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The policies of the state and targeting the poor in Egypt: Egypt's transition to a welfare state?

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ABSTRACT

Understanding who the poor are and what defines their level of deprivation is critical in the state’s responsibility to its citizens. This thesis looks at how the Egyptian State targets the poor through the narrative of poverty during the last sixty years. While the state has historically addressed this issue within the broader context of societal welfare, it has not always specifically targeted the marginalized and vulnerable groups. The Egyptian State has transitioned from authoritarian socialism, to a rentier economy, and then to a free market state without upsetting the status quo of the ruling bureaucracy and state agents. Recently, it has tried to become a more welfare-oriented regime, attempting to cater to a population without really progressing or acknowledging the problem of poverty.

This thesis aims to shed light on a particular relationship—the social contract between the impoverished and the state. I do this by examining how the problem of poverty in Egypt came to the government toward this particular group of people in order to understand some of the broader processes of poverty reduction, welfare, and social protection in Egypt.
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Introduction

HOW DOES THE STATE TARGET THE POOR IN THEIR POLICIES?

THE CASE IN EGYPT

A considerable amount of research has been focused on understanding impoverishment and the attempts to successfully counter its repercussions through socio-economic programs. While poverty is undoubtedly a problem in Egypt, the measure of its dimension and magnitude is inconclusive.

While there are many interrelated components that influence changes between poverty and marginalized groups in Egypt, one of the most crucial factors is the role of the Egyptian State in regard to its constituents. Government policies and ministerial interests are inextricably linked to the politics of welfare development and poverty. An examination of the different agencies, along with the motivations and obligations of the government to its citizens, can contribute in shedding light on both the historical and current complexities of the political economy in Egypt.

According to the Egyptian constitution, the responsibilities of the State to its citizens include guaranteeing both equality of opportunity to all Egyptians (Article 8) and cultural, social and health services (Article 16). Furthermore, Article 7 states that social solidarity is the basis of Egyptian society. The constitution asserts that both work and education are rights guaranteed by the State (Article 13 and 18). These are a few of the rights and services constitutionally guaranteed to all Egyptian citizens.

One of the most critical groups in Egyptian society is the extreme poor. This
group represents the very bottom strata of a population. The extreme poor are the most vulnerable, disadvantaged, and high-risk members of society. Because of this level of deprivation, many institutions directly target and serve this particular group.

In the case of Egypt, it is important to examine the obligations and commitments of the government toward this particular group of people in order to understand some of the broader processes of poverty reduction, welfare, and social protection in Egypt. What is the Egyptian Government’s attitude and approach toward the domestic problem of poverty, and to what extent does the role of the poor affect this standpoint? The ability and effectiveness of the state to carry out polices that target the poor can be directly connected to the bureaucratic and political struggles in the Egyptian policy making process. This thesis aims to shed light on policies pursued by the government that directly or indirectly affect the poor in Egypt and address the attitudes of the state that determine how social protection or deprivation is defined.

If the government addresses the problems of the poor, is this enough to change the poverty map of Egypt? Should they pursue more welfare-oriented policies? Do they or should they focus on the process of poverty or on reducing inequality? Which would be most beneficial to the “poorest” sectors of society? By focusing more on growth and the economy, does this help the overall social issues? What are the commitments of the government in terms of particular economic or political polices that can be detrimental to bottom rung of society?

The objective of this thesis is to determine how the Government of Egypt identifies and addresses the needs of the poor through policy. The scope of this thesis examines the narrative of poverty in Egypt through the welfare structure of the state. The
role of development, economy, trade, non-state and informal poverty alleviation mechanisms, production, foreign aid, religion, and other socioeconomic aspects of Egypt are not analyzed in this thesis. They are understood, if at all, through historicizing the social contract in modern Egypt from Nasser to Mubarak. It is beyond the scope of this thesis to fully address these elements, however it recognizes that they play important role in the composition and changes within the country.

Let it be noted that when referring to different eras in Egypt, the policies and actions of the state under a particular president are not attributed to a single personality or action of one individual, but rather the collective group of behaviors of the government they represent. It is beyond the scope of this thesis to fully and comprehensively examine the role of different domestic institutions, international organizations, sociological groups, administrative bureaucracy, individuals and other factors that influence the roles and decision making of the Egyptian government. It is certainly noted that governments rarely act with absolute autonomy. However, this thesis focuses primarily on the government and population, not for the sake of excluding other actors, but to clearly draw an important connection in state policy and poverty.

This project aims to contribute to current scholarship on both the micro and macro scales. On the macro scale, I intend to provide a more comprehensive understanding of the social, economic, and political dynamics between government and marginalized groups of society.

On the macro scale, I intend to problematize many common assumptions used in the politics of ultra poverty, social protection and the role of the state in Egypt. I also intend to look explicitly at the objectives of the social protection packages and the role
they play, directly or indirectly in affecting the ultra poor groups of society.

**Literature Review**

Martin Ravallion is one of the most prominent and widely acknowledged scholars on the theory of poverty and welfare, its definitions, and the process of development.\(^1\) Khalid El Amin further compliments this research by expounding on Ravallion’s empirical research to challenge commonly held assumptions that poverty is limited to individual, homogenous categories such as income, consumption, nutrition, or expenditure measurement.\(^2\) Ravallion and Amin expand on the limitations of conceptualizing poverty in these ways to suggest that poverty is more dynamic than the simple means of measurement. While there is no uniform methodology established for accurately representing poverty, these indicators are more useful when used in combination with another. It is their initial critique of the conceptual and methodological problems associated with poverty and its definition that will be used as the framework for this study. This is important when differentiating between poor, near poor, and absolute or ultra poor. While previous scholarship has distinguished only between poor and non-poor, multidimensional analysis helps fill in some of the existing gaps and limits in poverty research, allowing for a more dynamic and effective approach the underlying causes of poverty.\(^3\)

Amartya Sen’s work on multidimensional poverty has paved the way for

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\(^1\) See “Poverty Comparisons” and “Poverty Measures” as well as other works by Ravallion and Pradhan.

\(^2\) Ravallion “Understanding and Combating Poverty: A Quest for Conceptualization, Measurement Indicators, Causes, and Empirical Methodologies”

\(^3\) See references to A.B. Atkinson
contemporary scholarship.\textsuperscript{4} He developed alternative models to indicate poverty by measuring the function and capability of an individual within a given society. This model is a more realistic alternative to income, consumption, or expenditure based poverty lines. The strongest element of his research is in the treatment of poverty as a relative concept, an entity that is subject to the relative conditions of deprivation, freedom, choice, and human capital. The qualitative nature of his poverty research takes a fundamental step forward toward broadening the scope of poverty research by incorporating the social and political aspects of wellbeing, not merely the material or tangible necessities of welfare. This is crucial in determining not only the agency the ultra poor are capable of, but their social, political, and economic assets.

Poverty frameworks by Rouchdy, Assad, Korayam, and El Laithy can be used to understand the practical application of qualifying and quantifying subjective poverty in Egypt, as well as the importance of understanding issues with demographic poverty lines. By studying and comparing several prominent reports on socio-economic changes and impoverishment in Egypt, the level of variance found among available research on the topic, both in quality and content, is of significant consequence. In critiquing and utilizing the data taken from the government surveys, it is relevant to note that there are differences in opinion which researchers and institutions present as conclusive poverty data. However, by utilizing the results of the differing interpretations of poverty analysis, a broader picture of poverty in Egypt emerges. This will aid in determining the characteristics, demography, and assets of the ultra poor. The background these authors provide on poverty changes in Egypt help to understand who counts as ultra poor in

\textsuperscript{4} See “Capabilities and Commodities” and “Poverty and Famines: An Essay on Entitlement and Deprivation”
Egypt, how the social perimeters are defined, and why.

At this point, poverty has been analyzed at length by many of the field’s most prominent scholars. Over time, a significant debate has emerged regarding the nature and significance of poverty in Egypt in reference to existing political and social structures. Within this debate there have emerged two preponderant paradigms of the direct and indirect role of the Government on Egyptian society. The first operates on the theory that the Government of Egypt does not adequately target, understand, or address crucial social issues within Egypt, and, furthermore often exacerbates the problem by ignoring and marginalizing the poorest in society.5 This theory recognizes the government of Egypt as a monolithic, authoritarian and centrist government in which its constituents suffer from dire socioeconomic problems, inequality social uncertainty, and political weaknesses.

The second paradigm is more sociologically based and concentrates primarily on a new social contract instigated by the Government of Egypt as a means of alleviating some of the major poverty related problems through targeted social programs, social protection, civil society, and welfare.6 I seek to expand on the latter paradigm, looking at government initiated social protection programs in Egypt, who they target, how they deliver their mission, and the success of such initiatives. This new social contract between the government and the people is founded on the necessary role of the Egyptian government as a provider of rights and services to its citizens. I will also utilize official government discourses and ministry agendas that directly pertain to social protection programs. This can provide new insight on the government’s approaches to the social protection and the ultra poor in society and how these policies and initiatives impact the

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5 See research on politics of welfare by Simon Bromeley, Ray Bush, Eric Denis, and Mariz Tadros
process of poverty in Egypt.

In order to understand the underlying political narratives associated with ultra-poverty and social protection, Philip Marfleet, Maye Kassem, Galal Amin, and Gouda Abdel-Khalek have published a collection of scholarly articles and books that outline some of the most important and controversial issues that emerge in the Egyptian political sphere such as the dynamic relationship between state and society, corruption, authoritarianism, bureaucratic interests, inter-ministerial conflict neoliberalism, and democracy. I will use these frameworks, along with work by Timothy Mitchell to supplement my understanding of the Government of Egypt’s role and commitment to society, specifically the poor segments of the population.

To contextualize the importance of the government as the primary actor in facilitating the social, political, and economic well being of its population, I will draw on Gøsta Esping-Andersen’s work on the role of the welfare state. This will be further applied and supplemented by data on social programs and expenditure in Egypt by Markus Loewe from the ECES and Ahmed Galal.

However, it must be noted that these academics contribute to issues in this thesis from different disciplines and backgrounds—presenting an issue in interdisciplinary academia. A fracture emerges in scholarship in an attempt this lofty goal to present a clear and consecutive analysis of changes in the Egyptian narrative. It is an ambition of this thesis to acknowledge a discrepancy in scholarship and present an independent and
alternative narrative of problems facing Egyptian economy, society, and polity. This contributes to current scholarship by expanding on major areas of current literature regarding discourses on poverty, the social contract, the welfare of citizens, and the role of the state instead of relying primarily on frameworks based solely on political dialogues, economic discourses, or sociological theory. For example, Mitchell’s contribution to this field focus on issues regarding the political nature of the state and the economic changes that occur as a result, however this thesis uses his work to support elements within the historical narrative of Egypt. This thesis concedes that cross-disciplinary incoherence’s are an issue, yet they are still valuable in understanding many of the critical changes and narratives in the Egyptian context.

The first chapter will address the criteria used to quantify impoverishment through indicators, thresholds, and poverty lines. It will also address the limits within these arguments and contemporary alternative discourses. Second, it will expand on the characteristics of poverty, such as the depth, severity, and vulnerability. Third, it will address issues in the interpretation, perception and subjectivity of poverty. The second part of this chapter will look at impoverishment in Egypt, as well as current research and methodologies used to indicate and understand the process of poverty.

The second chapter will look at the historical theory behind a social contract. This theory will then be applied to the relationship between the State and Egyptian citizens, by historicizing the historical social contract in modern Egypt from Nasser to Mubarak and looking at political and economic policies that affect the poor. Third, it will focus on the shifts and transitions in state polices in terms of poverty, social spending, and development.
The third chapter will focus on the policies of the government that affect the poor. First, this is examined within the historical framework presented in chapter two and the role of the poor within a regime. This role is approached through different mechanisms for poverty reduction within the state, such as entitlements, services, provisions, subsidies, incentives, and welfare. Second, this chapter will address the theoretical criteria for a welfare state and Egypt’s attempted transition from a rentier state to a welfare state. In order to establish this transition, the role of rentier economics and Washington Consensus style development will be examined as important factors that contribute to state polices and behavior in society. Third, state initiatives in social services (such as healthcare, education and social protection) are addressed in the context of the state’s role in a new social contract.

The fourth chapter provides a qualitative analysis drawn from interviews conducted with Egyptian citizens, illustrating and supporting many conclusions drawn from this thesis.
Chapter 1

WHO ARE THE POOR?

Poverty is a critical issue for many reasons and goes beyond just recognizing the circumstances of those who are less fortunate. Concern for the impoverished stems from a common bond between human beings. It is an individual or a community’s responsibility as a member of a global society and the human race. Our opinions and beliefs towards poverty should not condone apathy or indifference, but should galvanize individuals, communities, and governments to take it upon themselves to aid fellow humans. The recognition and perceptions of poverty lie in the process of identifying with an issue that extends beyond religious, political, or social convictions. It is an issue of the human condition. It is in humanity’s interest to reduce inequality, to address the suffering and injustice amongst marginalized groups, and to protect the basic human needs of any member of society. It is the awareness of the human condition that brings poverty to the forefront of domestic development, humanitarian relief, and international aid. It is in the interest of those who recognize poverty to attempt to alleviate it, regardless of the context.

Poverty, although found center stage in the international arena and the target of numerous social and political agendas, is seldom understood. It has been the subject of public attention, critical analysis, and contentious debate. A considerable amount of research has centered on understanding impoverishment and attempting to successfully counter its repercussions through social protection programs and economic development.
Many different debates exist on how to alleviate poverty through social, economic, and political policies, yet whether such programs truly address the underlying causes of poverty remains to be seen.

Poverty has been defined by the United Nations as "lack of income and productive resources to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion. It is also characterized by lack of participation in decision-making and in civil, social and cultural life. It occurs in all countries: as mass poverty in many developing countries, pockets of poverty amid wealth in developed countries, loss of livelihoods as a result of economic recession, sudden poverty as a result of disaster or conflict, the poverty of low-wage workers, and the utter destitution of people who fall outside family support systems, social institutions and safety nets."

Absolute poverty is defined as "a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services."

Poverty is often addressed within the context of social policy, development and growth. However, the desire for developing countries, such as Egypt, to modernize and integrate into the liberal international economic and political system has come at a high social cost, reflecting some of the complex relationships between the politics of poverty, inequality, development, and the role of the state. It has become increasingly relevant to

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examine the responsibility and attitudes of the state, particularly in terms of reform, distribution and development and the subsequent impact on poverty, welfare, and society.

This first chapter aims to achieve a broader and more conceptual understanding of poverty, what it means, and how it is measured. It will address some of the theoretical and methodological problems associated with measuring, evaluating and qualifying poverty, the difficulties associated with indicating welfare, as well as alternative ways to represent impoverishment. In order to understand how the state identifies and addresses the needs and rights of the ultra poor, one must first look at how poverty is quantified. This includes examining how poverty is defined and how it is addressed in the context of the state. Analyzing the dynamics of poverty helps to understand some of the broader issues concerning the role of state in development and poverty alleviation polices. It is also important to note the evolution of thought in poverty definitions and analysis, from some of the more orthodox and traditional schools of thought to the more comprehensive, multidimensional treatment of poverty. These different schools of thought are important in understanding policy objectives and in targeting the government’s welfare and poverty reduction programs.

This chapter will also address the criteria used to quantify impoverishment through indicators, thresholds, and poverty lines. It will also address limits within these arguments and contemporary alternative discourses. Second, it will expand on the characteristics of poverty such as the depth, severity, and vulnerability. Third, it will address issues in the interpretation, perception, and subjectivity of poverty. The second part of this chapter will look at impoverishment in Egypt as well as current research and methodologies used to indicate and understand the process of poverty.
Quantifying Poverty

Understanding the different meanings of poverty is important for several reasons. First, quantifying poverty provides a practical way to consider and target a very real problem facing the world’s population. Second, it influences policy makers and global actors to acknowledge and include the well-being, social circumstances, and living conditions of poverty-stricken populations in their agendas. Third, welfare analysis allows for a better understanding of the causes of poverty, methods to remedy the situation, and ways to prevent a further rise in the levels of poverty. With proper analysis, programs to remedy the situation and ways to prevent a further rise in the levels of poverty can be affected. Finally, understanding the different patterns, causes, and dynamics of poverty facilitate in finding a solution to this serious global problem.\(^{11}\)

In poverty research, the terms poverty, welfare, well-being, and material deprivation are often defined in terms of a practical, testable measure. For example, measures such as income or consumption are based on particular criteria, such as minimum living standards. This criterion measure is then compared to an identified threshold scale in order to define, indicate, and measure the term. Once an indicator is chosen and defined, a poverty threshold or poverty line can be drawn. From there, one can both theoretically and operationally quantify and measure “poverty” by those who fall below or above this line.

One basic way to measure poverty is to ask whether an individual or household is capable of achieving a basic minimal standard of living.\(^{12}\) Those that cannot attain this


standard can be quantified as “poor” and their lifestyle can be defined as “one of poverty.” While there is considerable debate on how to measure this minimum standard, the question provides a simple way to conceptualize the fundamental principles of personal or household welfare.

**Indicating Poverty: Income**

Economist A. B. Atkinson’s contribution to poverty analysis and research focuses primarily on levels of income and its distribution.\(^\text{13}\) According to Atkinson, poverty can ultimately be understood in terms of income. After all, income has historically been the one of the most common methods to indicate poverty. Both tangible conditions, such as the ability to provide basic necessities such food, nutrition, education, and healthcare, along with intangible conditions, such as participation in a society, social mobility, freedom, and other basic liberties, are intimately related to a specific level of income.\(^\text{14}\) Therefore, income indicators often provide useful measurement criteria for understanding poverty.

A poverty line is then drawn according to those that qualify as having enough income to secure their basic necessities, both tangible and intangible, compared with those who do not. Income generated poverty lines are traditionally measured and analyzed within these main categories or, in more comprehensive analyses, quantified accordingly to measure groups that cluster around the income poverty threshold.

Income is dependent on several factors—wage and income rates differ in terms of society, culture, geography and economics. These factors are either misrepresented or

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\(^\text{14}\) Ibid., 761.
overlooked when income is used as an isolated poverty indicator. Furthermore, income minimums in developing countries differ from minimums in advanced countries, and rural income indicators differ from urban income indicators.\textsuperscript{15} Even if income related data could be measured clearly or easily, it is not easily obtained. Individuals are often reluctant to share their personal income data due to the sensitive nature of personal finance. Therefore, there are difficulties in obtaining complete and accurate data.

Strict income indicators also present difficulties in interpretation. Income measured per capita, that is, per individual, can differ drastically from income measured per household. It also does not account for obvious fluctuations in information and might not accurately represent the total picture. For example, some household annual incomes tend to fluctuate, subject to external shocks such as changes in jobs, pay rates, seasonal wages, etc. A family might also borrow money or use savings in order to meet their monetary needs and this would not be reflected in standard income measurement. Since monetary indicators would not be able to report such information, there would be a misrepresentative interpretation of actual income levels. Modern methodologies however have begun to utilize income in conjunction with other supplemental welfare indicators to add to a more comprehensive profile of poverty.

Also, strict income indicators often do not account for mutual support mechanisms, such as a farm, factory, or other household productions. For example, a farmer has potential access to some basic commodities from farming, such as food, shelter, and water, but may not necessarily meet the minimum level of income to sustain

the perceived standard of welfare.\textsuperscript{16} Income does have to play a part at some point in mutual support mechanisms because it takes money to maintain a functional farm. But this still does not take into account other problematic factors, such as the value of farm assets or the changes in value of animals or crops.

Atkinson’s argument for income measurement in poverty analysis is restrictive: income alone is insufficient. Although using a fixed income line is inaccurate, it is often used in poverty measurement. This is exemplified by the popular use of standard international poverty lines, based on income, typically designated at the corresponding value of $1 or $2 a day. These poverty lines represent income thresholds to measure the minimum level necessary for basic human needs. They are based on the value of the US dollar purchasing power parity to compare the living standards or use of resources across different countries. Its value is based on the measure of commodities and services in a country, derived from their equivalent in the United States. Although this international standard is often used, it is severely limiting and accounts for some of the distorted and incomplete conclusions about poverty. For example, the value of one dollar in the United States means something quite different than the value of one dollar in Egypt. If the poverty line was raised to $1.25, the number of people qualified as living in poverty in Egypt would probably rise even though they may not be in actual poverty. An increase of a seemingly marginal amount, such as from $1.00 to $1.25, could have a powerful impact in a country such as Egypt. An extra 91 dollars (annually) represents a higher poverty line for Egypt; whereas an average American would not consider the increase as a vast difference in income. But in Egypt, any person who struggles to meet their basic needs, whether on $1 or $1.25, should realistically qualify as living in poverty. This

\textsuperscript{16} Ravallion, 13.
demonstrates that poverty measures contingent on income is a highly relative method for analyzing welfare. These results make income measurement contentious and often misrepresentative in poverty analysis. Income measurement, while valuable in addition and compared with other poverty data measurement, is unrealistic and methodologically uncertain.\footnote{Anand, Suhir, and Christopher J. Harris. "Choosing a Welfare Indicator." \textit{American Economic Review} 4.2 (1994): 226.}

Furthermore, a minimum income is not universally agreed upon by any predetermined standard and is subject to cultural, social, economic, and political relativity as costs and prices differ. This is further illustrated in changes in level-based analysis when examining fluctuations in income requirements, which have the potential to adjust at international, regional, urban, rural, and local levels.\footnote{El Amin, Khalid Ali. "Understanding and Combating Poverty: A Quest for Conceptualization, Measurement Indicators, Causes and Empirical Methodologies." \textit{ERF Working Paper Series} 0338. (2003): 2.}

\textit{Indicating Poverty:}

\textit{Expenditure and Consumption Poverty Measures}

Another commonly used welfare indicator is derived from expenditure and consumption patterns aggregated at a household level. This method often appears to be more accurate and less sensitive to fluctuations than income measurements. Also, research has demonstrated that people are more likely to disclose data about personal expenditure and consumption rather than private cash income wage and earnings.\footnote{Ravallion, 7.} However, when compared to income measurement, the minimum consumption level is subject to individual preferences of what constitutes basic food and non-food
consumption. “While it is clear that every individual values food consumption, one need not believe that individuals are themselves good judges of the importance of nutrition to well-being.” Similar to income indicators, consumption based data is still a monetary measurement of poverty. There is also an issue with the accuracy of the data collected because people tend to understate their expenditure on commodities, particularly if the commodity is a luxury or illegal.

Another method to measure poverty can be a food basket, a device consisting of the necessary nutrition values purchased at local and individual prices. Food baskets are determined by the minimum caloric intake of for certain brackets of individuals, using determinates such as age, location, occupation, and gender. These baskets establish the minimum number of calories for individuals, in addition to the cost for obtaining the food bundle. Different levels of consumption based on demography as well as regional specific food baskets are taken into consideration to establish the most appropriate food basket for the individual. Proportionate to food bundles are the nonfood bundles, which are based on nonfood consumption levels of poor households. According to the EIHS, poor households spend up to 42% of their income on nonfood requirements. “The reference food bundle includes 184 foods, allowing more than 410 grams of food-grains per person per day…”

Food bundles are useful for determining specific consumption based poverty lines. Their strength lies in the idea that consumption, especially of the basic necessity of

20 Ravallion, 5.
21 Ibid., 17.
23 Ibid., 10.
food itself, is the greatest indicator of poverty. This measurement of minimum caloric intake as well as the access and availability of food to the poor treats poverty as a function of nutrition, where poverty is directly contingent to hunger and vice versa. Yet using food baskets as poverty indicators are weak because they limit poverty to a tangible consumption value. Other elements such as human capital and development assets such as health, education, or the rights and entitlements of the poor are not represented.

Other Indicators of Poverty

Other indicators of welfare can be based on nutrition or food poverty lines. In this case, food is seen as the ultimate necessity for living because it is the most fundamental need for basic human survival. Research and statistics show that in low-income households, food accounts for the majority of total consumption expenditure.\footnote{Assad, Ragui, and Malek Rouchdy. \textit{Poverty and Poverty Alleviation Strategies in Egypt}. 22. AUC: Caïro Papers in Social Science (1999): 8.} A combination of food expenditure and consumption, along with nutrition status such as calorie consumption for an individual or total household, can provide a more accurate method of welfare measurement.\footnote{Ravallion, 17.}

The food poverty line is a food bundle chosen with a particular predetermined calorie requirement with a composition that is consistent with the choices of low-income households. It is defined for individuals in different age brackets, gender, and activity levels and then combined using the varying prices for food in each region. Households whose expenditure is below FPL are referred to as extreme poor.

There is also difficulty with this kind of measurement. The definitions and methodologies used for measurement create substantial differences in the result, making
the conclusions relative to individual taste. How exactly is the composition of a basic diet, which is needed for either survival or achievement of a basic standard of living, determined? It would be exceedingly subjective to have to account for every level of preference. These measurements would differ not only from individual to household, but also differ in terms of personal preferences, geography, and the relative prices of local food. Problems also arise when considering consumption differences based on age, gender, or occupation. The consumption rate of a small child will be quite different than an adult; the consumption rate of a female would be different than that of a male; and the consumption rate of someone who works in a low physical activity job will be different from a farmhand. So there are different food requirements that can fulfill daily nutritional minimums.

Also, food and nutritional levels are affected by income. A family with a steady income would conceivably have a regular rate of consumption. However, a household without a steady income could possibly have the same consumption rate because they are either tapping into household savings or investments or using credit. Similar to income-based poverty lines, this measurement of economic well-being can be misrepresentative.28

*Thresholds and Poverty Lines*

One method of understanding poverty lines is in terms of absolute and relative measurement. An absolute poverty line has a threshold that is measured by an external, predetermined standard of living, for example, the real cost of basic food and nonfood

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27 Assad and Rouchdy, 8.
28 Ravallion, 21.
requirements per person. People would categorically fall into absolute poverty when they live below this threshold, that is when either an individual or a household cannot provide the basic requirements for a good quality of life.

Relative poverty lines look at the average household within different groups in society.\textsuperscript{29} The measurement of relative poverty takes into account threshold variance based on other factors that would influence the outcome, such as geographical disparity, different conceptions of minimum standards, inequality, and demographic differentiation. However, relative poverty lines can seem misleading. They are comparatively quantified within a specific group.\textsuperscript{30} Take for example a wealthy country with an average household income of $100,000 annually. In this case, even those who fall below the relative threshold would still presumably have the capacity to provide for their most basic needs. The relative measure uses the lowest quadrants of a given society as the threshold for poverty. Thus, in the wealthy country case, those in the bottom strata would qualify as relatively poor even if they have the ability to provide for their basic needs.

A different poverty threshold can be determined by subjective poverty lines, which depend on the personal judgment of an individual or household’s standard of living.\textsuperscript{31} The benefit of this threshold is that it identifies poverty measurement as an intrinsically deduced judgment by a person of what is acceptable as minimum living standard.\textsuperscript{32} It is more dependent on personal perception and considerations by the population which is being measured. But this measurement can also be problematic as it is inherently subject to individual preferences of basic needs. These preferences are

\textsuperscript{30} Ravallion, 29.
\textsuperscript{31} Assad and Rouchdy, 5.
\textsuperscript{32} Ravallion, 33.
dynamic and differ based on relative criteria, such as individual taste, location, gender, occupation, price variation, etc.

An example of subjective poverty analysis is demonstrated in Pradhan and Ravallion’s methodology for qualitative perceptions of welfare. While traditional poverty lines come with a predetermined set of nutritional or income related requirements for basic economic welfare measurement, this model uses a subjective poverty line. It is derived from qualitative assessments of perceived consumption and taken from household surveys. This connection is then constructed accordingly to demonstrate a certain amount of income/consumption/nutrition needed to achieve the pre-determined requirements. What determines “the poor” is evaluated by households whose welfare indicators fall below the constructed line. Subjective poverty lines, for example, would measure poverty based on specific poverty trends. It would be beneficial to break down this line further into categories, such as rural/urban demographics, family size, and location, among other determinants of poverty. While this would be more accurate, Ravallion looks at current consumption patterns rather than a minimum income, which makes poverty profiling slightly more subjective and specific.

But the problem with this method is that it again is subject to personal interpretation of minimum welfare and basic needs. Ravallion and Pradhan note the importance of such social specificity related to poverty lines, especially in regard to basic needs and nutritional requirements. Yet to what extent does social specificity need to be broken down in order to create and analyze some sort of formal measurement standard? There must be some definitive point in which the difference between the essential and the

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34 Ibid., 2.
nonessential can no longer be subject to interpretation. After all, at the extreme end, a
starving child is a starving child regardless of culture, location, gender, or environment.

Subjectivity must take into account the natural shifts which occur over time as a
result of as economic, political and social changes. This presents problems in accuracy
and quantitative poverty measurements. Furthermore, other factors that influence poverty
and welfare measurements are demographically related such as family size and
composition.

One can easily see how observation and analysis within conventional poverty line
based frameworks are weak at best. Some poverty lines fail to take into account the
dynamic factors of welfare analysis such as the individuality and subjectivity of
measurement, demographic and economic variations, and inaccuracy in acquiring quality
and uniform data. These issues not only fluctuate in terms of measurement, but can also
have a great impact on the outcome. The subsequent analysis and assessment
recommendations by faulty conclusions are used as incontrovertible evidence. It has
become increasingly important to not only realize these issues in poverty assessment, but
to utilize this information in a collaborative effort to understand the multidimensional
causes and effects of poverty.

Other Approaches: Capability, Entitlement, and Function

Welfare economist Amartya Sen laid the groundwork for multidimensional
poverty research that sought to remedy the limits associated with conventional
assessments mentioned earlier. Poverty measurement traditionally included counting the
number of poor, using that number in relation to total population and generating a
poverty percentage.\textsuperscript{35} This method attempts to target and measure poverty as a fixed entity—defined only in terms of income for example—rather than a complex and dynamic phenomenon.

Sen’s method for determining poverty composition has two requirements. First, there has to be a method of identifying a particular group or individual as “poor.” Only then can a method of aggregating the structure and makeup of this group be used in order to provide an overall understanding of poverty.\textsuperscript{36}

Although this may sound simple enough, it is not. Similar issues arise when trying to indicate “poorness.” How do you measure exactly what is poor? Should the identification be used strictly in terms of consumption norms? Should a poverty line be used to discern between groups? Do you consider changes in income? What happens if everyone in the measurement is above a poverty line, but you are just measuring the lower quadrant? Are they in true poverty or not? All of these poverty measures are problematic. As explained before, poverty can be interpreted in different ways. The problem lies in using only consumption, income, or expenditure as a uniform gauge for measuring poverty and understanding its causes.\textsuperscript{37} Sen sought to expand on poverty analysis by including new indicators. His capability framework concentrates on the options and limitations of preferences available to a person, rather than their behavior or choices. Because there are a variety of material and immaterial capabilities that can be used in this type of analysis, the case for this multivariate approach becomes stronger and

\begin{flushleft}
\textsuperscript{37} Sen, Amartya, \textit{Poverty and Famines}, 25.
\end{flushleft}
more representative than previous poverty indicators.\(^{38}\)

Instead of relying on fixed indicators, Sen suggests that one should approach poverty as a dynamic process. While looking at the relationship between ownership and entitlement in order to understand poverty within the framework of an individual’s economic value, he follows the nature of an economic system in which the “means of production and labor” are the dominate factors in understanding general poverty. An individual has a certain level of entitlement and exchange which can be influenced by outside factors such as cost of resources, economic situations, the availability of employment, wage rates, etc. Poverty results in an individual’s inability to provide, access, and establish entitlement.\(^{39}\)

Government sponsored social security systems play a further role in production systems and exchange entitlements. Social security, when it exists, is responsible for the distribution of food between different sections of the community.\(^{40}\) This entitlement and exchange level determines whether that individual can provide for his basic needs. This is crucial in analyzing the scale and nature of poverty.

Expanding on the multidimensional aspects of poverty, Sen helps to further broaden the definition of poverty by acknowledging the social characteristics of well-being through a function and capability framework. Function is defined as the necessary action a person is able to “be,” such as to be healthy, to be free, to be employed, or to be educated.\(^{41}\) These indicators add a necessary dimension to previous static poverty measurement. An individual’s capability determines the alternate function. If a person

\(^{39}\) Sen, Amartya. Poverty and Famines, 8.
\(^{40}\) Sen, Amartya. Commodities and Capabilities, 7.
\(^{41}\) Ibid., 17.
has the capability to achieve freedom, education, health, nutrition, or security, his function relies on his personal choice and freedom in determining these standards.\textsuperscript{42}

Capability is measured by the level a person is able to achieve these functions. By assessing a person’s advantages and freedoms in a given society, one can understand and measure his capability deprivation. Poverty increases when a population cannot achieve their personal capabilities because they have less freedom in determining their own destiny. Other social indicators of capability can include but are not limited to life expectancy, access to institutions of the state, access to land, literacy, infant mortality, poverty headcount, school enrollment, and GDP per capita.\textsuperscript{43}

Capability and function indicators were developed to address the theoretical and methodological problems associated with the multidimensional character of poverty. Anand and Nussbaum expand on Sen’s framework, but also include specific characteristics such as normal life span, affiliation, imagination and thought, control over one’s environment, bodily health and integrity, play, practical reason, and emotion.\textsuperscript{44} However, Anand is correct to note that even these specific capabilities are relative and will differ greatly according to age, occupation, and environment. Furthermore, the capabilities that “people actually wish to develop seem to vary across the population with respect to another factors.”\textsuperscript{45}

A practical example of the capability/function approach to poverty is in the United Nation’s Human Development Index. It gathers information regarding education, health, literacy, life expectancy, and standards of living within particular countries.

\begin{footnotes}
\footnote{42} Sen, Amartya. \textit{Commodities and Capabilities}, 18.
\footnote{43} Assad and Rouchdy, 16.
\footnote{44} Anad, 300.
\footnote{45} Ibid., 302.
\end{footnotes}
Instead of focusing on fixed, tangible measures, such as income or expenditure, the HDI focuses on a more people oriented approach, taking their freedoms and individual access to services as a part of poverty measurement.46

**Characteristics of Poverty: Depth, Severity, and Vulnerability**

David Gordon, in conjunction with research by the United Nations, presents a scale for understanding the depth and severity of poverty. The deprivation scale sequences from no deprivation to mild, moderate, severe, and extreme levels. The scale does not attempt to undermine the significance of general deprivation, but allows for the severity of circumstance for those in the lowest quintile to be recognized.47

This scale seeks to determine some general characteristics of the ultra poor; not only as a function of income, expenditure, or consumption, but in a much more comprehensive and dynamic method. Absolute poverty thresholds include commodities such as food, clean water, sanitation, shelter, education, and health as well as including access to information and access to services.48 These represent some thresholds for what is determined to be basic human needs. An absolute poverty threshold exists if a person or household does not meet two or more standards of the criteria. This methodology merges the traditional definitions of poverty with multidimensional analysis.

Furthermore, one can expand on the differences between deprivation and severe deprivation. For example, according to Gordon’s deprivation scale, if an individual has a body mass index under 16, they are severely underweight and therefore represent the

47 Gordon, David. "Indicators of Poverty and Hunger." *Expert Group Meeting on Youth Development Indicators*.
48 Ibid., 5.
element of severe deprivation. The scale moves up to a body mass index of 18.5, anything below this threshold would represent deprivation. Using the BMI to calculate health and nourishment is useful. While it does not take into account individual preference, nutrition, or food baskets, it does provide a general idea of a person’s health by using their height and weight and oftentimes, age and gender. Clearly, there are variations for standard or optimal BMI and this measure has many limitations. However, because the cut off for severe deprivation is staggered to a very low BMI number, it can be very practical when used with other deprivation indicators.

His scale also elaborates on specific criteria to determine the standards of his scale. Each one differentiates between deprivation and severe deprivation. Although his criteria are useful for understanding general thresholds for deprivation and severe deprivation, they ignore a crucial factor, the perception of poverty.

In perceiving poverty on any scale, the role of inequality cannot be ignored. Inequality can intensify poverty, not only in terms of statistical facts, but in opinions of circumstance as well. If an individual is living in deprivation, that deprivation can seem exaggerated if his neighbor is living in luxury. Therefore, the perception of poverty cannot be ignored when looking at levels of deprivation.

Within any given community, certain individuals may not perceive themselves as poor at all, even though they might not have access to health or educational facilities or they live in mud floor houses without modern sanitation. By most standards, this would constitute an extreme level of poverty. But if most of the community lived within these same sets of living or social circumstances, their own interpretation of poverty would be limited to their direct experience. For example, if everyone in an indigenous tribe in
South America lived in mud huts and used the local river for sustenance, inequality does not seem readily apparent. There is not a large discrepancy between the different groups in the tribe (although power and politics within any society are bound to play a role). However if a particular few of that group have access to other facilities or modern technology, or are even aware that it exists regardless of their lifestyle, they may perceive their situation as more unequal and more dire than otherwise.

For example, indigenous populations in South America may not view themselves as living in severe poverty although they could potentially fall under that category according to Gordon’s eight criteria. Some of these groups use rivers and ponds instead of modern plumbing. They have no access to healthcare; they live in houses with mud floors or no floors at all; they share space with four or more people per room; they have no access to newspapers, radios, computers, or other modern information sources. While many of these things may be true for large groups of marginalized peoples in societies, they do not automatically infer severe poverty. These criteria are largely based on a modern Western version of deprivation and minimum living standards, enhanced by inequalities in a society. You cannot be a “have not” if you are not exposed to certain assets that would allow you to “have” something in the first place.

**Vulnerability**

There are certain freedoms, choices, and rights that limit a person in poverty. Deprivation reflects vulnerability; the poor are often at risk in terms of health, education, social stability, or ill treatment and abuse by society or the state. The vulnerability dimension is usually due to events in which an individual has no control. For example,
violence, disease, economic shocks and natural disasters all reinforce a person’s attitude towards his own perception of poverty. Vulnerability, in this aspect, “exacerbates material poverty and weakens their bargaining position” of groups at risk.\(^{49}\) The poor often have no voice, control, or representation in their personal development. Vulnerability represents the risk a household has of falling into poverty. These groups often fall into poverty clusters and are highly sensitive to shocks such as emergency medical expenses, lost jobs, natural disasters, bad business profits, etc. Vulnerability can be mitigated through giving at-risk groups of society empowerment and their opportunities and security. Vulnerability is crucial in the experience and processes of poverty.

\textit{Interpretation and Perception of Poverty}

Interpretations of poverty and poorness are subjective. What constitutes poverty to one individual may be perceived differently to another. Different poverty thresholds can be determined by subjective poverty lines, which depend on the personal judgment of an individual or household’s standard of living.\(^{50}\) The benefit of this threshold is that it identifies poverty measurement as an intrinsically deduced judgment by a person of what is acceptable as minimum living standard.\(^{51}\) Subjective poverty is more dependent on personal perception and considerations by the population that is being measured. For example, if the inequality rate is high in a country, the bottom quadrant of the population may not be living in actual poverty. This group may perceive their poverty based on


\(^{50}\) Assad and Rouchdy, 5.

\(^{51}\) Ravallion, 33.
comparisons to those with better living standards. Subjective poverty is an important measure, but it can be problematic as it is inherently subject to individual preferences of basic needs. These preferences are dynamic and differ based on relative criteria, such as individual taste, location, gender, occupation, and price variations.

The perception of poverty plays an important role in understanding impoverishment. A person’s individual perception of his own poverty greatly influences his level of deprivation. A government’s perception of poverty would obviously play an enormous role in determining social and welfare policy.

Subjective factors such as interpretation, poverty measurement, or methods for quantifying growth demonstrate how poverty measures are conditional on the perception of one’s understanding of poverty. This can be demonstrated by the nature and scale of poverty studies in Egypt. Poverty analysis in Egypt differs widely in magnitude, distribution, and incidence, illustrated by the various conflicting representations of poverty in Egypt among current scholarship and research. Even more interesting is that the majority of work on poverty in Egypt stems from the exact same survey data produced by the Central Agency for Public Mobilization and Statistics and the Egyptian government. Yet, although the data from CAPMAS is the only officially available data on poverty figures in Egypt, different institutions, economists, and social researchers have put a subjective spin on the overall results, painting a confusing and rather incoherent picture of poverty in Egypt. This conflict arises from the different methodologies and poverty lines used to indicate social welfare. Frequently, it is merely a minor change in percentages of poverty measurement indexes. However, in the broader situation, millions of people might be ignored or incorrectly aggregated into an author’s
subjective category of poverty.

_Poverty in the Egyptian Context:_

_Poverty Research and Methodologies in Egypt_

When considering the effects of political policy, economic reform, and social funding directed toward welfare and well being in developing countries, policy formation should focus on the importance of objective poverty research and accountability.

Poverty analysis and scholarship in Egypt are gathered from many different authorities; from institutions such as the World Bank or IFPRI, private researchers, Egyptian economists or other political economy scientists researching poverty statistics. Most of these reports use primary data from Household Income Expenditure and Consumption Surveys (HIECS) conducted by CAPMAS, the official statistical agency in Egypt.\textsuperscript{52} These surveys began in 1957 by the Egyptian government but were conducted on an irregular basis in 1964/65, 1974/75, and 1981/982. It was not until 1990 that CAPMAS began issuing the surveys every 5 years.\textsuperscript{53}

While these surveys are useful in understanding broad trends in poverty in Egypt, they have significant limitations. First, nutritional and food related data is not readily available. Second, the results and methods of calculating individual diets, which vary between differing ages, sexes, occupation, and geography, are ambiguous, leading many poverty researchers to use their own interpretive methodologies to calculate the magnitude and dimensions of poverty. Third, the Institute of National Planning and CAPMAS did not release their surveys in an individual household form nor did they

\textsuperscript{52} www.capmas.gov.eg/
specify these differences and relative measurements. Furthermore, it is also unclear how CAPMAS accounted for regional variations with food and non-food pricing, which would clearly impact the construction of expenditure-based poverty lines. Finally, all of the poverty lines utilized are based on consumer expenditure data, which does not account for saving or borrowing from other sources.54

As previously mentioned, the most consistent source of poverty analysis and measurement comes from the Household, Income, Expenditure, and Consumption Surveys for the years 1990/91, 1995/96, 1999/00, and 2004/05. These surveys were administrated through CAPMAS using household specific poverty lines, including both a standardized food and a nonfood poverty line. Economists Hanaa Kheir el Din and Heba el-Laithy analyzed these surveys in conjunction with poverty-related data from the Ministry of Economic Development, CAPMAS, and the World Bank databases.55 The data is useful in observing patterns of growth and poverty in Egypt during this period.

1990 marks the initial period of consistent CAMPAS studies which were then surveyed and issued every five years. According to the Poverty Assessment Update, these surveys consist of large samples drawn from the whole country and contain data on income/consumption and expenditures on over 600 items of goods and services.56 They provide “a good source of information on the distribution of welfare within Egyptian society.”57 Second, the continuity of data is important both for accuracy and consistency, although during this period, there was limited methodical or empirical data available.

from official sources. No nationally representative unit level data was available for public usage from either government or private sources. Most of the scholars who analyze and report poverty statistics on Egypt note this lack of formal or reliable data for poverty and inequality.\(^{58}\)

According to El Laithy and Kheir El Din’s results, poverty—including measures such as depth, severity, incidence, etc.—declined during the second half of the nineties. This was an indirect result of the drastic GDP growth in 1994/95 compared to earlier years, particularly with regard to extremely high incidences of poverty in Egypt throughout the 1980’s.\(^{59}\) According to the author’s estimates and information from the HIECS, the results were interpreted using poverty indicators that represented a person’s ability to obtain basic food and nonfood needs. This was based on individual per capita poverty lines and then measured and calculated using household poverty lines. The incidence, depth, and severity of poverty were calculated by using aggregate poverty measures from 1990 to 2005. According to this data, poverty fell from 24.18% of the population in 1990/91 to 19.41% in 1995/96. It decreased further from 19.41% to 16.74% in 1999/00. The poverty rate then increased from 16.74 to 19.56 percent in 2004/05.\(^{60}\) The data also showed that both the depth and severity of poverty followed similar patterns. Both measures decreased dramatically from 1990/91 to 1995/96, dropped further in 1999/00, and then increased in 2004/05.

In terms of household income inequality the gini coefficient (the measure of inequality of wealth) decreased from 1990/91 to 1995/96 which indicated a better distribution of wealth. From 1995/96 to 1999/00, the gini coefficient increased slightly

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\(^{58}\) El Laithy, H., M. Lokshin, and A. Banerji, 4.
\(^{59}\) El Laithy, Heba, and Hanaa Kheir El Din, 8.
\(^{60}\) Ibid., 9.
which demonstrated an increase of wealth inequality. However, from 1999/00 to 2004/05, inequality decreased to its lowest relative level in the 15-year period. Inequality was lowest in 2004/05, suggesting a more equitable distribution of wealth and a smaller poverty gap. If this information is marginally correct, one could arguably conclude that income distribution has improved from 1990-2005.\textsuperscript{61} This data, compared with the survey data, provides a general and approximate conceptualization of poverty in Egypt.

\textit{Poverty in Egypt}

When discussing ultra poverty, extreme impoverishment, and absolute poor groups in a society, one is talking about the highly marginalized, vulnerable, and high-risk social groups. In Datt, Joliffe, and Sharma’s profile of poverty in Egypt, they note some of the common characteristics of those living in severe impoverishment. They use per capita consumption as a measure of individual welfare to reflect individual preferences conditional on prices and incomes. They also incorporate regional differences, size and age composition of households and nonfood consumption preferences for relatively poor households to portray a comprehensive profile of the levels of poverty in Egypt. Accordingly, in 1997, about 15.7 million or 26.5 percent of the population in Egypt was classified as poor. Within this group of poor, 5.1 million were determined to be living in absolute poverty or ultra poor.\textsuperscript{62} While the poverty gap index and headcount index did not show the severity of poverty, the poverty-gap and squared-poverty-gap indexes are the worst in the rural regions. However the Gini coefficient is worse in the urban areas.\textsuperscript{63}

Datt and Joliffe’s research in Egypt correlate with some demographic

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{61} El Laithy, Heba, and Hanaa Kheir El Din, 11.
\item \textsuperscript{62} Datt, G. and D. Jollife and M. Sharma, 17.
\item \textsuperscript{63} Datt, G. and D. Jollife and M. Sharma, 19.
\end{itemize}
\end{footnotesize}
generalizations in poverty indicators and comparisons. For example, some of the poorest households have larger households and higher dependency ratios.\textsuperscript{64} These households have members who are between the ages of 0-15 or over 60 and would not traditionally contribute to the sustainability and management of a household. Instead they depend on other members of the family for financial, economic, and social support. Extreme poor household compositions typically are larger than poor households with an average 8 family members while poor households are around 5.4 members.\textsuperscript{65} Female-headed households are also vulnerable and are at risk to live in absolute impoverishment. The ultra poor have a much higher percentage of family members who do not complete primary school.\textsuperscript{66} Most work as casual wage laborers; employment that is rarely consistent and highly vulnerable to shocks. Absolute poverty is prevalent in rural areas, specifically Upper Egypt. About seventy-four percent of the ultra poor population lives in rural areas.

\textit{Levels of Poverty, Impoverishment, and Deprivation}

A comprehensive report on Egypt was issued as the Poverty Assessment Update in 2007, which looks at the same survey time periods as El Laithy and Kheir El Din’s research. The Ministry of Economic Development and the World Bank developed this study, emphasizing the necessity for some kind of agreement on poverty measurement in Egypt. The assessment conceded that, while no single method to accurately indicate or measure poverty exists, it was important not to confine poverty within the framework of

\textsuperscript{64} Ibid., 28.
\textsuperscript{65} Ibid., 27.
\textsuperscript{66} Ibid., 37.
only measuring limited income. In order to comprehensively measure the state of deprivation, one should use the multiple dimensions of indicators and data into account.

The Poverty Assessment Update attempts to obtain a general consensus on poverty measurement with statistical and analytical support from Ravallion, El Laithy, Lokshin, and Banerji’s research, as well as prior research on the subject from the World Bank archives. It claims self-accuracy by using local prices and poverty lines adjusted to household demographics throughout the report.

This poverty assessment uses three primary aggregate measures to account for the ‘multidimensionality’ of poverty. First, the head count index measures the prevalence of poverty determined by a poverty line. It shows the percentage of poor as a proportion of the total population. However, this indicator does not reflect the dynamics of distribution of the poor that exist below the poverty line, but simply paints a static picture of poor vs. non-poor. Second, the poverty gap index calculates the depth and magnitude of poverty—the gap between low-income expenditure levels and the poverty line. Lastly, the poverty severity index measures the degree of inequality in the distribution below the poverty line, giving a greater weight to households at the bottom of expenditure or income distribution.

Instead of setting a standard income or consumption line which is often used in research on this subject, the assessment classifies poverty into three groups: extreme, absolute, and near poverty. These three groups combined constitute the poor. Each
category has its own poverty line and is assessed by comparing household consumption by HIECS representative survey. In 2005 dollar values, one dollar purchasing power parity (PPP) is the equivalent to 2.57 Egyptian pounds.\textsuperscript{71} Dollars with the same purchasing power in the United States, when conflated with goods and services, are more expensive in the US, one PPP dollar per day is equivalent of much less than a current exchange rate would imply. Those classified as extremely poor are considered as individuals who spend less than 995 Egyptian pounds (in 2005 PPP value) per year. Absolute poor is classified as those spending less than 1,423 pounds per year. Those who are near poor spend between 1,424 and 1,854 pounds per year. One can expand on this approach by breaking the estimated poverty lines even further to account for age, gender, region, and household size.

While previous poverty measurements ignored the significant differences in consumption patterns and prices across the region, the assessment uses a cost-of-basic-needs methodology in order to establish subsistence minimums. For example, it is crucial for accuracy to account for different requirements of different household members, to take economies of scale within the household into account, as well as to consider that non-food items can be shared among household members. The methodology used in this report can account for the problems with previous poverty research in Egypt.

Accordingly, Egypt follows an absolute poverty line with a focus on those who are deprived of the ‘most basic needs,’ rather than those who potentially face deprivation relative to their fellow citizens. Using the PPP exchange rate as a set value for the 95/96, 99/00, and 04/05 surveys, two internationally standard poverty lines are used in this

report. This allows for a broader understanding of the circumstances of minimum living standards, defined as 1$ a day, and those who are more prone or vulnerable to poverty denoted by 2$ a day.\textsuperscript{72}

In combining this poverty line with total poverty line, the food poverty line is supplemented by an allowance for expenditure for essential non-food goods. The price of non-food expenses is estimated by identifying the share of non-food expenditure for households whose total expenditure was equivalent to the food poverty line.\textsuperscript{73} Poverty rates are based on comparisons between actual expenditure and the cost of a consumption basket securing 2,470 calories per day per person, along with some additional basic services.

This report thus concludes that approximately forty percent of the population in Egypt is clustered between one and two dollars per capita a day. It also notes that in examining the poverty trends from 1996-2005, the poverty rate was 19.4% in 1996, 16.7% in 2000, and 19.6% in 2005. This confirms El Laithy and Kheir El Din’s estimates. The assessment further reports that those who faced extreme poverty were at 2% in 1996, 2.9% in 2000, and 3.8% in 2005. Those that were near poverty were at 32% in 1996, 25.9% in 2000, and 29.9 percent in 2005. The poverty gap index was 3.4% in 1996, 3.0% in 2000, and 3.6% in 2005. The poverty severity index was at 2% in 1996, 2.9% in 2000, and 3.8% in 2005. These conclusions represent the overall poverty profile of Egypt during this time period.\textsuperscript{74}

\textsuperscript{72} The World Bank and Ministry of Economic Development, Arab Republic of Egypt: \textit{A Poverty Assessment Update}, 2.
\textsuperscript{73} Ibid., 3.
\textsuperscript{74} The World Bank and Ministry of Economic Development, Arab Republic of Egypt: \textit{A Poverty Assessment Update}, 10.
Conclusion

Orthodox methodologies have historically treated poverty as composed of one or two characteristics. If poverty can be identified within the confines of a specific entity with singular dynamics, then understanding and addressing poverty becomes quite simple. It becomes easy to determine the cause, to fashion a model and to eliminate the problem. If poverty is truly based only on income, then the problem lies inherently with monetary measurement. Subsequent poverty alleviation programs will target these goals specifically. Yet, modern interpretations of poverty conclude that income is merely one of many facets of poverty. This multidimensional process is more complicated and it goes beyond tangible measures of welfare.

The idea that poverty can be eradicated or eliminated is an inadequate and unproductive way to understand the problem. This is reflected in attitudes and approaches that understand poverty in fixed terms: based on income, expenditure, or consumption as the only determinants of poverty. By focusing on poverty approaches this way, it becomes a simple matter of increasing income or consumption levels as an effective means of poverty reduction.

However, this one-size fits all approach has not worked in poverty reduction strategies, nor will it in the future. Poverty is not defined by a combination of fixed principles that determine welfare. Welfare and poverty are dynamic processes and should be treated as multidimensional in poverty profiling in order to truly evaluate and address the problems.

Understanding who the poor are and what defines their level of deprivation is also critical in this thesis. Understanding the limits in definitions, methodologies, processes,
and perceptions of poverty aid in understanding broader issues concerning the role of the state and its obligations on a population’s welfare. By examining the criteria of how the poor are identified, the different dynamics of poverty, and the methods of measuring welfare, one can better understand the role of the government towards this particular group of people which helps shed light on the broader processes of poverty reduction, welfare, and social protection in Egypt.
Chapter Two

POLICIES, OBJECTIVES, AND ATTITUDES:

HOW DOES THE EGYPTIAN GOVERNMENT APPROACH POVERTY?

This chapter will further examine poverty through the relationship between state and society and the evolution of the social contract between the Egyptian Government and its constituents. This relationship can be illustrated by examining the values and incentives that affect policy, the role of the state and the people, the institutional environment, and the fiscal and welfare policies that operate within this framework. How has the Government of Egypt acknowledged and understood poverty? In order to answer this question, it is important to look at the different social and economic policies pursued by the government that influence poverty in Egypt.

Furthermore, it is necessary to understand the historical context of the state’s relationship with society and how this has aided in an evolution of government perception of poverty, deprivation, and welfare. How does the Egyptian Government counter the process of poverty? Has the government always targeted the poor specifically or were polices in place that benefited the entire population? Does the government have a larger commitment to the ultra poor in their society? This chapter seeks to expand on how the attitudes and commitments of the state play a crucial role in determining who the poor are, what polices should benefit members of society, what institutions are in place for society and how to structure poverty alleviation programs.

The contemporary Egyptian State has one of the primary roles in influencing the
direction and implementation of social and economic policies. The power relations between different political structures, such as the government and its ministries, along with the role of a powerful bureaucracy, play a significant part in the application and effectiveness of poverty alleviation strategies. The Egyptian State is clearly instrumental in determining the feasibility of poverty reduction policies for the country. Before one can look at the direct role of particular polices that target the poor, it is relevant to look first at the objectives and attitudes of the state towards the problem of poverty. Do they differentiate between poor or ultra poor? Do social and economic ministries target poverty as something that goes beyond mere income measure? What are the priorities and obligations of the state in poverty reduction? Are the government and its ministries active and receptive to policies that effectively target and combat poverty?

First, this chapter will look at the historical theory behind a social contract. Second, it will apply this theory to the relationship between the state and Egyptian citizens. This is done through historicizing the historical social contract in modern Egypt from Nasser to Mubarak and looking at political and economic policies that affect the poor. Third, it will focus on the shifts and transitions in state polices in terms of poverty, social spending, and development.

Social Contract And The Capacity Of The State

It is important within this thesis to expand on the political theory of social contract in order to illustrate the relationship between state and society in Egypt. In principle, one must look at how a society is arranged, what obligations that society has within itself, and what agreements and conditions are being made for and by this group.
In other words, what kind of agreements exists between a population, a government, or an institutional mechanism that allow a society to function?

One of the most prominent social contract theorists, Thomas Hobbes, suggested that violence and the uncertainty of life in the state of nature was the underlying motivation for people to form governments. According to Hobbes, in order to “preserve their lives and achieve a comfortable existence,” people create political societies. The “state of nature” is constantly in conflict and only political authority can maintain peace. The most natural state, Hobbes argues, is when every member of society has complete and total natural freedom. In this natural society, freedom neither limits the right to hurt others nor limits the freedom to act without consequences to achieve self-preservation. This results in disorder and chaos. Therefore, people enter into a social contract with a government to establish a civil society in which the community forfeits some rights and freedoms in order to achieve a functioning political society. The means—exchanging individual rights for civil rights in order to become a part of society—justify the end—a politically and socially functional order.

Jean Jacques Rousseau expanded on this idea by adding the importance of the general will of the people into regulating a social contract. The social contract would be true and legitimate if it benefited the majority of the society. Members of society had the freedom to agree upon and chose the fundamental laws and organization for the community. John Locke also supported this idea of a contract that recognized and supported the general will and common good of people within a society. Locke argued that people would naturally come together in an organized society, rather than out of fear.

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like Hobbes.

While social contracts should be created for the collective good of the people, Rousseau also took into account the problems with individual sovereignty. \textsuperscript{77} A person within a society may not always behave in a manner that benefits the collective interest of the group, thus, the need arises for a rule of law for which both the people and the governments are accountable. The social contract represents an agreement in which a people choose to give up certain natural freedoms in order to achieve order, stability, and civil society. The consent of the people is the most crucial component in the social contract.

\textit{Historicizing The Social Contract In Modern Egypt: From Nasser To Mubarak}

Egypt has gone through many transitions over the past sixty years, with the relationship between the government and its population evolving in terms of the social benefits it extends to the society and in particular, the poor. It is important to understand the historical social contract between state and society. This helps to shed light on how the state understands and recognizes the processes of poverty and how they attempt to address it through social contracts with the population.

One this is established, one must also look at some of the development discourses and schools of thought that have influenced the states polices towards social welfare. This aids in understanding how the Egyptian State approaches poverty reduction through political policies, social contracts, and economic development and how the attitudes and

objectives of the state have shifted over time.

**Nasser And The Social Contract Through State Autonomy**

Gamal Abdel Nasser, the second president of Egypt, implemented drastic national socialist reforms which allowed his regime a certain degree of solidarity with the Egyptian population. The coup in 1952 led to Nasser’s consolidation of power and the beginning of a socialist authoritarian regime. Nasser did many things to assert his legitimacy and control over Egypt. Under his regime, agrarian and socioeconomic reforms “left no doubt to the masses and the political elite that he was the ultimate source of power and authority” in the Egyptian state. The heavy reliance on state-led industrialization eliminated colonial and landowning elite interests as powerful influences in civil society. Instead, the polices of Nasser’s government led to the growth of internal bureaucracies, government organizations and the development of a strong military establishment, establishing these institutions as powerful social and political agents within the Egyptian state. Also, state initiated programs provided for free health care, free public education, social services that targeted low-income groups, a strong subsidy program for state resources, and labor reforms with a standard minimum wage and labor rights.

**State Polices Under Nasser**

Nasser nationalized major companies and industries including banks, foreign assets, newspapers and the Suez Canal. State led agrarian reform and redistribution

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79 Kassem, 13.
policies led to the Land Reform Law of 1952. This law limited land ownership in an effort to eliminate the political and economic influence of large land owning elites.\textsuperscript{80} He also nationalized industries such as petroleum and mining, which fell under state control. These agricultural and industrial nationalization and sequestration policies did in fact allow the growth of state domination in politics, society, and economy. But the raising of minimum wages, social services, investments in agriculture and industry, manufacturing, and the growing power of the army and government contributed to “the rise in the rate of social mobility in Egypt during the Nasserist era.”\textsuperscript{81} The social circumstances under Nasser allowed for a greater degree of social mobility in exchange for acceptance of total state control.

\textbf{Social Polices Under Nasser: Addressing The Social Contract}

\textit{Through The Consolidation Of Power}

Social policies and programs under the Nasser regime redefined the social contract between Nasser and the Egyptian population. These policies and programs included the guaranteed employment of state university graduates and national insurance programs. These programs redefined the social contract between Nasser and the Egyptian population.\textsuperscript{82} These policies also provided new social and economic rights to the working classes in return for submission to an “institutionalized formal system of personal political control over individuals, groupings, and state institutions.”\textsuperscript{83} These new state

\textsuperscript{82} Kassem, 13.
\textsuperscript{83} Ibid, 19.
policies allowed some degree of social entitlement: access to state establishments, new employment opportunities, and development of human capital. Historically, it is often understood that Nasser garnered support from the rising middle class in order to legitimize his power, rather than the traditionally powerful elitist class.\textsuperscript{84} However, a more persuasive argument is that these policies were genuine efforts to develop as an economically and politically independent state as strong, and self-sufficient as possible.

Towards the end of Nasser’s regime, Egypt’s growth began to decline. This was due to the massive social expenditures the government spent on economic policies as well as a general lack of foreign investment for projects within the state. Nationalization and socialist policies were unsustainable. However, powerful social elements within Nasser’s regime, such as institutions that emphasized the military and the military controlled civilian bureaucracy, continued to grow as powerful forces in Egyptian society. “It was a premise of Egypt’s growth strategy in the 1950s and throughout the 1960s that the state must undertake far more than infrastructural investment and the mobilization of development capital and, through public enterprises, nationalized banks, and state-controlled foreign trade, must dominate and lead the entire economy.”\textsuperscript{85}

\textit{Sadat, Continuing The Consolidation Of Power And Addressing The Social Contract Through The Economy}

In 1970, Anwar Al Sadat came to power. Sadat and his government were intent on addressing Egypt’s economic problems through privatization and direct foreign investment schemes—evident in Law 65. Implemented in 1971, this law was designed to

\textsuperscript{84} El Mahdi and Marfleet, 18.
attract foreign private investment by providing exemptions from taxation and promoted further economic liberalization. The fruits of this policy were not really long lasting because the 1973 war directed the attention of the state elsewhere.\footnote{Kassem, 24.}

Under Sadat, the state embarked on the Infitah or Open Door Policy, by passing Law 43 in 1974. These policies sought to focus on the private sector as a means to rapidly generate revenue while still attempting to continue to provide welfare benefits. Law 43 included “guarantees against sequestration, nationalization, or transfer to public use without compensation. It also stipulated that projects based on it are private enterprises irrespective of the legal nature of the shareholders.”\footnote{Abdel-Khalek, Gouda. "Looking Outside, or Turning Northwest? On the Meaning and External Dimension of Egypt's Infitah 1971-1980." Social Problems 28.4 (1981): 397.} The Infitah gave new rights and opportunities to private sector interests, leading to the establishment of private businessmen, foreign corporations, entrepreneurial elites, and other non-state actors.\footnote{Amin, 16.}

Yet the Infitah saw the emergence of Egypt as a rentier economy that became increasingly dependent on foreign investment and revenue. Multinational stakeholders competed with local institutions for economic control of the private sector, trade, export/imports, and investment. Furthermore, the established bureaucracy from Nasser’s era remained a powerful force during Sadat’s regime in Egyptian society and economy. The Infitah and new private sector development did not do much to alter this picture because the main proponents of this policy were only interested in tourist, real estate, and service industries.

The negative social effects of the Infitah economic policies allowed a new platform for religious groups and charities, such as the Muslim Brotherhood. They began
providing welfare services to the growing number of poor in Egypt, a role which not only assured them of popular support amongst low-income populations, but also provide an alternative as a political force to constituents who were unhappy with government policies.\(^{89}\) This resulted in a power struggle within Egypt, resulting in the extreme suppression of the Muslim Brotherhood, particularly as seen later under the Mubarak regime.\(^{90}\)

\textit{State Polices Under Sadat: Public vs. Private Sector}

Under Nasser, the state focused on public sector growth; under Sadat, the state focused on private sector growth. During these periods, the labor market played a tremendous role in the social contract between population and state. Citizens must adapt to this system by choosing between decreasing their wages and securing employment or risking salary instability and unemployment. This represents a bargain and commitment between citizens and the state. In Egypt, the balance between the rights and goals of workers is highly contingent on public/private sector relations. Nasser promoted highly centralized economic growth policies such as land reform, independence from foreign investment, and domestic industrialization. These policies proved advantageous to the rising middle class and bureaucracy, which was where much of his social and political support came from. However, after Nasser, Sadat pushed for a more liberal economic policy and the Egyptian economy suffered. The rise of the private sector widened the gap between the rich and poor and the economy experienced growth, but inflation and high levels of unemployment as well.

\(^{90}\) For more on the role of Islamic NGOs and religious based charities, please see work by Soheir Morsy, Iman Hamady, and Hassan Hanafi.
The rise of the private sector was the most substantial achievement of the Infitah, however these investments were limited to luxury goods and enterprises rather than production, industry, and manufacturing sectors. This targeted development excluded the poor, further alienating the relationship between government and people. As Egypt became a rentier state—a state dependent on revenue from external rents, such as foreign aid, natural gas, or oil—inequality rose drastically and poverty became a widespread problem.91 Rentier states rarely promote economic development. They essentially allow the government a certain degree of domestic autonomy due to their monopoly on economic power.

Furthermore, Sadat did not account for a rapidly growing population with more labor market entrants than ever. Likewise, his economic policies did not promote a rise in employment to cope with the expanding workforce.92 Aside from employment issues, inflation grew to catastrophic rates, averaging around 30%. During this time, the economy transferred from large landholding elites to private investors and relied increasingly on generating rents, rather than internal development. Sadat’s economic policies would be the subject of much controversy later. It was perceived to widen the gap between rich and poor and it allowed foreign investors to control state enterprises without regulation. The Open Door Policy was also viewed as Egypt’s attempt to become even more politically and economically integrated into international markets.93

91 Farah, 38.
92 El Mahdi and Marfleet, 21.
93 Ibid., 20.
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<td>Pop.</td>
<td>27,798,152</td>
<td>31,572,753</td>
<td>35,574,953</td>
<td>39,599,405</td>
<td>44,433,037</td>
<td>50,654,901</td>
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Source: World Databank 94

Social Impacts Of Privatization

The transfer from public to private sector under the Sadat Regime had many social and political repercussions. “The death of Gamal Abdel Nasser in September 1971 and Anwar al Sadat’s consolidation of power by the arrest of leading Nasserists on May 15, 1971 created an opening to articulate economic demands that first emerged during the economic crisis of 1965-1966 but were postponed by the 1967 war and the 1969-1970 war of attrition over the Suez Canal.”95 The early 70s saw a rise in collective action and mass strikes with workers demonstrating for higher wages. Results were repressive, and many strike leaders were arrested and imprisoned. The strikes were mostly contained to public sector enterprises, which had benefited from Nasser’s previous policies.96 One of the most notable demonstrations occurred in 1977 when the government, influenced by the IMF, cut subsidies on basic consumer goods, while raising commodity prices 25-50 percent. Workers, students, and the unemployed all protested this policy in the Bread Riots of 1977.

Economy And Society: Migration And Remittances Under Sadat

The substantial changes in Egypt under Sadat were a result of the oil boom in the

94 The World Databank, World Development Indicators (WDI) & Global Development Finance (GDF)
96 Ibid., 157.
1970S and its subsequent impact on regional migration. Aside from liberalization and privatization, the Infitah sought to promote trade and investment from Western countries. It also sought to attract remittances and capital from the oil rich Gulf States. The economy had trouble supporting the policies of Nasser and the resources and employment availability to support the burgeoning population of Egypt presented an immediate problem. Two of the largest demographic pressures were a rapid population growth and high levels of unemployment, particularly in the youth age range. Thus, many Egyptians sought work out of the country, which helped create opportunities and employment for citizens.

Migration meant a circulation of labor and money within the economy, with a promise of creating a balance between the very wealthy gulf countries and the non-oil countries that supplied them with labor capital. The remittances brought back by the migrants provided increasing domestic capital. In return, the labor importing countries also benefited from cheaper labor, a lessening of labor shortages, and a circulation of labor and capital within the region.

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<td>Workers remittances and receipts</td>
<td>.927</td>
<td>1.77</td>
<td>2.21</td>
<td>2.69</td>
<td>2.18</td>
<td>2.44</td>
<td>3.66</td>
<td>3.96</td>
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Source: International Monetary Fund, Balance of Payments Statistics Yearbook and data files.

98 Millions of dollars (Data is in current U.S. dollars)
99 Workers' remittances are “current transfers by migrants who are employed or intend to remain employed for more than a year in another economy in which they are considered residents. Some developing countries classify workers' remittances as a factor income receipt (and thus as a component of GNI)” IMF Statistical Yearbook
In the short term, the benefits of regional migration under Sadat seemed to solve many problems. The rising pressures of growing populations on education, healthcare, and the labor market forced Egyptians to satisfy their economic needs elsewhere. The government infrastructure—both in the public and private sectors—could not keep up and maintain liberalization at the same time. Domestic markets could not absorb neither the growing number of labor entrants in the public sector nor continue to provide social returns in the work force. However, along with the massive flight of migration workers, there was a corresponding outflow of skills and human investment. This was and is one of the biggest issues with migration.

“If we ignore the terrible eight years that followed the 1967 military defeat, in which nothing seemed to happen neither in terms of GDP growth nor to equity (both largely as a result of the military defeat), the next ten years (1975 – 85) was a period of very high growth rates, rapid increase in inequality but also a significant improvement in the state of the poor. The greater integration with the world (and regional) economy, as a result of Sadat’s Open Door Policy, brought about all the three results, but it must be emphasized that the favorable impact on the standard of living of the poor was the result of a particular, and unusual form of such integration, namely massive migration of Egyptian labor to the oil-rich Arab countries. This time, greater ‘globalization’ seems to be good for the poor, even though inequality also increased.100 While Egypt’s economy experienced growth through an increase in foreign investment and a rising GDP, the government, which accounts for major public sector employment, failed to adequately raise wages or the standard of living for the population.

100 Amin, 9.
Mubarak: Reforming The Economy, Reforming Society

After Sadat was assassinated, Hosni Mubarak became president. His legacy is often defined as the era of economic reform and structural adjustment policies. These policies began in the late eighties, but it was only in 1991 that a rigorous program was implemented in conjunction with the International Monetary Fund, the World Bank, and the Government of Egypt.

The early nineties saw Egypt on the verge of economic collapse, the national debt was over 49 billion dollars and the Gulf Crisis severely devastated the regional economies.

101 “GDP at purchaser’s prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates. For a few countries where the official exchange rate does not reflect the rate effectively applied to actual foreign exchange transactions, an alternative conversion factor is used.”
During Mubarak’s early reign, Egypt experienced rising unemployment, along with a dependence on rents which led to major fiscal imbalances. The failure of public industries, inflation, a surge in foreign debt, budget gaps, and a decline in trade forced the government to adopt an International Monetary Fund supported stabilization plan. However, when interregional migration continued to slow, many Egyptians lost their jobs and the state lost remittances. However, as a reward for Egypt’s contribution in the Gulf War, half of the state’s foreign debt was cancelled by international financial instructions such as the IMF and World Bank. These institutions began to focus on aligning Egypt’s development with reform policies. Egyptian economic reforms under Mubarak were met with remarkable success that “vindicated the principles of neoliberalism” and promoted privatization, trade liberalization, and deregulation. Egypt undertook several reformed economic programs and eventually saw economic growth over 5% a year, a stable Egyptian pound, a reduction in inflation, and a lower budget deficit rate.

*Mubarak and Economic Reform*

In terms of economy, the IMF/World Bank economic reform programs sought to remedy the previous protectionist policies that Nasser had so vigorously promoted. The ERSAP called for total economic liberalization, privatization, and the reduction of state power in economic policies. The main purpose of the ERSAP agenda was to transform the Egyptian economy into a more market focused system with a higher growth trajectory.

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103 Ibid., 276.
104 Ibid., 272.
and financial stabilization.\textsuperscript{105} This was pursued in order to eliminate rising fiscal imbalances and distortions in the current economy by adjusting and reforming the public sector, monetary policies, social policies, investment, exchange rates, trade liberalization, budget reduction, balance of payments, and domestic prices.\textsuperscript{106} Economic growth would promote higher living standards, reverse increases in unemployment, reduce poverty, and most importantly, integrate Egypt into the world economy.

The economic reform and structural adjustment programs of the early nineties followed the strategy that economic growth and development would thrive in a market competitive economy free of government restriction. Given this opportunity, the supply-side of the economy would respond appropriately. State owned enterprises were detrimental to growth. Theoretically, socio-economic inequalities would subsequently be minimized through the trickle down effect of market revenue.\textsuperscript{107}

In terms of public sector reform, the ERSAP sought to make the public sector more efficient through privatization of certain institutions in the commodity and financial sectors. Fiscal policy reform included the liberalization of prices, such as the adjustment of energy prices to match international equivalents, the elimination of rent controls, and the liberalization of agrarian land prices. Banks were allowed to set their own rates, guided by treasury interest rates. A global income general sales tax was introduced, raising prices of energy and public enterprise production. Wage growth rates were restricted as well as a general reduction in public investment and subsidy cutbacks to 1%  

\textsuperscript{106} Ibid., 2.  
Real output growth recovered quickly after declining suddenly after the first years of the ERSAP. Since 1993/94, real GDP has grown steadily and was at 5% in 1996/97. Primary balances and government savings increased and the gap between savings and investment decreased. The overall deficit declined from 15% to 2% of the GDP. This reduction was achieved through an increase, representing a 42% turnaround in the overall deficit, and through expenditure reduction, accounting for 58% turnaround in the deficit.

In terms of revenue, the exchange rate changes in 1991 aided in raising revenue from oil and Suez Canal receipts, as well as taxes on international trade. A sales tax was introduced to generate revenue as well. The government cut back on investments in electricity and the tourism sectors. Subsidies and transfers declined by 2.4% within current expenditures as well as modest reductions in wages and salaries. Throughout the nineties, the budget deficit decreased, foreign reserves increased, and the gross domestic product averaged annual growth of 4-5 percent. These numbers appear to confirm the rise in Egypt’s economic performance. However, it is also important to look at the qualitative effects of economic reform in terms of social development and poverty.

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108 Korayem, ERSAP, 4.
110 Ibid., 6.
111 Ibid., 8-9
The Impact Of The Economy On Society

One of the main priorities of these reforms was a reduction in government expenditure, resulting in a cut in social costs. This would, however, add to the recessional effects, as well as have a negative effect on wages, employment, and social services. Mubarak’s regime proposed a new Unified Labor Law which would “eliminate the job security gained by public sector workers from the Nasser era.”113 This was an important step towards expanding the private sector, with real wages in the private sector increasing by 16.6 percent.114 However, for many Egyptians, the security associated with public sector employment surpassed the value of private sector employment. However, the government maintained that the privatization and liberalization programs be focused on production and expansion of the market in order to make the economy better, which

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112 “Unemployment refers to the share of the labor force that is without work but available for and seeking employment”
113 Beinin, 159.
114 Beinin, 168.
would eventually make up for social costs of the first policies.\textsuperscript{115} The state undertook these reforms under the auspice that the protection of the poor was compatible with economic freedom.

Yet, pressures for liberalizing included price increases affected railway tickets, electrical batteries, bus tickets, and school fees. The Planning and Budget Commission of the People’s assembly “recommended the elimination of free secondary and university education, and of subsidies for low-cost housing.”\textsuperscript{116} In order to cope with the social repercussions of economic reform and regional instability from the Gulf Crisis (return of migrants to the domestic economy), the government established the Social Fund for Development. The Fund invested in labor intensive public works to help combat unemployment, education and health programs, micro-loan and training enterprises, and job replacement programs.\textsuperscript{117}

Furthermore, the Mubarak regime encouraged gradual reductions of the food subsidy program throughout the nineties, however this decline was reversed after a decade reaching a peak in 2004, accounting for 4.1 percent of total public spending, or 1.7% of the GDP.\textsuperscript{118} This was largely due to the international food crisis in the early 21st century and the global in food prices worldwide. This rationale operates on the claim that food subsidies are effective in targeting the poor, while in the Egypt’s context; this is clearly not the case.\textsuperscript{119} There are huge leakages in the program due to inefficiency and

\begin{small}
\textsuperscript{115} Korayam, ERSAP, 18.
\textsuperscript{117} Ibid., 36.
\end{small}
lack of proper targeting measures. The universal availability of such subsidies in Egypt, without regard to specific income or welfare levels, demonstrates the financially draining effect of the program. Thus, subsidies are often deemed fiscally wasteful and uneconomical. Even so, food subsidies, one of the most well known social safety nets in Egypt, remained relatively stable during Mubarak’s reign. One reason for this is that subsidies and other social welfare initiatives are used by the state to provide legitimacy through the social contract.

*Political And Economic Policies That Affect The Poor*

While the reforms under Sadat and Mubarak saw some success in terms of debt reduction, controlled inflation, and economic growth, many scholars would argue that the social aspects were devastating. This presents a controversial framework in which to understand government reform initiatives and their role in poverty fluctuations. Economic interests are inextricably linked to the politics of welfare, development and poverty. However, the discourse of the Egyptian government, international donors, and economists on economic development, division of resources, and poverty alleviation projects become as sensitive and scrutinized as poverty research itself. Furthermore, one cannot exclude the numerous critical events that took place throughout the late 1990’s to 2008. The 1998/99 world market crisis in Asia, the terrorist attacks that affected tourism in Egypt; the events of September 11, 2001 and the subsequent global economic fall out; the Iraq and Afghanistan wars and their impact on regional economies; as well as the

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2002/2003 financial problems which include the shortage of foreign currency, inactive monetary policy, high inflation, large deficits, and the declining GDP growth rates all impacted the economic circumstances in Egypt. These important economic events affected Egypt’s growth performance and therefore the socio-economic aspects of the population.

*Shifts And Transitions In State Policy*

The historical relationship between state and society has gradually changed from Nasser to Mubarak. Nasser’s social policies targeted the entire population, particularly the middle working class. Subsidies on basic food and nonfood commodities, free social service programs such as healthcare and education, and wage regulations were government methods to ensure agreement among the members of a society to cooperate for social benefits. Guaranteed employment in public sector industries was a tradeoff for complete autocratic authority and state control. This changed slightly after Sadat; whose polices focused more on economic growth and the expansion of the private sector as means to promote social development through the economy. Yet growth and development were still primarily state led. Mubarak continued this tradition through structural adjustment and economic reform policies. These policies have also marked a shifting attitude towards the development and welfare of the population.

As mentioned earlier, Nasser’s polices were not targeted specifically towards the poor. His reforms applied to the majority of the society. His laws were designed to increase state control and autonomy while promoting economic inclusion and social

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cohesion. By developing and catering to a strong social base, his regime gained a strong political base. Free social services, a large-scale subsidy program, and guaranteed employment for graduates of secondary schools and universities defined the tenets of Nasser’s social contract with the people. This is not to say poverty was never an issue during this period, however he targeted the general welfare of his constituents, which may have represented a much broader group than the poor or ultra poor. His major social polices did not target poverty, but rather merged poverty alleviation with benefits for the majority of Egyptians.

On the other hand, Sadat and Mubarak sought to address the problem of inequality and poverty reduction through the economic process and growth. Nasser’s approach towards state controlled welfare was unsustainable and Egypt could not continue to afford this generous social contract. Historically, poverty was not treated as a process, but a problem and often only addressed as a function of economic deprivation. Poverty, especially during Sadat’s time, was addressed through the economy as a limit of income, consumption, or expenditure. Increasing these indicators would increase welfare. Social reform was achieved through economic reform, the relationship between state and society changed dramatically. Economic reform would result in economic growth, which in turn, would benefit the population. However, in Egypt’s case, economic growth tended to reach the upper echelons of society first before eventually dispersing to the rest of the population, creating a “trickle down” effect, with the poor benefiting last and least proportionally from growth. Yet trickle down development is criticized for not adequately accounting for the poorest sectors of society; groups that are typically the

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122 Farah, 75.
most sensitive to economic changes and who need the distributive benefits from growth the most. Furthermore, during the Sadat era, there was a lack of focus on developing human capital or investing in other assets such as health, education, employment, or targeted poverty reduction programs. Welfare and social programs were not effective and social spending was fiscally impractical. That, coupled with the lack of distributive gains from economic growth led to social instability and state’s capacity to help ensure the capability, welfare, and access for its citizens was diminished.

In 2004, Ahmed Nazif, minister of communication and member of the National Democratic Party, was appointed head of a new cabinet that sought to continue the structural adjustment polices of the early nineties. Under these reforms, Egypt would appeal to a broader, market focused international base, which would subsequently attract more foreign investment, increase state capital, and eventually reach all strata of society. Privatization and economic liberalization polices were promoted throughout government development schemes. The Egyptian government has continued to play a dominant role in the economy despite pressures for deregulation, liberalization of the economy and the growth of the private sector. Even in the early nineties, when development focused on market-led growth as the prevailing method to encourage growth and reduce poverty, the Egyptian government did not fundamentally reform or restructure its economy. Rather, the state continues to take a gradual approach to any economic changes.

For example, any financial liberalization and privatization polices were very gradual, a far cry from the sweeping economic reforms demanded by institutional backed restructuring. Even at this gradual pace, structural adjustment, economic reform, and

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124 Farah, 50.
growth did little to promote stabilization, instead economically isolating a large part of the population.

However, there were some substantial changes in social progress and poverty alleviation strategies in the past fifteen years. Instead of targeting the poor through economic gains or universal social protection schemes, the state has slowly made progress in addressing the needs of the poor through broadly targeted welfare programs, which will be examined later in this chapter.

**Human Development: Social Progress in Egypt**

The role of the Egyptian State is the primary factor in the direction and implementation of social and economic strategies. As mentioned before, poverty has been historically addressed through economic changes in Egypt as a mechanism for social betterment and progress.

According to Egyptian household income data, urban poverty had significantly increased from 1980 to 1990 while rural poverty had more than doubled.\(^{125}\) Poverty was rampant throughout the country. One major cause of this was the decline in oil revenues in the early eighties. Yet, the rate and severity of poverty in Egypt are seen as particularly high during this period as the focus on economic policies tended to surpass social welfare. Some would argue that general mismanagement and bureaucratic corruption were the primary culprits for the decline of societal welfare during this time although there was no reduction in subsidies or in access to services.\(^{126}\) Either way, this was a crucial period for Egypt not only in terms of economic reform, but social policy as well.

\(^{125}\) Beinin, 168.

\(^{126}\) El Mahdi and Marfleet, 49.
Several initiatives were, in fact, implemented in order to address rising socioeconomic problems, such as the expansion of the Ministry of Social Solidarity and the development of other social programs.

**Social Programs**

Social spending programs broadly include education, health, non-energy subsidies, and other social sectors. Social spending increased from an average of 7.5% of GDP between 1996-2000 to approximately 9.8% between 2001-2005.\(^\text{127}\) Thus, it could be logically inferred that the increase in social welfare programs in addition to higher rates of economic growth would result in an overall decrease in poverty and welfare.

In terms of education, the HDI reports that male literacy improved by 12 percent between 1996 and 2001 while female literacy improved by about 25 percent.\(^\text{128}\) Total literacy for adults over ten years has risen from 52.3% in 1994 to 65.7% in 2004. Net enrollment in primary education institutions rose from 85.5% in 1995 to 94% in 2005.\(^\text{129}\) Furthermore, the ratio of girls to boys enrolled in both primary and secondary educational institutions increased from 1990/91 to 2000/01.

According to the HDI, general health standards increased during time. Child and infant mortality rates declined, demonstrating some improvement in the health sector. Also, there was a rise in overall life expectancy rates, increasing from 47.5 in 1960-65 to 68.0 in 2000-03. The percentage of births aided by medical personnel increased from 47.6% in 1990 to 69.4% in 2003. The use of contraceptives increased during the same

\(^\text{127}\) World Bank, Poverty Assessment Update, 61.
\(^\text{129}\) EHDR, 2005: 24.
The prevalence of children under 5 years classified as underweight decreased from 9.9% in 1992 to 8.6% in 2003. The proportion of households with access to sustainable water resources has continuously increased throughout Egypt from 1996 to 2004.

“Expressed in numbers of deprived people, this decrease seems considerable when taking into consideration that the population has increased from 55.2 million in 1992 to 69 million in 2004. Population without access to piped water has decreased from 12.1 million in 1992 to 6.1 million in 2004. Between 1991 and 2004, children dying before age five decreased from 98.2 thousand to 28.6 thousand. During the same period, children not in basic or secondary schools decreased from 2.9 million to 1.6 million. Illiterate adults (15+) decreased between 1993 and 2004, from 18.9 to 16.2 million. It remains to be seen if improvement on the national level has trickled down to close the regional and gender gaps.”

The Egyptian Human Development Report recognizes these achievements during the nineties as evident and impressive. The report argues that their data reflects a general trend of human development improvement on the national level and that in terms of human deprivation, all aspect with the exception of unemployment have shown significant reductions over the last decade. Furthermore, “human deprivation reflects the fact that economic growth over the last decade has had an impact on those people who are economically disadvantaged.”

Yet, a more realistic interpretation of the Human Development Indicator framework

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130 Ibid., 29.
131 Ibid., 30.
132 Ibid., 8.
134 Ibid., 24-25.
is needed to understand changes in living standards and the quality of life for Egyptians during this time. For example, a high life expectancy rate does not automatically assure a good quality of life, nor equal access to social facilities. The quantitative nature of such measurement is merely an average, a number projected to assert qualitative claims.\textsuperscript{135} Yet it can hardly claim an assertive, true to life representation of the quality of welfare.

Similarly, literacy rate percentages also prove difficult in understanding changes in education standards. As Adams notes, “in many developing countries functional literacy is much lower than recorded literacy, and it is often not clear which variable is actually being measured.”\textsuperscript{136} Literacy, like poverty, is difficult to qualify and measure in terms of concrete statistics. What constitutes the proper level of fluency, especially in a country such as Egypt when the literacy level of formal modern standard Arabic is quite difficult or takes longer to attain. While literacy levels have increased over time, universal literacy does not seem to be a priority for the Egyptian government, which spends over 30% of the educational budget on universities alone. Primary education, the school when a child learns to read and write, is often disregarded in terms of public policy.\textsuperscript{137}

According to the HDI report, the link between human development corresponds directly with economic growth. It is interesting to note that while the HDI report paints an idyllic picture of Egypt in terms of both economic and social prosperity, it also neglects the massive socio-economic regional disparities in Egypt. This is especially apparent in terms of education and health rate comparisons between Upper and Lower Egypt.


\textsuperscript{136} Adams, 256.

\textsuperscript{137} Ibid., 260.
demonstrating the uneven progression in Egyptian development. Inequality is often overshadowed by state led welfare gestures.

*Mubarak To Present: The Role Of The State*

Combating poverty was not a state priority for either Nasser or Sadat. However recently, the Mubarak regime has brought the issue front and center, representing a crucial platform for his National Democratic Party.

“The NDP banks on the role of the state as the patron of society and the honest guardian of its values, potentialities and social security. It believes that the job of the state is to make suitable the atmosphere for development and strike a balance between the interests of society and the interests of individuals using the arm of law. The role of the state is also to assist low-income segments to attain their basic demands and give due care to people with special needs. The NDP, at the same time, has an unwavering belief in the importance of the continual modernization of state institutions for them to be able to carry out their development-related duties perfectly.”

The importance of the economy in Egypt cannot be ignored when discussing the role of the state and the capacity of society. The Egyptian Government has continued to play a dominant role in the economy despite pressures for deregulation, liberalization of the economy and the growth of the private sector. “It is not merely a characteristic of the Sadat era, but of all the years since 1967—and thus of Nasser’s era as well—that Egyptian leaders have steadfastly attempted to give the impression of movement while carefully avoiding the agonizing choices inherent in the current situation of no war, no

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138 UNDP Egypt Human Development Report
139 (w w w . n d p . o r g . e g )
peace.”

For example, throughout the early nineties, when development focused on
market-led growth as the prevailing method to encourage growth and reduce poverty, the
Egyptian Government did not fundamentally reform or restructure its economy. Instead,
the state promoted a gradual approach to any economic changes, which it continues
today. Is this good for the ultra poor? According to poverty analysis, while general
poverty has decreased and social protection measures have expanded, inequality has
remained fairly stable from 1990-2005. This is not a result of active and efficient
policies of the state, but rather a gradual evolution in society.

Yet one can argue that, even at this gradual pace, structural adjustment, economic
reform, and growth did not promote stabilization, instead economically isolating a large
part of the population, the ultra poor feeling the brunt of these policies. Thus, it is
plausible that the success in decreasing general poverty rates shadows the negative
impacts felt by the ultra poor. Was this a conscious decision to ignore the ultra poor by
the government? This thesis argues that historically, Egypt has largely followed a state
led growth process with policies that often serve the interest of the polity, it was not until
late in Mubarak’s era that the state attempted to actively target poverty in its polices.
While perhaps not a conscious decision, the government did not actively address the
issues of ultra impoverishment, instead reflecting on the overall welfare of society.
However, while both economy and society progressed to some extent throughout the
nineties, the government recognized that many of it’s polices did not cater to those who

140 Waterbury, 3.
needed it most. Many institutions have been put into place and several polices have become more targeted for effectiveness (which will be further elaborated in the next chapter) to give attention to the poor in society.

Conclusion

“It has always been the gift of politicians in all countries to redefine issue in such a way that the real choices and options are obscured. There is nothing so distasteful to a politician as making choices, especial when the adoption of option A cannot be reconciled with option B.”143

State leadership and cooperation is crucial in the implementation and success of any antipoverty strategy. The relationship between people and state is determined by a combination of many dynamic factors that depend strongly on external and domestic influences. Rising poverty rates are a function of the macro-economy, state policies, opportunities at home and abroad, and existing welfare regimes and the transfers of public goods. This thesis looks primarily at the internal aspects of the power relations between different political structures and its impact on the welfare of the population. Government, domestic institutions, civil society, and the role of a powerful bureaucracy, play a significant part in the application and effectiveness of poverty reduction and social protection policies. Furthermore, during the 1980’s and 1990’s, the role of donors and the international community became more involved in development and poverty alleviation schemes. In order to understand how the government targets the ultra poor, one must look how their general role as the State can or does affect the most marginalized section in society.

143 Waterbury, vii.
Poverty has since become a national issue with the state attempting to counter it on several different levels. This has marked a shift from older, traditional methods for targeting poverty (through increasing income or GDP) and are replaced by more modern methods (for example the Human Development Indicator frameworks, reports and programs from the Ministry of Social Solidarity, as well as current poverty research in Egypt) for understanding the process and these new methodologies are becoming more integrated in state policy.

For example, the Social Fund for Development, established in 1991, has based its principles on not only income generating initiatives, but through employment, institutional cooperation, social and civil awareness and access to financial capital. ¹⁴⁴ Capacity building, rather than income generation is the new platform for poverty alleviation and social programs. Furthermore, this institution does not target deprivation through poverty reduction programs only, but seeks to address social betterment through national development and employment as well. Many of these initiatives mark an increasing trend in policy and government programs to address poverty in a more comprehensive manner. Poverty reduction is not merely a matter of social policies that benefit the broader population (Nasser) or a factor of economic growth (Sadat and early Mubarak) but as a multidimensional process that addresses the complexities of deprivation. There are many other initiatives such as the Productive Families Program, which began in 1964 to help improve the living standards of impoverished women by providing services and capital in small-scale enterprises. Programs such as the Mubarak Social Solidarity Program and Nasser Social Bank also provide financing and micro lending to generate income for the poor. These programs focus on income generation for

¹⁴⁴ http://www.sfdegypt.org
government social interventions. The Ministry of Social Solidarity demonstrates the importance of human development, civil society, and the ultra poor in government policies. These programs and initiatives will be further discussed in chapter three.
Chapter Three

POLICIES OF THE STATE THAT AFFECT THE POOR:
EGYPT AS A TRANSITIONING WELFARE STATE?

The last chapter focused on the historical social contract between the Egyptian Government and its people. This chapter will examine the policies and government initiatives that affect the poor in the social, political, and economic spheres. In order to understand the policies and objectives of the state towards the poor, it is important to examine the social and political models that reflect the kinds of choices society and state make to provide welfare. To what extent has this model changed under Nasser’s socialist authoritarian regime, Sadat’s attempt at a liberal rentier economy, and Mubarak’s extension of free market capitalist policies and his attempts to embrace welfare reforms?

This chapter focuses on the policies of the government that affect the poor. First, this is examined within the historical framework presented in chapter two and focuses on the conditions of the poor within a particular regime. An analysis of the different mechanisms for poverty reduction within the state, such as entitlements, services, provisions, subsidies, incentives, and welfare will provide the framework. Second, this chapter will contextualize the theoretical criteria for a welfare state and Egypt’s attempted transition from a rentier state to a welfare state. In order to establish this transition, the role of rentier economics and Washington Consensus style development will be examined as important factors that contributed to state polices and behavior in society. Third, state initiatives in social services (such as healthcare education, and social
protection) are addressed in the context of the state’s role in a new social contract.

According to the Egyptian constitution, the State’s responsibility to its citizens includes guaranteeing equality of opportunity to all Egyptians (Article 8) and guaranteeing cultural, social and health services (Article 16). Furthermore, Article 7 claims that social solidarity is the basis of Egyptian society. The constitution also asserts that both work and education are rights guaranteed by the state (Article 13 and 18). These are a few of the rights and services constitutionally guaranteed to all Egyptians as a broader part of the social contract between citizens and state.  

To what degree do these articles extend? Do they reflect a reality of welfare and services to the population? Do the state’s responsibilities lie primarily with those in need? What forms the basis of solidarity amongst the government and the population?

In the past twenty years, the Egyptian State has made public its intention to focus on social policy, by giving it high priority alongside economic growth. Evidence of this new focus can be found in budget allocations for expanded infrastructure in poorer regions and in initiatives to introduce universal pension and health insurance schemes. The government has also promoted social reforms in order to provide better access to basic services and opportunities, along with accountability, transparency and to some extent, freedom of expression. But to what degree is this successful? Have any tangible changes been made? This chapter will focus on tracing the changes in social policies of Egypt and what they mean in terms of a feasible political model in Egypt.

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146 Egyptian State Information Services
Egypt as a Transitioning Welfare State?

The last chapter concentrated on historicizing the social contract in Egypt. Nasser sought to reform Egypt under a ‘socialist state’ structure in order to consolidate government power. Sadat implemented different policies in order to achieve a more capitalist free market state, without reforming the political structure. Although Mubarak continued similar policies early in his reign, he has taken steps to increase social protection and welfare programs during the last few years. During the last two presidents, Egypt has attempted to transition from a rentier capitalist regime to a capitalist welfare state. The state under Mubarak has tried to embrace more welfare-oriented policies while retaining capitalist, neoliberal, and privatization strategies. In theory, the goal has been to merge these ideas together to achieve sustainable, equitable, efficient, and properly targeted social policies. In reality, what has emerged is an uncomfortable paradox of social, political, and economic contradictions between the Egyptian state and its population. In order to assess the issues relating to state responsibility and society, several questions must be addressed. Has the government ever fundamentally changed its infrastructure to implement pro-poor and social reforms over time? Did social policy truly improve? Is Egypt transitioning into a welfare state? Is the government effective in catering to the needs of the poor?

This thesis does not operate under the assumption that a welfare state is necessarily the final solution to alleviate poverty. Instead, it looks at the particular criteria and policy making of the government in addressing the welfare of its citizens under certain socio-political models. Before this issue can be understood, several concepts need to be elaborated on.


The Role of Poor Within a Regime: Mechanisms for Poverty Reduction

Entitlements, and Incentives

Entitlements are the rights and privileges of any citizen or the legislative provisions given to a population by its government. An individual has a certain level of entitlement and exchange, which is influenced by outside factors, such as cost of resources, economic conditions, the availability of employment and wage rates. The state is responsible for ensuring these social rights by providing equal access, distribution, and opportunity to all its citizens. “Social rights are necessary because the lack of material resources could prevent an individual from becoming an autonomous economic agent or a competent political actor; they are feasible through a system of mutual insurance against measurable contingencies and risks.”

However, there is a distinct line between what citizens ‘should’ receive and what they actually do receive. Although a state may endorse a service that it deems necessary and socially just. But this does not automatically guarantee equal access or quality of the service. In Egypt, a public and free school system is seen as essential to encourage education programs for every citizen. Yet the government’s commitment to providing education as a universal good has had significant costs. The quality of public schools are substandard and they are renowned for being inefficient and unproductive. Should quality of service be sacrificed for universal access?


Entitlement programs include social and income security, social protection,

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healthcare, and education. Entitlement and provisions for the poor and vulnerable can be classified into different functional mechanisms. Prevention mechanisms aid in reducing the probability of social shocks; mitigation mechanisms reduce the magnitude of their impact; and coping mechanisms relieve the impact once the shock has materialized.\footnote{Loewe, Markus. "Social Security in Egypt: An Analysis and Agenda for Policy Reform." \textit{Economic Research Forum: Working Papers}. 2024. (2000): 5.} Programs such as social insurance, social security, labor market interventions and social assistance, all are mechanisms for societal entitlement. A citizen’s entitlement stems from two prevailing factors: equal membership (we are all Egyptian citizens) and from acknowledged needs (disabled, single parents, or other groups that need social entitlements more than others).\footnote{Jordan, 75.}

“Although individuals, should, in principle, themselves be responsible for insurance against social risks, governments are also called upon to take responsibility for their citizens social protection when necessary. Often a household is unwilling or unable to take sufficient precautions and state intervention is required to restore the economy’s allocative efficiency and distributive justice. However, the state’s social security strategy must be efficient and just in and of itself.”\footnote{Loewe, 5.} Services and entitlements are factors that contribute to the regulation of a society.

\textit{Incentives and Welfare}

Welfare programs and state-sponsored social initiatives can create serious problems of dependency. Many of these programs are expensive and their sustainability requires a certain measure of success in poverty alleviation. Ideally, the intent of welfare
services works under the assumption that recipients will eventually achieve self-sufficiency. Welfare programs should not be structured to continuously exhaust state funds or put pressure on society. Social programs are often targeted as facilitating social dependency on the state and draining state resources. To offset certain welfare initiatives, such as subsidies, incentive plans are often introduced to balance out social provisions and justify the affordability of social spending.

Because progress and social development are critical to the long-term goals of welfare, it cannot be one-sided on the behalf of the state. Therefore, incentives must be put in place to discourage dependency and encourage responsibility and human capacity.\textsuperscript{151} Incentives can be in the form of conditional welfare whereby an eligible recipient must meet certain requirements. For example, they must enroll their children in school, register with an unemployment office, maintain steady employment, apply and be screened for social housing, and other development incentives. This discourages reliance on the system and voluntary unemployment.

\textit{Subsidies}

Food subsidies have been used by many governments, including Egypt, as a form of poverty alleviation and as an extension of the social contract. Targeting addresses the issue of how the system will provide the subsidized commodity and for whom it is intended. This can be through either administrative or self-targeting program. Administrative targeting involves a substantial role on the part of the state to set up an

effective and accountable infrastructure.\textsuperscript{152} A functional and accountable administration will facilitate the screening of the poor from the non-poor, the distribution of food stamps and deliverance of income transfers to those who are qualified. The administration would hold the responsibility of identifying and targeting those in need, as well as delivering and distributing the subsidy, either directly or through ration cards. Transparency and cooperation would be required for administrative targeting to be successful—a daunting task.

Another method to select beneficiaries for subsidies is through self-targeting. “Food subsidies can be considered to be self-targeted when the subsidized item is an inferior good; that is, the food is consumed more in both absolute and relative terms by the poor than by the non-poor.”\textsuperscript{153} Food subsidies in Egypt provide “cheap, calorie dense foods to protect the income and nutritional status of particular groups such as the poor, children, and pregnant mothers.” In Egypt, however, subsidized inferior goods such as coarse flour and Baladi bread are universally available and acceptable to all citizens. This has led to major leakages and inefficient targeting because non-poor families also have the same access to the subsidy.

Food subsidies and their political and distributional impacts play a significant role in Egyptian social safety net programs; the low-income population has come to rely on this program for their socio-economic welfare.\textsuperscript{154} For many households in Egypt, the bread subsidy is the primary method to ensure that they are able to afford food for themselves and their families.

\textsuperscript{153} Ibid., 117.
\textsuperscript{154} Ibid., 121.
Since its inception in the 1940s, the operation and evolution of the Egyptian subsidy program has gone through many distinct transformations. The food subsidy program did not originally target the poor when it was first created, but was another public benefit for every Egyptian citizen under Nasser. By 1975, subsidies accounted for almost 17% of government expenditures.\textsuperscript{155} The subsidy system continued to grow to an unsustainable level in the 1980s when it expanded to almost 20 foods categories available to all Egyptians. Since then, the subsidy system has quietly contracted from 20 food types to just 4. However, there are still huge leakages in the program due to inefficiency and lack of proper targeting measures. The universal availability of such subsidies in Egypt, without regard to specific income or welfare levels, demonstrates the financially draining effect of the program. Thus, subsidies are often deemed fiscally wasteful and uneconomical.

The subsidy system in Egypt attracted criticism from financial international institutions.\textsuperscript{156} Western style capitalist development proponents argue that, because of the general ineffectiveness and subsidy leakage problems, the fiscal costs of maintaining the program outweighs the social benefits. They advocate the gradually elimination of the subsidy programs because of the unnecessary burden placed on the public budget.\textsuperscript{157} Yet, the political sensitivity of subsidies, especially bread, has put the State in an awkward position: balancing the desire to achieve economic pragmatism without creating domestic tension. While the Egyptian Government has in effect paid lip service to embracing affordable social spending, the food subsidy program has remained stable. Regardless of

\begin{itemize}
\item \textsuperscript{155} Adams, 30.
\item \textsuperscript{157} Adams, 25.
\end{itemize}
the pressure to eliminate or reform the subsidy system, the state has been curiously inactive by neither reducing or expanding the system nor addressing critical targeting problems. There was a steady and slow decline in subsidy social expenditure after 1992, although per capita share of subsidies did increase.

Social Expenditure in Egypt 1990-2000 in Percentages ECES/Ministry of Finance

Social Protection

Social protection programs are tools used by governments to alleviate poverty by reducing the vulnerability and risks of the poor, while at the same time increasing the opportunities and capabilities of those in need. These programs target low income and ultra poor groups. They promote poverty mitigation and social assistance while attempting to achieve financially viable and effective social protection systems. For example, in Egypt, income supplements and support systems are in place as a part of

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159 OECD, 100.
social protection and poverty alleviation strategies. Social protection programs include policies that bolster the role of the poor in the labor market and target socially marginalized citizens such as women, children and the disable. They also promote local business development and access to social insurance and welfare services.\textsuperscript{160}

There are also other social policies that help the capabilities and development of the poor. Labor policies are extremely important in the direction and success of social protection. Minimum wage, public sector or minority employment opportunities, and the protection of workers play a significant role in the security and rights of the citizen. Social insurance also provides security for those who face social risks, providing management for the unemployed, disable, retired, or those who become ill.\textsuperscript{161} Welfare assistance programs target the most vulnerable giving those in need support and protection. Microfinance and local business investment programs can also be used as social protection measures at the community level. These programs offer loans and initiatives to low-income groups as a means to bolster their capacity and access to financial services. In these government implemented social protection programs, the state takes on the role of the protector.

These different aspects of social protection help define the responsibilities of the state toward society. The extent in which these programs are implemented and how they fare in success can shed light on the Egyptian government’s transitioning role in society and how the poor are affected. By examining this role, one can understand the criteria for a welfare state and whether Egypt, during the past three presidents has actively pursued a shift in policy alleviate poverty.

\textsuperscript{160} Loewe, 4.
\textsuperscript{161} Ibid., 7.
The Welfare State

At the minimum level, a welfare state depends on the government as the primary actor in facilitating the social, political, and economic well being of its population. A public responsibility exists between government and citizen—social and economic equality, fair distribution, and minimal provisions for living standards. The state assumes responsibility for the widening disparities in terms of inequality, social protection, opportunity, entitlements, services, and incentives. A welfare state “involves state responsibility for securing some basic modicum of welfare for its citizens. Such a definition skirts the issue of whether social policies are emancipatory or not; whether they help system legitimation or not; whether they contradict or aid the market process; and what, indeed, is meant by basic?” Welfare sociologist Gøsta Epsing Anderson raises important questions, not just in terms of a welfare state, but also in regard to the actual role of state responsibility to its citizens. Is a state required to meet the needs of a population? And are everyone’s basic welfare needs the same?

“Most historical regime shifts have one thing in common, namely an intensification of ideological competition between rival visions of the ‘Good Society’.” The policies implemented under Nasser were less about social solidarity, nationalization, or welfare and more about consolidating the power of the regime. As previously mentioned, the dominant role of the state did not change fundamentally with Nasser’s state autonomous socialism, Sadat’s capitalist rentier economy, or Mubarak’s post capitalist policies.

The remainder of this chapter will focus on Egypt in the last thirty years and the government’s attempts to transition from a rentier state to a welfare state. This will shed light on the government’s attitudes and commitments towards the ultra poor.

Rentier Economies

A rentier state rarely promotes economic development; it essentially allows the government a certain degree of domestic autonomy due to its monopoly on economic power. This was the case under Sadat’s government. During this era, Egypt relied heavily on foreign aid, revenue from the Suez Canal, and on exporting labor and the return of remittances. The economy relied heavily on foreign grants, worker remittances, oil revenue, and tourism. This money accounted for a huge portion of the GDP in the mid-1980s and left Egypt financially dependent, internally oriented and weak. This led to a rentier effect. While remittances did facilitate employment and revenue, the real need to address economic reform and the demands from the population were not acknowledged by the state. The result was an economy which was extremely susceptible to external shocks and had difficulties maintaining a positive economic growth rate. Therefore, Egypt accumulated massive deficits in both foreign debt and balance of payments. The reliance of interregional migration during the 1980’s promoted an environment in which the state could remain negligent and apathetic in instituting real economic or social changes. Sadat attempted to fix the problem through the economy, rather than society.

Role of International Donors and Foreign Aid

Foreign aid policy in the 1980s reflect “the cumulative effects of decades of borrowing and manifested by large and increasing balance-of-payments and budget deficits in most of the developing world”\(^{166}\) This, along with other factors, marked the beginning of extensive changes and reforms in international donors and aid strategy. Equilibrium, both externally through balance of payments and internally through national budgets, became the target for aid objectives. To counter unsustainable rent seeking policies, Sadat tried to embrace free market and privatization principles that foreign donors so vigorously promoted. This was done in superficial conformity with western style capitalist reform, which also extended to Mubarak’s early reform efforts.

This era of economic reform sought to promote a more outward oriented approach and relied on deregulation and liberalization programs. These policies were an extension of the Washington Consensus economic and social development programs that extend from Sadat to early Mubarak’s era.

Washington Consensus Reform

Throughout Egypt in the eighties and nineties, new socioeconomic policies attempted to adhere to the Washington Consensus style of reform. The Washington Consensus developed during the 1980’s as a branch of neoclassical economics, which emphasized capital intensive development.\(^{167}\) It promoted right-wing, conservative development policies that operated on the assumption that the “market is efficient and the


\(^{167}\) See Richards A. and J. Waterbury, Chapter 15: Regional Economic Integration and Labor Migration and Chapter 3: The Impact of Demographic Change as well as Chapters 7 and 8 of Timothy Mitchell’s Rule of Experts
state is inefficient.”¹⁶⁸ This school of thought promoted strict and specific economic prescriptions, such as reliance on deregulation, fiscal discipline, direct foreign investment, trade liberalization, and privatization of state operated programs. However, the deviation from this model and the subsequent success of several East Asian economies, along with the negative impact of human costs and increases in poverty for other states that implemented such polices, presented challenges to this theory. The “Washington Consensus policies focus inordinately on short term stabilization while undercutting the basis for long term growth.”¹⁶⁹

This was applied to Egypt to counter the inward-looking, heavily regulated, and interventionist political economy of the state, as well as to challenge the over reliance on rents. Washington Consensus international financial institutions argued that state centralization policies were unproductive; therefore, liberalizing and privatizing the economy would bring profitable and effective results. In terms of welfare, the Washington Consensus approach operated on the conclusion that economic growth reaches the upper echelons of society first before eventually dispersing to the rest of the population. Eventually, the growth from this “trickle down” effect would indirectly benefit the poor.¹⁷⁰ Socio-economic inequalities would subsequently be minimized through the trickle down effect of market revenue.

Mubarak sought to continue the Washington Consensus style development and integration.¹⁷¹ The best example of this is the economic reform and structural adjustment programs of the early nineties. These policies operated under the assumption that once

¹⁶⁹ Ibid., 13.
¹⁷⁰ Ibid., 6.
¹⁷¹ Mitchell, 276-278.
prices and institutional barriers were deregulated, the private sector and new investors would utilize comparative advantage through the market. Believing that state-owned enterprises were detrimental to growth, the ERSAP followed the strategy that economic growth and development would thrive in a market competitive economy free of government restriction. Given this opportunity, the supply-side of the economy would respond appropriately. Theoretically, socio-economic inequalities would subsequently be minimized through the trickle down effect of market revenue.172

The Asian crisis in 1997-98 and subsequent global economic fallout showed how disconnected Egypt was from the modern capitalist infrastructure of a globalized economy.173 Although social expenditure continued to increase, GDP annual growth was also not critically affected, due to the lack of integrated economic and social policies were supposed to take place in the early nineties. It also demonstrated how Egypt relied on the informal sector, which was not tied to global enterprises or international free market cooperation.

172 Bromley & Bush, 204.
173 Mitchell, 278-280.
One of the primary purposes Mubarak’s agenda was to transform the Egyptian economy into a more market-focused system. This would relieve rising fiscal imbalances and distortions in the current economy by adjusting and reforming the public sector,

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174 Galal, 3.
monetary policies, social policies, investment, exchange rates, trade liberalization, budget reduction, balance of payments, and domestic prices.

**Social Services for the Poor in Egypt: Healthcare and Education**

Free public healthcare and education are two examples of government services which have historically been granted to the Egyptian population. Nasser “resorted to health services as a conduit for ideological messages.”

Although Sadat emphasized privatization and “personal initiatives, the state support of healthcare was not abandoned, given the great symbolic value of healthcare in politics.” Governmental health care programs, such as subsidized health services, are financed through general revenues and a social health insurance system administered through the Health Insurance Organization. The public healthcare sector can be categorized as facilities owned and operated by the Ministry of Health and Population, other government medical centers such as military or university clinics, or public institutions such as the Health Insurance Organization. The services provided by the Ministry of Health are available mostly free of cost to all citizens. Even though these mechanisms are in place, quality is a notable problem. Government support is minimal and divided, which results in a general absence of real effectiveness and quality.

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Healthcare

In Egypt, as in many other countries, health care services are provided unequally to different demographic and social groups. In Egypt, 57% of health care expenditures are paid directly out of pocket which can be attributed to the poor quality of government healthcare.\textsuperscript{178} Because public healthcare is inefficient and not properly targeted, primary care is usually sought through the private sector. It is significant to note the rising trend of household expenditure increases in direct, out of pocket payment to private health care providers and pharmacies. According to a report published in 2004, for the years 1994/95:

“Less than 60% of MOF funds were actually spent in MOHP facilities. The rest was transferred to teaching and university hospitals, HIO and CCO. MOHP facilities thus only received 19% of all health sector resources, or 0.7% of GDP. Of all resources, 56%  

were spent in the private sector, most of it for the purchase of drugs (63%) or paying for private ambulatory care (17%). Less than 10% of private funds were used to purchase inpatient care.\footnote{Gericke, 1075.}

As a result, there was been unequal access to healthcare, with low-income or poor households unable to afford quality healthcare. This inequality demonstrates that wealthy households can afford proper care, while the poor are left with little public funding. This lack of funding for the poor results in minimal health care, which may lead to more severe long-term health problems. Those that can afford private care are turning away from public healthcare because of the deteriorating quality and “must turn to private suppliers for health and education services, or else forgo them.”\footnote{EHDR, 2005, 3.} Many Egyptians have used other healthcare facilities, such as clinics because, as an alternative to government or private healthcare providers, they provide better quality and care, have better equipment, and hire specialized physicians.\footnote{Morsy, 357.}

Religious charity such as zakat, or tithing, as well as waqf endowments are important within religious charitable organizations to help fund and support public institutions such as schools and hospitals. However, these practices “have all but disappeared in Egypt, a combination of government interference and lack of contemporary understanding of this form of endowed giving.”\footnote{EHDR, 2008, 64} Yet the organization and implementation of zakat and waqf have helped direct resources to maintaining some public services and goods to the impoverished and have helped fill in some of the social

\begin{footnotes}
\item Gericke, 1075.
\item EHDR, 2005, 3.
\item Morsy, 357.
\item EHDR, 2008, 64
\end{footnotes}
gaps overlooked by the government.\textsuperscript{183}

Yet these public services offered by Islamic organizations have been given carte blanche. “In addition to the Ministry of Interior’s supervision of financial contributions to Islamic philanthropic organizations, such organizations are subject to tight bureaucratic controls. The increase of state aid to Islamic private organizations and their eventual annexation represent additional means of tightening government regulation. In short, the state encourages Islamic service organizations to the extent that it considers their services to be a contribution toward placating the masses, but it always keeps these organizations under surveillance through various governmental agencies.”\textsuperscript{184}

While the system itself has remained the same, trends in healthcare access have not. Poor household’s expenditure on healthcare dramatically exceeds that of middle class or wealthy households in terms of proportion of household income level.

Additionally, low-income populations spend more on health expenditures than before the economic reform. The share of health expenditure in total expenditure of low-income groups has steadily increased from 1.8% in 1990 to 2.2% in 2004.\textsuperscript{185} The most drastic increases in health expenditures were especially evident in rural areas.

\textit{Education}

“Education is without doubt a valuable asset for the Egyptian poor. Since the sixties the Government of Egypt has made great strides to universalize basic education
through large investments and by making education compulsory and free.”186 However, issues of quality, efficiency and access to education by marginalized groups have been major issues in the education sector.

Universal public education, especially at the elementary level, is lacking in both quality and effectiveness. Classrooms are often crowded, decrepit, and minimally funded facilities, with understaffed and overworked teachers, as well as minimal learning materials and limited supplies for classes.187 According to a report in 1995, only 30% of students in primary school attend classes on a regular full day basis. Classes average almost 50 students per teacher, with inner city ratios increasing to 100. Drop out and repetition rates are between 25-35%, and achievements in basic literacy and arithmetic are very low.188

The problems of access and quality that exist within Egyptian public education has led to families, especially who can easily afford it, to send their children to private schools or hire private tutors. In order to compensate for the deteriorating quality in public institutions, there have been dramatic increases in household private expenditures in education; beginning in 1990. Low-income groups represent the greatest proportional increase.189 According to data from the Institute of National Planning, poor groups spend approximately 19.7% of household total spending on education alone, placing an enormous burden on family finances. This is important because education is often linked directly to employment, which is subsequently linked to a higher standard of living and

187 Ibid., 8.
188 Ibid., 10.
general welfare. If poorer households cannot manage educational costs for their children, they are more likely to remain in poverty.

To further illustrate the effects of indirect privatization, Mariz Tadros presents a micro-case study of the effects of informal private tutoring educational systems in the densely populated community in Cairo, Bulaq el Dakrour. According to the Tadros’ qualitative research, “out of class tutoring has become virtually obligatory for all students, rich and poor” for this community.190

Although households still continue to use public schools, as demonstrated by the increases in public educational enrollment, they are often supplemented with private lessons, leading to an indirect privatization of the education system. The growing reliance on private tutoring and lessons has subsequently placed socioeconomic pressure on low income households.191 In terms of informal education, “Even if poor people chose to pay the increased fees, it might be that they would be replacing their consumption of other goods which we would prefer them to retain.”192

The state still has retained power over certain welfare services despite the extensive economic reform policies of the nineties. The deteriorating capacity to administer provisional free health and educational services has led most citizens to turn to private institutions. However, some remarkable strides have been made in the development and coordination of education in Upper Egypt. The Community Schools Project has sought to increase the access and availability of education in Upper Egypt. This includes pilot schools, peer teaching, community based curriculums and adult

190 Tadros, 241.
191 Ibid., 240.
literacy classes. In 1995, 125 community schools were opened and are operational. Many state reforms have sought to improve the quality and efficiency of basic education through programs such as the Agency for the Eradication of Illiteracy, the 5-year plan to achieve universal primary education, and other community based programs.\textsuperscript{193}

![Social Expenditure in Egypt 1990-2000 in Percentages\textsuperscript{194}](image)

**New Social Contract?**

Recently, the government of Egypt has undertaken many initiatives that directly target the welfare of society and the poor. The latter half of Mubarak’s reign marked a staggered change between social citizenship and social rights.

Social insurance and social security systems consist of monthly cash transfers and financial assistance to the retired, youth pensions, and relief aid. Over the years, the government has increased the allotments of social security programs. In terms of social

\textsuperscript{193} Zaalouk, 12.

\textsuperscript{194} ECES/Ministry of Finance
care, the state has 78 development projects which target families and children and include investments in nurseries, libraries, youth clubs, centers for rural children, and early childhood development programs. Some of the ongoing social protection programs target specific and vulnerable groups of society. There are also programs such as the substitute care families’ projects, which seek to reduce child labor and extend care to working children. The Cottage Family’s project targets the development of economic resources of low-income families. In 2005, 1.8 million benefited from this project with over 12,000 more families joining the project in 2006. The Nasser Social Bank, through its 89 branches, seeks to expand social solidarity base through loans and aid for the poor. The National Social Housing Program makes residential provisions for low to middle income Egyptians.

Many of these programs fall under social protection—the state taking responsibility for the most marginalized groups of society. While this thesis acknowledges that these programs are not perfect and should be reformed, these initiatives mark a new period of social development in Egypt.

Other current social protection measures include cash assistance transfers for those who need urgent emergency assistance, those who are retired, and those who have mental disabilities. There is also assistance for families of martyrs and injured civilians or in other special situations. The social security program provided children pensions benefiting over forty two thousand families in 2008 and 2009 alone, while aid for emergency situations has reached over twenty eight thousand families. General social security distributed on a monthly basis, which targeted needy situations and provided

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benefits for over seventy one thousand families.  

The state has also targeted those most vulnerable and impoverished through many which have specific provisions for orphans or children who work. Programs such as the Family Insurance Fund, under the Nasser Social Bank, targets those who have no provider, such as women and children. Initiatives such as this mark a transition in the government’s agenda to target specific and marginalized demographic groups that are at a high risk for deprivation.

Other projects such as the National Program for Improving the Poorest 1000 Villages is an admirable example of a government led public works initiative targeting the ultra poor in Egypt. Several Ministries, including the Ministries of Social Solidarity, Housing, Education, Health, Economic Development, and Electricity, are working in conjunction with each other to specifically address the situation and circumstances of the most severely impoverished villages in Egypt. This program was developed using demographic poverty indicators such as employment, health, utilities and education in order to create an effective, multidimensional poverty map. This program reaches over one million poor households, who are chosen for a significant level of investment in an integrated package of basic services. “The program aims to create a sustained improved livelihood for the residents of these 1000 villages by increasing the availability of and accessibility to basic services as well as improving service delivery that is affordable and equitable and reducing poverty and vulnerability of the most unprivileged groups in these villages.”

Another similar government program is the National Geographical Targeting of

196 Mapping of Social Protection in Egypt – AUC Social Research Center
197 (http://www.1000qarya.gov.eg)
Poverty, which, similar to the 1000 Villages project, aims to address the standard of living and welfare of the ultra poor. This project is intended to develop “the formal education infrastructure, conduct literacy classes, develop health and new housing units, provide potable water, sanitation, electricity, and roads, and improve environmental conditions in areas of highest poverty and greatest need in Egypt.” 3.4 billion Egyptian pounds were invested to modernize and develop 151 villages in the first phase of the project and 158 interventions will be completed in the future.

The New Cities Development Program, with 354 project centers in Egypt, is another low-income oriented project that seeks to provide training programs, funding, and entrepreneurship among deprived groups of society, breaking the cycles of poverty and helping the poor help themselves. The total number of beneficiaries reached two million people. This program demonstrates some of the major changes within the government in its attempt to target and understand not only the symptoms, but also the causes of poverty in Egypt.

The Conditional Cash Transfer Program is one of the most recent ongoing pilot programs for ultra poor families. This program provides needy and qualified families with a cash transfer from the government in exchange for meeting certain conditions such as health and education criteria. All pregnant women are required to get prenatal care, children under a certain age are required to go to school, and children are required to get vaccinations in order to receive the transfer.

This program has great potential for Egypt for many reasons. First, the main commodity transfer is income. While this thesis argues that income is a limited method

199 AUC Social Research Center. "Introducing Empowering Conditional Cash Transfers to Egypt."
for understanding poverty, it is still one of the most common and strongest indicators of deprivation. Therefore, the government is integrating some of the orthodox poverty alleviation strategies with new ideas. The conditional aspect of the CCT program is what gives this initiative’s potential a realistic foundation.

Second, this program is that it has had some success in targeting and reducing poverty conditions in several regions with similar socioeconomic and political backgrounds as Egypt. For example, many Latin and South American countries (who have adopted variations of structural adjustment, economic reform, or have problems with extreme poverty) have engaged in CCT programs, as well as Yemen, Turkey, and Morocco. The positive impact of the CCT programs in these regions demonstrates that this could help to address the cycle of poverty and the needs of the severely impoverished.

The intentions behind programs and projects such as these demonstrate a new era of social reform and initiatives led by the government. They seek to rectify issues with past social programs through more effective targeting, multidimensional poverty mapping, and conditionality standards to help ensure their success. No strategy is without fault, but this program demonstrates a forward looking objective and strategy of the state in terms of social protection. However, the question remains: to what extent will the government truly and fundamentally apply welfare, protection, and service reforms? Strides in rhetoric and dialogue are, indeed, the first steps, however the culmination of inaction by the government and its organizations have led to a “too little, too late” response by Egyptian citizens. This has been exemplified in the recent revolution on the 25th of January, which demonstrated the importance of social equity, reform, and change.
between Egyptians and their government.

This revolution brings to light a significant debate regarding the nature and significance of poverty in Egypt in reference to existing political and social structures. The role of the Egyptian state is the primary factor in the direction and implementation of social and economic strategies. Also, the Egyptian government continues to play a dominant role in the socioeconomic sector despite pressures for liberalization, democracy, privatization and transparency. For example, throughout the early nineties, when development focused on market-led growth as the prevailing method to encourage growth and reduce poverty, the Egyptian government did not fundamentally reform or restructure its economy. Instead, the state promoted a “gradual” approach to any economic changes, which it continues today. Even at this gradual pace, structural adjustment, economic reform, and growth did little to promote stabilization, instead it socially and economically isolated a large part of the population. This indicates that the Egyptian government has its own agenda for development, which may be conducive neither to development of the marginalized and vulnerable nor the entire population as a whole.

While the government of Egypt has taken steps to reduce poverty and increase social protection, these policies have been subject to extensive corruption and political negligence. Furthermore, Egypt generally follows a state led growth process with policies that, more often than not, serve the interest of the bureaucracy.

Therefore, the inability and ineffectiveness of the State to carry out effective social programs and policies can be attributed primarily to bureaucratic and political struggles inherent in the Egyptian policy making process. The economy plays a crucial
role in development, as it has historically been the means in which the government (beginning with Sadat) used to address poverty alleviation. Yet the government, through its socioeconomic polices, has not compensated the population by developing adequate infrastructure or developing the efficient capacity to facilitate further economic development in favor of the poor. Furthermore, the Egyptian economy is faced with other problems such as internal structural imbalances, unpredictability and reliance on international markets, and issues with foreign aid programs, all of which impact the ability of policy makers to sufficiently focus on targeting the poor and severely impoverished. In Egypt, political state interests compete for power between and within themselves, making an effective or cohesive state-led social strategy nearly impossible. Furthermore, there is hardly a consensus on what kind of social or economic path the country should pursue, whether socialist, capitalist, or Islamic. The “Government rationality is not in question; the type of rationality is. The government maintains policies more for political reasons than to reach economic-development goals. Maintaining stability and the status quo takes precedence over economic objectives.” Therefore, in order to achieve any type of poverty reduction, the state must take a deliberate and active role in coordinating growth and poverty reduction. However, the power politics between bureaucracies, governmental ministries, the private sector, and other interests severely limit the ability of the state to understand and address poverty. The government has often been “accused of ignoring the needs of the poor and middle class by phasing out social programs and failing to address poverty and unemployment problems.”

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201 Ibid., 317.
the government is often charged with catering to the bureaucrats or business elite at the expense of the population.

In Egypt, policies are selected in order to maximize growth while poverty reduction is more of a secondary goal. Social safety nets, not growth, are the traditional method for combating poverty in Egypt. Thus, these complex factors impede the serious action taken to fix the economy. There has been no sound planning or policy reform, thus the poor and ultra poor in society are typically the ones who suffer most from these actions. This is further exacerbated by the lack of deliberation and cooperation, along with the absence of democratic decision-making and governance.

The habit of leaving political and economic policies as marginal or as buttresses for the status quo has led to failure. Egypt under Nasser, Sadat, and Mubarak did not adjust or change in a profound social or political way. The state has remained the dominant element in society, and as long as reforms are truly challenging to the existing social and political system, they are allowed to continue. However, this inaction is not sustainable and is clearly substantiated by the calls for change in society, economy, and polity on January 25th.
Chapter 4

REFLECTIONS AND PERCEPTIONS IN EGYPTIAN SOCIETY

In order to gain a better understanding of the narrative of poverty in Egypt, I conducted a series of anonymous interviews with Egyptian citizens of various occupations. I asked questions and elicited comments concerning the social, economic, and political changes in Egypt. These interviews demonstrate one aspect of reality of the perceived social contract, the social and economic issues facing the country, and the role of the state. They also shed light on many ideas presented in this thesis such as the role of the economy, government bureaucracy, state negligence, and social inequality. These interviews are also valuable in that they imply many of the opinions and attitudes of the ‘average everyday Egyptian’ which is something this thesis cannot do.

When asked about the challenges now facing Egypt, the responses were widely diverse, ranging from lack of religion to lack of political freedoms to overpopulation to traffic and to inequality. But almost all of the interviewees mentioned that they felt the pressure from increasing prices, especially during the last decade. This demonstrates that for many Egyptians income is the most commonly perceived indicator for poverty. Thus, in order to ‘fix’ poverty, the state should focus on income transfers.

A kiosk manager from Sohag had moved to Cairo to work. He reports, “The prices have really increased. Today’s prices are expensive, but the economic situation has remained basically the same—not better or worse.”

A woman who owns a small framing business in Dokki explains that the biggest
challenge facing Egypt today is related to the population increases, both in the city and the country as a whole. “Overpopulation overflows into all aspects of life here, causes problems with the politics, economy, and life—all general areas.” “In the past, life was easier. People were able to breathe.” While she has not seen any significant increase in business or profits, she does note that the population has felt the increase in prices for goods such as food, electricity, and other basic commodities. She acknowledges that rising prices and inflation are problems faced by all world economies and her friends in Saudi Arabia, Canada and the Emirates all complain about the same issues. The difference in Egypt, she argues, is that the problem is exacerbated by the fact that income and wages are not increasing to match rising prices. When asked about government social programs that are aimed at balancing the economic situation, she says, “There is a separation and the population doesn’t feel the effects of these programs. The government does these programs and people know about it—they read about it or see ministers on the TV—but they do not feel the effects or the responses of the government. But this is a thing happening all over the world. The economic problems are bigger than Egypt.” This comment helps illustrate the inaction and negligence of the state however, the woman makes a valid point in asserting that these are issues everywhere, and not unique to Egypt. But in Egypt specifically, she asserts that only the government employees, not the regular businessmen, feel any economic growth or progress in Egypt, that is those who actually initiate and have a vested interest in the current program feel the benefits.

A man from Meniya who works at an ironing service on the street argues that wages have increased dramatically compared to the past. The problem is more related to globalization, capitalism, and greed. “Back in the old days, a taxi driver would take 15
L.E. home for a day’s work and be satisfied. Now he can make 50 L.E. and wants more.”

His partner, another man from Aswan, responds that incomes are NOT increasing. The biggest socioeconomic problem in Egypt is that “there are 20 million people who live like kings in Cairo, Mohandiseen, Zamalek, Garden City, or Alexandria, for example, living at the top of life, while the other 50 million people of Egypt are eating each other.” He argues that it is an issue of humanity. “When something happens in a poor area, nothing happens. No police, no protection, no security. The poor, all over Egypt are not treated as humans.” “They don’t have the rights or means to get out of poverty and to exist, as humans”. As the man tells his story, his partner’s phone rings. “You see this? His brother is calling for help paying a dowry of 25,000 pounds. How is a man making 400 pounds a month supposed to make a family or a life?” When asked if poverty is tied to lack of income, he shakes his head. “It is a lack of humanity.”

His friend hangs up the phone and immediately counters, “The government does not do projects for people, it does projects for itself.” “But the government should not be providing food and shelter for everyone. Or else I wouldn’t want to work.” One cannot not rely on the government. He states, “Why should we?” His friend argues, “When you get a degree, the government should give you a job.” Both of these men reflect a large and real discrepancy in the perception of poverty and the role of the state. They are both adult males from Upper Egypt with similar socioeconomic backgrounds. One may reflect upon his circumstances, as one living in poverty while the other may not. Yet which one is poor? Also, one feels like the government does nothing for it’s people and should continue to do so. The other disagrees. So where does the social policy maker fit? Does he listen to the first man or the second?
Yet in terms of education, both men specify that the circumstances have gotten worse over the past two decades. The man from Menia declares, “Show me anyone with a diploma from a government public school and you will see they cannot even read or write.” In terms of other public services, they both prefer private sector enterprises or charitable organizations because the quality of government services is bad. The services exist, the men acknowledge, but even those who cannot afford healthcare will not go to public government run facilities, instead they pay for private ones despite their low incomes.

The man from Menia continues, “If everyone went out and worked hard, made their own money and struggled, then the country would be a better place. Everyone wants everything for free, even if they don’t need it.” If the government did more, people would only want more. “No-one is ever satisfied, not with Nasser, not with Sadat, and not with Mubarak.” It seems that this man, one who by some standards would be considered poor, seems to have a realist view on the social and political patterns of the state. He notes the inaction of the government and acknowledges that things are unlikely to change. However he does not look to the state for change, but the issue is within the population. Yet his opinion seems to differ from the hundreds of sociologists, economists, and political scientists who have written countless reports, assessments, and recommendations for the Egyptian State to reform its policies.

These two men have lived in Cairo for the past 17 years, work at the same business, and struggle with many of the same issues. But their opinions reflect some discrepancies on the social and economic challenges facing Egypt. Both did agree, “The job situation has remained the same as it had in the past. Who has been on “top” stays on
top, the bottom stay on bottom,” in their experience. When asked about this lack of progress or change in Egypt, in terms of his own circumstances, the man from Menia shakes his head. “As long as I struggle and work hard, I am satisfied. The economy goes up or down, it doesn’t really affect us at all.”

The man from Aswan reports that poverty in Upper Egypt hasn’t gotten any better or worse over the last couple decades. The other man argues that poverty is decreasing. Regarding his village in Menia, “in the old days, our houses were made poorly with crumbly red brick, now our houses are made from solid concrete with running water and electricity.” There has been some progress, albeit limited.

A man who sells fruit on a cart from a street corner has been working there for the past 45 years. He says the biggest problem he faces in terms of socio-economic circumstances is the price hikes. Over the past several decades, “the man who was always rich stays rich, the guy who was poor is always poor.” The fruit man has no fixed salary, but works day to day. “The government has programs for us, such as insurance and social services. But at the end of the day, if the poorest man in Egypt spends 800 pounds a month and the government only provides 200 pounds, how is he supposed to live, to get by, to get out of poverty?” He says the government should do more, even though he concedes that the government is trying to help the people at the very bottom. For the fruit seller, “it's an issue of money” that would fix many problems in Egypt.

A teacher at a language school in Nasr City declares, “The problems are increasing prices. The unemployment is rising especially over the last 20 years.” “The government says they are trying, but the effects are slow and do not reach the population.” “There is poverty, and it is big, whether it is growing or decreasing I do not
know. But there have been increases in the quality of services and he gave as an example the new metro line.

Another man from Menifeya who does freelance tutoring, says that the socio-economic issues facing Cairo are many. “In terms of politics, in the past, the Egyptian government and its ministries had better leadership.” He also mentions that the value of the pound is not worth what it used to be in the past, adding to many economic hardships of the population. In terms of poverty, “we don’t just hear about it, we live it. The government doesn’t feel the people’s circumstances. The government services and social programs, these are not helping the situation, simply pressure relief. If you give people a little bread, they don’t riot. But the quality and accessibility is bad.” When asked about increasing prices, he argues, “Price rises hurt the poor the most. Not just the government, but the private sector, hospital administrations, all these things have management problems and they only seek profit, not equality for the general people.”

A young man who works as an errand runner for a small business notes that there is not a consistent process of addressing the social and economic problems in Egypt. He says that everyone hears about different reforms and programs targeting social problems in the country. But, “Poverty is a very big problem, especially in Egypt. There are necessary things and luxuries. In Egypt, things such as food, housing and transportation, these are some necessary things and many people don’t have these things in Egypt.”

A religious teacher from Shubra argues that the economic crisis, specifically the food crisis and the global economy, are the biggest problems. He has lived in Cairo for over 60 years. “In the past, goods were presented at subsidized prices and people could afford them. Now they are sold at high above market prices and the people’s incomes do
not match.” He goes further saying, “The World Bank is the major problem sources of issues new in developing countries. They increase the burdens of poor countries rather than alleviate them.”

“The increase in population was never the problem. The problem is bureaucracy management.” While he admits that poverty has decreased but it is not a recognizable decrease, not enough to really feel a change in the country. “Poverty is not simply the lack of money. Being impoverished is not living in a healthy environment.” He also agrees with other interviewees that even though government services are available, people will go to private or charity services despite their poverty. The “quality of government services is awful.” The problem, he continues, doesn’t come from the government, but from all management in Egypt. There is some support, but they don’t use resources wisely. Most services and social programs are just talk. “They are not real programs. They aren’t executed, just developed to get support from the people.” When asked if he believes that people do, in fact, support and believe that the government, society, and economy are progressing, he shakes his head. “Not one person who has lived here long. It’s just a cycle with no results.”

It is not to be assumed that these interviews provide an accurate or infallible glimpse in to Cairo’s urban life. The survey was narrow, the sample was not completely random, and a trained sociologist did not conduct the interviews. While these methodological fallacies are acknowledged, this survey did provided a more qualitative understanding of my research as well as shed light on some of the paradoxes in Egyptian society.

Something that was interesting to note was the idea of the Egyptian economy.
Many of my interviewee’s noted that they did not feel any changes (besides price increases) in terms of the economy. For them, it seemed to be some intangible entity that does not truly or directly affect their lives. The irony in this is that changing and reforming the economy has been (and to some extent, still is) something many believe as a panacea to fix many of the fundamental social problems in Egypt. Furthermore, many of the subjects brought up ideas that I reflect upon in this thesis. For example, the idea of the government as a pressure relief, the commitment of the state to the status quo, and the idea that nothing fundamental would change in Egyptian society or polity. These are all ideas that my subject’s implied they felt and experienced in every day life. Many of their sentiments echo the idea that there has been no sound planning or policy reform, thus the poor in society are typically the ones who suffer most from these actions.

These interviews demonstrate a very real disconnect between the government and people. When asked about the development of different reforms undertaken to stabilize and promote social reform throughout the country, one man waves his hand. “These are just numbers produced to give hope. The businessman and the minister are the only ones who feel growth.” This demonstrates that there is not only an issue of inequality in terms of socio-economic situation, but substantiates the evidence that state social initiatives are not felt by the population. The status quo has been perceived as a constant.
Conclusion

The recent revolution on January 25, 2011 reminds both Egyptian citizens and the international community the importance of issues such as state responsibility, social equity, welfare, and poverty. Understanding and effectively targeting poverty is a complicated social, economic, and political process within Egypt. The commitments and obligations of the government towards the poor evolve through a ‘transitioning’ framework of social contract.

Regarding the issue of poverty, this thesis concludes that understanding who the poor are and what defines their level of deprivation is critical in the state’s responsibility to its citizens. Modern interpretations of poverty have expanded past fixed principles of welfare and have expanded into a more comprehensive understanding of this multidimensional process. This is essential to understand how the poor are identified, the dynamics of poverty, and the structure of welfare and social protection policies. Poverty, and all of the variables of this process, is a tremendous challenge in Egypt. The state has historically addressed this issue within the broader context of societal welfare; that is, it has not always specifically targeted the marginalized and vulnerable groups.

Nasser sought to achieve public acceptance through Arab socialism, a social contract between the government and people. Public policies such as universal education, healthcare, subsidies, and agrarian reform were given in exchange for state domination. However, these policies required massive social spending, and were unsustainable in the long term. Sadat continued the consolidation of power and government autonomy, yet
sought to open the market, promote capitalist reforms, and focus on the private sector and foreign investment to generate revenue rapidly while still attempting to continue to provide some welfare benefits. The oil boom and interregional migration helped the Egyptian economy in terms of revenue, remittances, and employment. However, under Sadat, the Egyptian state became heavily dependent on rents, allowing the government a certain degree of domestic autonomy due to its monopoly on resources, revenue, and economic power. This too, was unsustainable. Sadat faced population problems, rising inequality and unemployment, and a decline in overall welfare. Mubarak continued the liberalization and privatization policies of Sadat in order to achieve economic development. This growth would promote higher living standards, reverse increases in unemployment, reduce poverty, and most importantly, integrate Egypt into the world economy. To counter the negative social outputs of economic reform, the government attempted to respond to social needs through institutions such as the Social Fund for Development and various social protection programs.

It was not until much later that Mubarak actively sought to address the social, political, and economic needs of the poor. Improvements in social development indicators from Sadat and Mubarak demonstrate a shift in the government’s attitudes, objectives, and commitments to society. Poverty reduction was no longer merely a matter of social policies that benefit the broader population (Nasser) or a factor of economic growth (Sadat and early Mubarak) but as a multidimensional process that addresses the complexities of deprivation. However, within all three governments there was little political freedom as a part of social or economic discourse, the state remained autonomous.
Mubarak’s extension of free market capitalist polices and his attempt to embrace welfare reform presents an uncomfortable paradigm in which the state’s responsibility to its citizens is supposedly changing. Initiative rarely goes beyond dialogue; the state relies on decisions not made. The Egyptian state has tried to transition from a rentier economy to a welfare state without upsetting the status quo of the ruling bureaucracy and state agents. Meanwhile it has also tried to become a more welfare-oriented regime, attempting to cater to a population without really progressing. Effective and comprehensive policies cannot target the needs of society as long as the government remains committed to the status quo.

Egypt under Nasser, Sadat, and Mubarak did not truly adjust or change in a profound political way. The state has remained the dominant element in society, and as long as reforms are truly challenging to the existing social and political system, they are allowed to continue. However this is not sustainable, clearly substantiated by the calls for change in society, economy, and polity on January 25th.

“The welfare state implies a social contract with the citizenry. It has now been one of the chief organizing principles of the lives of several generations and, hence, it represents a deeply institutionalized contract. Indeed, herein lies an obstacle to possibly any reform. As so much attitude research has shown, the welfare status quo remains very popular.”

203 Esping-Andersen, Why We Need a New Welfare State, 7.

The purpose of this thesis is not to recommend for Egypt to turn further to pro-capitalist reforms or embrace a welfare state, but to look at the historical polices underneath these umbrellas and understand how the state has not fit into either socio-economic model. The state does not fit into any applicable model. It does not deviate
from a state led agenda while being subject to arbitrary, autonomous whims of an ineffective and indecisive government. So in asking, what commitments or obligations does the government have towards the poor in society? The answer lies in a paradox. The Egyptian state has tried to transition from a rentier economy to a welfare state without upsetting the status quo of the ruling bureaucracy and state agents. Meanwhile it has also tried to become a more welfare-oriented regime, attempting to cater to a population without really progressing. This has led to a stalemate in social policy. Effective and comprehensive policies cannot target the needs of the poor as long as the government remains committed to the status quo.

This relationship between state and society has evolved, but not in a fundamental or truly progressive way. Social progress has been made; however, the inefficiency of the state has promoted the status quo. Egypt has not integrated into the global economy, and it also is not truly undertaking a transition to a welfare state to encompass a new social contract.
APPENDIX A:

QUALITATIVE RESEARCH METHODOLOGY FOR INTERVIEWS

In my survey, I asked 6-7 general questions as to get a full, unreserved opinion of the subject on the topic of social change, the role of the government, and poverty and welfare in Cairo. I did not tape any interviews, however I recorded notes. The participants were all over 18, most are between the ages of 45-60.

I wanted to conduct this survey to get a more qualitative understanding of what is happening to a general group of members of society—to put a "face" on my research. Thus, a few personal experiences of some citizens are relevant in order to compare what I have written and researched about, with their own personal opinions and experiences.

The questions were broad in order to give the interviewee freedom to talk about issues he believes to be the most relevant, rather than my own opinion. Thus, when I asked about social change, I did not infer or reference any particular idea to the subject, but allowed the interviewee to interpret and define the question in his or her own way. My intention was not to lead the subjects into answering a specific way, for example poverty or social deterioration is certainty not assumed to be the biggest problem of any of the subjects. Question 3 is intended to determine what issue the subject found most important at the time. Is their socioeconomic situation the most urgent problem? Is it even a problem? Some of the interviews were not directly applicable to my work, however I continued the interviews anyway. For many interviews, the subject did not answer the question with a simple yes or no, but elaborated on their own personal experiences and narratives. This was very enlightening and I included many of their
stories in my thesis.

My survey does not operate under the assumption that all people in Egypt are suffering from social or poverty related problems. Similarly, attitudes towards the Government’s social programs are also hotly contested and I did not assume that the subject shares my personal interpretation from my research.

Survey Questions

1. What is your name?

2. How long have you lived in Cairo?

3. What is the biggest challenge you think is facing Egypt?

4. Have you experienced any changes in your own personal social or political situation during the past twenty years? If so, what type of changes?

5. What do you think the government is doing?

6. Are there social programs that you have access to? In terms of education or health?

7. Do you think that the Government’s social safety net programs are reaching you? (Such as the food subsidy system, cash transfers, microloans, etc.?)


The AUC Social Research Center. "Introducing Empowering Conditional Cash Transfers
to Egypt." American University in Cairo. Cairo, 2008.


El Laithy, Heba, and Hanaa Kheir El Din. "An Assessment of Growth, Distribution, and


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