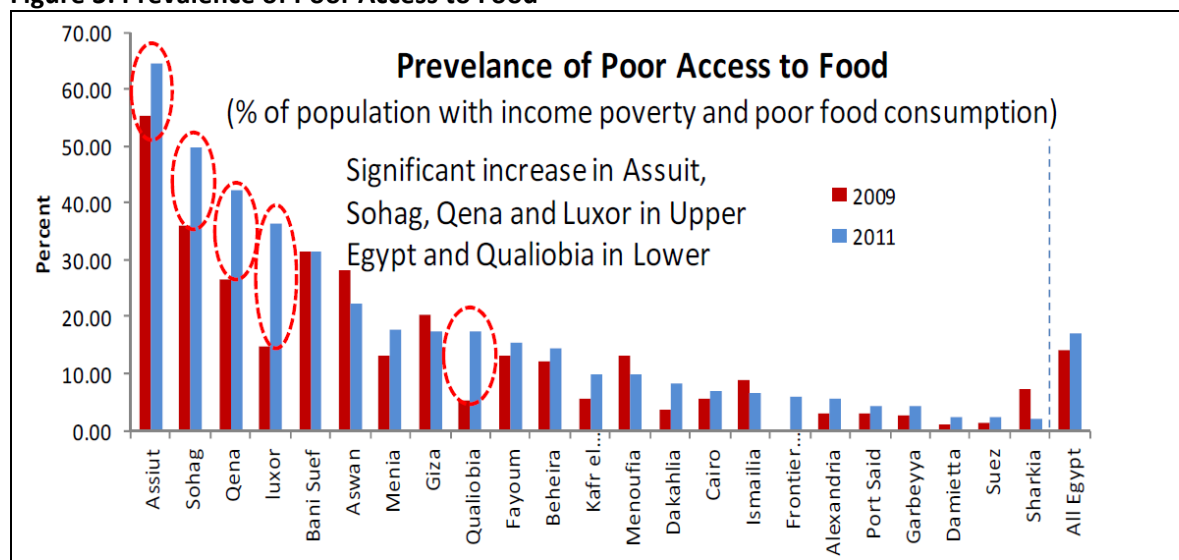
Chronic food insecurity is concentrated in Upper Egypt, where 88 % of the chronically food insecure live, with some 74.3 % of all households in chronic food insecurity in rural Upper Egypt and an additional 13.7 % in urban Upper Egypt. Food insecurity is calculated using indicators for dietary quantity and quality. Food insecurity is noted through the coexistence of income poverty and poor food consumption<sup>10</sup> and is used as a proxy indicator of access to food. Findings show that food insecurity remains an issue of household access to food driven by purchasing power, with poor household dietary diversity<sup>11</sup> as the key aspect of poor access across all regions.

Rural Upper Egypt in particular, remains the most food insecure region in Egypt, both in terms of chronic food insecurity (a long-term or persistent inability to meet minimum food requirements) as well as in terms of those who have more recently become food insecure (transient or transitory food insecurity - a short-term inability to meet minimum food requirements). Those classified as “chronically” deprived included households that had poor food security and were income poor in the 2009 HIECS and remained so according to the 2011 HIECS. Those classified as “transient”, fell into double deprivation (food insecurity and income poverty) in 2011 as shown in Figure 1.3.

<sup>10</sup> Poor dietary diversity and/or caloric deficiency

<sup>11</sup> Dietary diversity takes into account the number of food groups consumed by households and individuals over a reference period of seven days (for details see Section 7 of FAO, *Guidelines for measuring household and individual dietary diversity*, (Rome, 2007)

**Figure 3: Prevalence of Poor Access to Food**



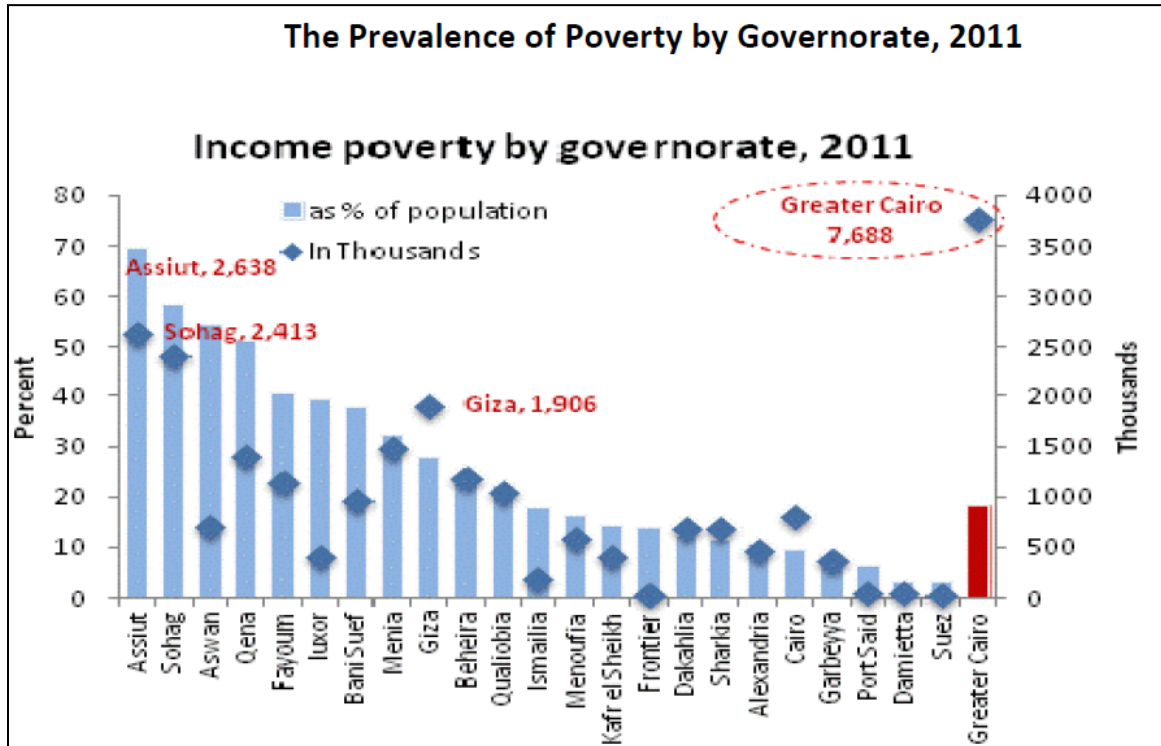
Source: Figure10 in CAPMAS and World Food Program (May 2013), Heba Ellaithy and Dina Armanios

The profiling of households suffering both from income poverty and food insecurity is of larger household sizes, with uneducated heads of the household who are either unemployed or engaged in the informal sector in casual or seasonal work, and often in agriculture activities. Moreover these households are likely to be multi-dimensional poor. The severity and depth of poverty thus remains highest in rural areas, more than twice that in urban areas.

Panel data from the 2011 HIECS was used to study the dynamics of income poverty in Egypt and to estimate the mobility in poverty headcount between 2009 and 2011. The results as show in Figure 1.4 are more than half of the poor population is newly poor (or “transient poor”) and only fell below the poverty line in 2011, representing 15.2 % of the total population in Egypt. That is double those who moved out of poverty in the same period (7.7 % of the population), and also exceeds those who stayed in long term (chronic) poverty (12.6 % of the population).

Chronic poverty is predominant in rural Upper Egypt with 30 % of its population chronically poor and representing 62.2 % of all chronic poor in Egypt in 2011. All other regions in 2011 had higher levels of transient than chronic poverty, demonstrating a more sizeable shift of people moving into poverty.

Figure 4: The Prevalence of Poverty by Governorate, 2011



Source: Figure15 in CAPMAS and World Food Program (WFP), May 2013, Heba Ellaithy and Dina Armanios

The incidence of poverty is also widely variable across governorates. The prevalence of income poverty is critically high in Assiut (69.5 %), Sohag (58.6 %) and Aswan (54.4 %) in Upper Egypt, moderate in most governorates of Lower Egypt and negligible in Suez and Damietta (3.2 %) as can be seen in Figure 1.5.

### Measures of Inequality within Egypt’s Poorest Villages

Using the distribution of actual consumption in the study villages, El- Tawila et al show that the ratio of consumption of the top quintile of the total consumption of all households is equal to 3.9; hence the average person of the richest 20% of the population in these villages consumes 3.9 times as much as the average person of the poorest 20% compared to 4.5 times in total Egypt and 3.1 in total rural Egypt. According to the HIECS data 2008/2009, these results indicate that -regardless of the measure of inequality used- the study villages suffer a level of inequality comparable to the overall level in total Egypt although slightly lower in general.

As to Gini coefficient per villages, among the governorates represented in the baseline study, Assiut has the highest Gini coefficient (31.3, that is, highest level of inequality among the study villages, while Behera has the lowest (22.6) followed by Minya.<sup>12</sup>

<sup>12</sup> To investigate the determinants of household poverty and the resulting inequality between households, regression-based inequality decomposition was applied to all 10,568 households in the 141 villages of the study. For the purpose of studying the determinants of within-villages inequality, aggregated data at the village level were used and weighted least squares regression was applied to Gini Coefficient data of the 141 villages.

Education level is usually positively correlated with the poverty status as it determines individual access to income through employment. In rural Upper Egypt, illiteracy is the highest among the lowest social class, 47% of the population in this class are illiterate. Families in this class cannot afford to pay the cost of education so aims to find a job for their children. Technical high schools are mostly widespread among the middle classes (48%); the lowest class prefers getting a job instead of going to a technical school, and the higher class chooses to continue in the university path (56%). The general high school education is the least between all the levels of education.

### **Conclusion**

There is strong evidence that justifies targeting of rural Egypt and especially rural Upper Egypt for social protection and economic development. Discrimination in public spending in favor of the South is not only called for on account of differentials in poverty levels and deprivation but can be justified in terms of comparative advantage for job creation in labor intensive agriculture processing, manufacturing and tourism.

The burdens of poverty vary between categories of dwellers. But this variation is not an absolute marker of poverty or wealth. The Ministry of Social Solidarity needs clear goals and objectives for its programs, as well as a reliable formula for eligibility and for graduation for any social protection program, and a monitoring and evaluation system in place that follows the progress of families.

There is, in fact, a need for multiple strategies and policies. Achieving integrated development requires coordination between all interventions related to various sectors and all stakeholders whether governmental bodies or civil society organizations. This is achievable by drawing an integrated map for needs and resources in villages and translating this map into projects and investment opportunities.

There may eventually be a need for an independent centralized body gathering and disseminating all information on entrepreneurship possibilities, niche opportunities, linkages with industry, agriculture and other ministries relevant to economic development as part of Egypt's Five Year Plan.

There remains inefficiency of the agricultural sector, where land is highly fragmented and many agricultural workers with no land live in poverty and suffer from the conditions of seasonal and intermittent work.

The manufacturing micro and small enterprise sectors are unable to expand and create jobs due to the poor infrastructure, the low diversification in production activities, and the shortage of skilled labor.

An integrated approach needs to be implemented to deal with the institutional inefficiencies in Egypt's services sector. Root causes must be tackled, with a shift away from stand-alone interventions, to replace current quick fixes that do little to prevent persistent hazards and risks.

Women and youth living in rural areas as the most vulnerable groups in society with a particular disadvantage of female-headed households and child labor in Upper Egypt. Some families who are poorer will need the extra support that cash provides. Cash transfers directed to women who care for children and are conditional on the compliance of families with certain terms that ensure the well-being of school age children are priority interventions.

Incentives, such as conditional cash transfers are needed that will keep children in school, and that enable them to eat regularly and seek medical care when they need it.

### **Recommendations**

- Interventions must improve services as well as labor markets to benefit everyone who lives in a village.
- Improving public education and reducing the disparities in access and quality of basic education between



Upper and Lower Egypt and between rural and urban regions is considered a major government intervention that can redress the imbalance in equality of opportunity.

- Technical and agricultural education should be reformed to better supply qualified labor.
- More focus must be made to strengthen Early Childhood Development, the most equitable intervention area for developmental policy. Another overarching zone of exclusion is the lack of professional development among teachers, a critical barrier
- Investment should be directed towards activities with high productivity so that workers and their household can benefit from higher wages.
- Promoting investment towards agro-business and tradable services such as tourism, offer significant scope for job creation based on natural and human resources available in rural Upper Egypt.
- The informal sector should be encouraged to register for social security benefits, so as to better protect the rights of workers who currently do not enjoy the minimum expected from decent jobs.
- The culture of entrepreneurship should be inculcated at a young age and continued throughout the educational process.
- It is also recommended that the GoE continues its support in availing competitive and/or revolving funding mechanisms through funding programs and projects to support the creation of job opportunities to graduates through the promotion of entrepreneurship education and the creation of micro, small and medium business opportunities.
- Enhancing sustainable agricultural and rural development in Upper Egypt is crucial to reduce poverty and food insecurity.
- Key research results point to the need to increase the production and marketing high value crops and livestock products since they represent priority growth opportunities.
- Traditional small holding livestock production continue to be a profitable activity in Upper Egypt and that the large part of the livestock GDP is earned by the landless and smallholder farmers (less than 5 feddans) that represent the poorest households.
- Aquaculture will provide inexpensive protein to Upper Egypt, diversify income opportunities and increase income, especially by shifting fish farms to the hinterland and by introducing solar energy in order to pump water from the underground aquifer.

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