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The American University in Cairo

School of Global Affairs and Public Policy

**On Income Inequality and Poverty in Egypt: Is
Prosperity Immoral?**

A Thesis Submitted to

The Public Policy and Administration Department
in partial fulfillment of the requirements for the
degree of Master of Public Policy

Under the Supervision of

Dr. Rana Hendy

By: Mohamed Karim Lotfy Abdelkhalek

Fall 2022

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I hope you enjoy going through this research piece, and identify takeaways that help you better understand the topic at hand.

Abstract

There are varying perspectives on, and divergent solutions to, the phenomena of income inequality and poverty. There seems to be polarizing views on both of these sensitive topics. One side of the argument believes income inequality should in itself be mitigated through redistribution measures, while the other argues that this should not be the focus of policy makers, as it deters them from facing the more pressing issue facing society – which is absolute poverty. The relationship between income inequality, poverty, and citizen well-being in Egypt is one that warrants further research, and this paper aims to fill this lacuna. After analyzing the empirical data through quantitative tools, this paper shows that the relationship between these variables is rather blurred in the country, and that a decrease in Gini levels for instance are not necessarily a cause for celebration. Qualitative research was also conducted, and showcased that the sentiment of policy makers and policy influencers in Egypt was rather clear. Interviewees painted a vivid picture regarding the fact that income inequality should *not* be the focus of the government, rather the focus should be on absolute poverty – albeit through a multidimensional lens. There is indeed a massive effort in Egypt in order to drive down the poverty rates in the country, and these efforts have also been reflected upon in this research piece. However, there is room for additional measures, and this paper proceeds to provide a number of suggested policy tools that may help drive down these persistently high poverty rates in Egypt, rather than dwell on the incomes of the wealthy. Recommendations of this research are to 1) establish a national committee that is tasked with reducing multidimensional poverty in Egypt; 2) supplement income poverty with a multidimensional poverty index; 3) define equality of opportunity and then champion it across the board; 4) support primary economic sectors in Egypt; 5) heavily engage the private sector; 6) foster a culture of entrepreneurship; and 7) augment the labor force via including women.

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List of Acronyms:

Acronym	Name
ACA	Administrative Control Authority
CAPMAS	Central Agency for Public Mobilization and Statistics
GDP	Gross Domestic Product
HDI	Human Development Index
KPIs	Key Performance Indicators
MENA	Middle East and North Africa
M&E	Monitoring and Evaluation
NCW	National Council for Women
T&K	Takaful and Karama
MoETE	The Egyptian Ministry of Education and Technical Education
MoF	The Egyptian Ministry of Finance
MoHP	The Egyptian Ministry of Health and Population
MoPED	The Egyptian Ministry of Planning and Economic Development
MoSS	The Egyptian Ministry of Social Solidarity
MSMEDA	The Micro, Small, and Medium Enterprise Development Agency
WB	The World Bank

Section 1 – Introduction:

A topic of fierce divide in the literature as well as among thinkers is that of income inequality and how it ties to poverty. It is, indeed, a debate that stems from the very conceptual understanding of income inequality. As a notion, it is viewed by both sides of the political spectrum, and by divergent viewpoints in the literature, in completely different lights. As will be discussed in detail, one side sees income inequality as a profound moral violation that should be tackled rapidly (Wesley & Peterson, 2017, p. 10), while the other sees it as morally irrelevant, and sometimes even beneficial to economic growth (Wesley & Peterson, 2017, p. 6), in effect informing us that absolute poverty should be the priority that policy makers ought to focus on. With that in mind, there are some estimates that inform us that the top 1% of earners in the world own close to 43% of global wealth, while the bottom 50% of earners own around 1% of global wealth (TRT World, 2020). Additionally, “the world’s richest 1% have more than twice as much wealth as 6.9 billion people” (OXFAM, 2020). Moreover, in countries with exceptionally high levels of income inequality, like South Africa, “the top 10% (3.5 million people) control 86% of all wealth” (Stent, 2020). Thus, it is of critical importance to better understand the phenomenon of income inequality and how it affects citizen well-being in general, and in Egypt specifically, due to the fact that policy makers on both sides of the debate may take key policy decisions based on where they stand on this political and ideological spectrum. Looking at the case of Egypt, it can be surmised that a certain level of income inequality is also currently available in the country, albeit at a modest level when looking at the country’s Gini score (bearing in mind that the literature indicates that calculating the Gini score accurately in Egypt is a menacing job) (ElGindi, 2017, p. 101). That being said, the distribution of wealth in Egypt is skewed towards the upper decile, which owns more than 70% of the total wealth of the country (ElGindi, 2017, p. 132). Moreover, the decisions of policy makers in Egypt can thus prove to be detrimental should they be based on ideology alone, and it is therefore imperative to look at how much of a priority fighting the phenomenon of income inequality should be, and how that relates to poverty levels in the country. Thus, it is vital that policy decisions be informed by, and firmly based on, the available empirical data.

There are numerous different lenses that one can look at income inequality and poverty through. When researching inequality, numerous *types* of inequality usually emerge in the literature, where four main forms are regularly mentioned: income inequality, pay inequality, wealth inequality (The Equality Trust, 2015), and inequality of opportunity, which was covered in depth by (Roemer, 1998). ‘Income’ here refers to all types of income that an individual earns, from all sources available to that individual, such as investments, interest, savings, etc. ‘Pay’ discusses the wages that are earned from an employer or from a business founded by a certain individual. ‘Wealth’ entails all the assets that are owned by an individual. Finally, inequality of opportunity essentially discusses the “nondiscrimination principle” (Roemer, 1998, p. 1), meaning that nations and societies should ‘level the playing field’ for their individuals. This paper will focus on income inequality, as well as inequality of opportunity, as will be highlighted in the upcoming sections. It is also quite useful to mention that there are two main types of poverty that the literature looks at; absolute poverty and relative poverty. Loosely defined, absolute poverty is “a condition where household income is below a necessary level to maintain basic living standards (food, shelter, housing)” (Pettinger, 2019), which is currently calculated by the World Bank to be 2.15 USD per day. Interestingly, the World Bank has amended this poverty threshold to be 2.15 USD per day up from 1.90 USD per day starting from the fall of 2022, due to the current price fluctuations around the world (World Bank, 2022). Relative poverty, on the other hand, refers to “a condition where household income is a certain percentage below median incomes” (Pettinger, 2019). In other words, absolute poverty can be calculated in *absolute terms*, based on the income needed to live a dignified life. Relative poverty levels on the other hand may oscillate consistently as income levels of a certain country change, and can always be altered based on the average incomes of a country.

The literature is clearly torn between both sides of the income inequality debate. The left-leaning side of the argument, whom will be dubbed as ‘egalitarians’, and whom are advocates of a more socialist, redistributive role for the state, largely oppose income inequality and view it as a social problem (Wesley & Peterson, 2017, p. 1). They also believe that it damages economic growth, equal opportunities, and overall human well-being. A large part of the literature on the left-leaning side of the debate discusses and focuses on the top 1% of earners, and

paints them as hoarders of the world's scarce resources, unable, and most importantly *unwilling*, to share their wealth with others. However, it seems that the most pervasive criticism that inequality faces on this side of the debate is how much it can accelerate in free market economies, creating an incessant need for an authority to keep it from spiraling out of control. An implied and implicit question that seems consistent throughout this side of the debate is this: how can a group of people live with such massive amounts of wealth, while there are those who still live in absolute poverty? There is a spectrum, of course, regarding the modality of redistribution discussed by this side of the debate. Some discuss a slightly more progressive taxation scheme by governments (O'Neill & Orr, 2018), which will help activate the welfare state, while there are those who persistently write that governments should aim to decrease the wealth of wealthy individuals, and in parallel seem to imply that corporations and the wealthy are hostile entities (Lemann, 2022). These thinkers sometimes push for a *de-humanizing* effect in order paint the wealthy in an antagonistic manner, which may result in the public sanctioning the forceful redistribution of their wealth – even if this redistribution is morally questionable (Mankiw, 2013, p. 22).

The right-leaning side of the argument sees things in a fundamentally different light. Thinkers on this side of the debate are often more utilitarian and pragmatic, and utilize a neoliberal lens when looking at the structure of economies – and therefore see inequality as simply irrelevant. According to them, inequality is a natural byproduct of the free market. An example used is that of JK Rowling, where it is explained that her wealth is a result of millions of people willingly (and quite happily) buying her books (Pinker, 2018). In this particular case, everyone is better off, and she has not committed any moral deviations in writing an international best seller. This is indeed an oversimplification of the issue of inequality, but the logic is clear; being wealthy *does not in itself* entail any wrongdoing. This also resonates well when people come to understand that the overall wealth of a nation is not stagnant, but rather grows. Thinkers on this side of the argument reason that the size of the overall economic pie is not set in stone, and when one person becomes wealthier, that does not mean that they obtained that wealth from someone else's slice of the pie; and this characteristic of the modern economy has proven to be a game-changer (Harari, 2015). They argue further that humans have come to realize that wealth can be, and

often is (in the modern market economy at least), created (Harari, 2015) (Pinker, 2018). Some go even further, writing that the most proficient generators of income equality are *catastrophes* (Scheidel, 2017). It is argued then, that we should be careful not to readily wish for equality of outcome, and not to narrowly pursue decreasing levels of income inequality in our societies without focusing on the real problem at hand, which is poverty.

An example of policies that adhere to this line of thought would be 'levelling up' in the United Kingdom (UK), which was instituted by the conservative party. "In its 2019 manifesto, the Conservative Party said it would be "levelling up every part of the UK", which would involve: Investing in towns, cities, and rural and coastal areas; Giving those areas more control of how investment is made; Levelling up skills using apprenticeships and a £3bn National Skills Fund; Making life much easier for farming and fishing industries; Creating up to 10 freeports to help deprived communities" (BBC, 2022). This line of thought connects well with the right-leaning argument. As Britain's prime minister said regarding this program, "we don't want to decapitate the tall poppies, we don't think you can make the poor parts of the country richer by making the rich parts poorer" (Johnson, 2021).

This discussion naturally pushes us to explore the notions of equality of opportunity and equality of outcome, which are both similar phrases in terminology, but are completely different concepts when we dig deeper into them. Equality of opportunity is a concept that almost everyone, regardless of their political orientation or ideology, agrees is beneficial to individuals and to society as a whole. For instance, "Roemer argues that there is consequently a "before" and an "after" in the notion of equality of opportunity: before the competition starts, opportunities must be equalized, by social intervention if need be; but after it begins, individuals are on their own" (Harvard University Press, 2000). It is equalizing *outcomes*, indeed, that results in a significant divide in the literature. When it comes to wealth, those leaning to the left believe that there should be an outcome-equalizing welfare pump that creates less discrepancy in incomes. For thinkers leaning to the right, however, personal choice is paramount when it comes to income. Additionally, they believe that incentives are a major nudging tool for individuals, and that too much social spending by governments can actually have an adverse effect on nations, where the insured begin taking unnecessary and bold risks, under the assumption that they will be bailed out by the state should they run into any trouble (Pinker, 2018).

Exploring the conceptual understanding of both the phenomena of income inequality and poverty, and linking that with the context of Egypt is one of the main objectives of this research piece. What's more, is that from a normative perspective, decreasing poverty is part and parcel of Egypt's 2030 vision (MoPED, 2015), as well as the United Nation's Sustainable Development Goals (SDGs) (UN, 2015). It is also quite curious to explore the correlation between income inequality and the 2011 Egyptian uprising, bearing in mind that one of the main demands of the uprising was, in fact, social justice.

With that being said, it is rather crucial to ask if policymakers in Egypt should prioritize fighting economic inequality, or poverty? An analysis of the data available has been undertaken in order to answer this question, as well as explore possible solutions. This research piece aims to fill a gap in the literature with an empirical analysis of data that searches for the correlation between income inequality and poverty in Egypt. Does income inequality increase when economic growth increases (benefiting society as whole) as we've read from right-leaning thinkers? (Wesley & Peterson, 2017, p. 6) An example would be the case of India, whose economic growth was coupled with decreasing poverty rates and increasing Gini rates (Datt & Ravallion, 2011, p. 157); or does an increase in income inequality harm economic growth, as we've seen reading the work of left-leaning writers? A case would be that of France, Ireland and Spain, who've seen an increase in GDP per capita when they've witnessed greater income equality (Cingano, 2014, p. 18). Does turmoil decrease inequality, as stated by some of the authors in the literature? The answers to these questions should help policy makers hone their focus and design policy that is razor focused on decreasing the most damaging social ill, effectively steering clear of recklessly following ideology.

The next section goes through the conceptual framework that will be utilized to look at these interesting phenomena. The literature review section that follows goes into more detail regarding the discussion on the topic, and further elaborates on the sharp divide in perspectives when it comes to income inequality. After that, the author intends to highlight how this paper as well as the data collected and analyzed will aim to fill the identified gap in the literature, explain the design and methodology of the research conducted, and finally share the results of the research and the policy recommendations. As we've seen above, when it comes to the distribution of wealth globally, and specifically in Egypt, the top decile of earners receive the lion's share of income. That being said, the

researcher aims to explore the correlation of that income distribution with poverty rates and economic growth in Egypt, with an estimation that a decrease in income inequality does not necessarily bode well for neither the economic growth nor the poverty rates of the country.

Section 2 – Conceptual Framework:

It is important to draw a framework to help guide the debate and discussion on income inequality and poverty. Two concepts that are often employed in this debate are those of ‘equality of opportunity’ and ‘equality of outcome’. It is precisely when utilizing both of these different lenses that the perspectives of various thinkers significantly diverge. Loosely defined, both concepts can be described as follows; “equality of opportunity provides in a sense that all start the race of life at the same time. Equality of outcome attempts to ensure that everyone finishes at the same time” (WERDMÜLLER, 2018). Few would campaign for a society that has complete equality of outcome, as it would be quite oppressive, for one, and would require significant power/control from an authority/government to enforce – which would do much more harm than good (Glaveski, 2020). However, it is *where* the line is drawn between equality of opportunity and equality of outcome that differs between both left and right-leaning thinkers.

For thinkers leaning more towards the left side of the debate, equalizing opportunities by providing quality education and healthcare across the board is not merely enough. They further push for a more profound intervention, one closer to equality of outcome, “few would openly object to the principle of equality of opportunity. But at this point, opinions divide sharply. Some argue that equality should end with that of opportunity. Others, including myself, believe that it is not enough to have mere formal equality of opportunity” (Chang, 2010). Chang (2010) further goes on to argue that children that do not perform well in school may be struggling because they are not well nourished or are hungry during class (and therefore cannot reach their full potential in earnings), and hence should not be labelled as less talented. If children from families that are from the lower levels of the income distribution are not able to complete their education due to financial problems, then they do not build their potential human capital. These low levels of investment in education result in inefficiency, inequality, and can be detrimental to the entire society (Mankiw, 2013, p. 7). The reasoning behind this argument is solid, true, but equality of opportunity could also entail a bare minimum income that affords a healthy and nutritious life for individuals living in poverty. In essence, the idea of a minimum wage *that is*

implemented on the ground could still fall under equal opportunities, not outcomes. Figure 1 in the annex section will help visualize the differences between both concepts which have been explained above.

Furthermore, (Roemer, 1998) provides a rather interesting framework to help explain equality of opportunity. He writes that there are two prevalent notions regarding what equality of opportunity is in today's Western democracies. The first one revolves around the idea that we should "level the playing field" between people who are looking to occupy any particular position or job. In a more general sense, this concept also hammers on the idea of levelling the playing field during an individual's formative years (similar to what Chang (2010) argued). The second notion he formulates highlights that people who have characteristics that are relevant for a certain position should definitely be considered as one of the candidates for that position, regardless of sex, race or class – and, as previously discussed, he calls that the "nondiscrimination principle" (Roemer, 1998, p. 1). For left leaning thinkers, equality of opportunity is the bare minimum necessary, but it is not enough in establishing a fair and effective society (Chang, 2010), and this is exactly where right-leaning thinkers break off from their left-leaning counterparts due to their utilitarian nature. This right-leaning perspective clearly supports equal opportunities, but after supplying these equal opportunities, it is up to each individual to forge their own pathway – personal choice matters significantly in their perspective. "Requiring all individuals to have the same chances is one thing, but expecting them to have the same success rates is said to be quite another. If one person likes to make money while another prefers to go surfing all day, then so be it: why should we expect both to end up with the same level of resources regardless of their personal choice?" (Philips, 2004, p. 3). That said, regional and local perspectives on the conceptual understanding of income inequality and poverty are scarce in the literature. Therefore, they will be discussed in the section of the in-depth interviews undertaken for this research piece.

It is through the framework of equality of opportunity and equality of outcome that this study will look at the conceptual argument. The debate between both sides of the spectrum seems to be raging on, and it is unclear if one side would be able to convince the other regarding the *amount* of interference needed to stabilize income disparities (bearing in mind that the right-leaning side of the argument does not even believe that this disparity is

necessarily a social ill). However, there is a silver lining here; “in any case, most would agree that opportunities are not equal so if both sides of the debate can agree that working to insure greater equality of opportunity is a worthy objective, there may be room for useful collaboration” (Wesley & Peterson, 2017, p. 20). And indeed that is a considerable point, as both sides would strongly agree that providing individuals with equal opportunities would be better for society across the board. However, this paper will aim to link theory to practice, and will look at the situation in Egypt, where the collected data and empirical evidence will be analyzed, as will be explained in the methodology section.

When it comes to the notion of poverty, there are five main theories that Bradshaw writes are discussed in contemporary literature. The first is the “theory of individual deficiencies” (Bradshaw, 2007), which highlights that poverty is due to “individual laziness, bad choice, incompetence and inherent disabilities” (Bradshaw, 2007, p. 10). A second theory revolves around “poverty caused by cultural belief systems that support subcultures of poverty” (Bradshaw, 2007), which explains that “subculture adopts values that are nonproductive and are contrary to norms of success” (Bradshaw, 2007, p. 10). The third theory hovers around the idea that poverty is “caused by economic, political, and social distortions or discrimination” (Bradshaw, 2007), and informs us that “systematic barriers prevent (the) poor from access and accomplishment in key social institutions including jobs, education, housing, health care, safety, political representation, etc...” (Bradshaw, 2007, p. 11). A fourth theory hammers on the point that poverty is caused by geographical disparities, and further explains that “social advantages and disadvantages (are) concentrate(d) in separate areas” (Bradshaw, 2007, p. 11). Fifth, is a theory that claims that poverty is “caused by cumulative and cyclical interdependencies” (Bradshaw, 2007), and mainly describes that “spirals of poverty, problems for individuals (earnings, housing, health, education, self-confidence) are interdependent and strongly linked to community deficiencies (loss of business and jobs, inadequate schools, inability to provide social services), etc.” (Bradshaw, 2007, p. 11). This theory is “is by far the most complex and to some degree builds on components of each of the other theories in that it looks at the individual and their community as caught in a spiral of opportunity and problems” (Bradshaw, 2007, p. 19).

The “membership theory of poverty” (Estevao Manjoro, 2017) will be employed by this research piece, as it resembles the theory of ‘cumulative and cyclical interdependencies’ mentioned above, and therefore has an exhaustive nature. This theory mainly argues that a person living in poverty is “greatly influenced by the groups to which he/she is attached over the course of his/her life” (Estevao Manjoro, 2017). These groups are not only limited to communities or individuals, but rather they are comprised of numerous actors. Examples could be the neighborhood that a person lives in, the school that they have attended and continue to attend, as well as the companies they work with or the communities they belong to (Estevao Manjoro, 2017). Adhering to this line of thought, healthcare institutions that look after these individuals could also be seen to influence a person. This theory essentially argues that the reasons behind poverty are forthright, and therefore do not need much analysis or explanation. In other words, “the composition of the various groups of which (an individual) is a member over the course of his/her life” (Estevao Manjoro, 2017) strongly affect the person’s level of poverty. Being exposed to these ‘groups’ can lead to a number of things, such as “peer group effects, role model effects, social learning and social complementarities” (Estevao Manjoro, 2017). Again, this reiterates the idea that the context people find themselves in is often a strong justification for their level of poverty. This serves an important purpose in the research, and ties neatly to the notion of ‘equality of opportunity’, and the importance of ‘levelling the playing field’ between individuals of different socio-economic backgrounds. An important caveat should be mentioned here though, and that is the fact that a theory such as this one comprehends that “the complexity of the cycle of poverty means that solutions must be equally complex” (Bradshaw, 2007, p. 20), and therefore anti-poverty programming under this theory must address a number of issues collectively.

Section 3 – Literature Review:

3.1 On Income Inequality & Poverty – Historical Origins

Income inequality has been a topic of significant debate among the literature for quite some time. We can see roots emerging for this contentious topic ever since the year 1753, when the Dijon Academy in France held a writing competition requesting essays that cover the subject of inequality. The winning writer was none other than Jean-Jacques Rousseau, who wrote that

As soon as it was thought to be useful for a single person to have provisions for two, equality disappeared, property was introduced, labor became necessary, and vast forests were changed into smiling fields which had to be watered with the sweat of men, and in which slavery and misery were soon seen to germinate and grow with the crops (Rousseau as cited in Wesley & Peterson, 2017, p. 3).

In his essay, Rousseau went on to further describe inequality as unnatural, and that it is a socially constructed phenomenon. He also wrote that it was amplified tremendously with the advent of agriculture. This indicates that prior to the introduction of farming, societies were more equal – and this does indeed seem to be consistent with the literature, which informs us that throughout humanity's existence, hunters and gatherers, who were the most common type of people for most of our history, were egalitarian. However, we must also note that they were exceptionally violent (Pinker as cited in Wesley & Peterson, 2017, p. 3). It does indeed seem that societies were more egalitarian during that epoch; however, few would rationally argue that existing in a modern (even if significantly more unequal) society is less desirable for humanity. The literature on the phenomenon of economic inequality wrestles between both sides of that argument; one perspective deplores economic inequality as a social ill, while the other sees it as a natural byproduct of progress, and is morally irrelevant. These rather polarized perspectives often prove to be the basis of policy in many countries, and so it is crucial to understand the line of thought behind each viewpoint.

The discussion on income inequality and poverty is often tied to the notion of social justice, which is defined as “the fair treatment and equitable status of all individuals and social groups within a state or society”

(Duignan, 2022). That being said, and as mentioned above, high levels of income inequality are often seen as being unnatural. However, the exponential growth of that inequality does not always signal a decline in people's living standards. For instance, during the industrial revolution, which took place from around 1760 to 1840, there were "extraordinary changes that resulted in an exponential increase in average incomes with the result that almost everyone in high-income countries and a great many in low- and middle-income countries now earn incomes that are much greater than would be required for basic subsistence despite the fact that population today is more than seven times the world population in 1800" (Wesley & Peterson, 2017, p. 3). This is a development that signaled a paradigm shift, where it became understood that the economic pie is not a zero-sum game, and that wealth can be created (Pinker, 2018). Not only that, but the industrial revolution also resulted "in increases in average incomes, better health, increased longevity and greater food availability" (Wesley & Peterson, 2017, p. 4).

What's more, is that in 1955, Kuznets hypothesized a pattern between income inequality and economic growth, which "is more commonly known as the "Kuznets curve." The logic of this hypothesis is that as countries industrialize, inequality increases until the country reaches an income level that allows it to establish a social safety net and universal education both of which tend to lower inequality. As more income data became available, however, the evidence tended to disconfirm the Kuznets hypothesis" (Wesley & Peterson, 2017, p. 5). This curve was further nuanced and expanded upon by Mialnovic (2016), and is now explained as a 'waves' of curves, rather than *one* curve in absolute terms (Wesley & Peterson, 2017, p. 5). The discussion on the root causes of income inequality, and how it ties to economic growth and poverty, has been deliberated upon in the literature for quite some time.

3.2 Income Inequality as a Socioeconomic Predicament

The left-leaning side of the argument follows the rationale that inequality is a moral deficiency that needs to be addressed in order for us to function effectively in a modern society. Pope Francis famously said that “inequality is the root of social evil” (Green, 2014); similarly, Barack Obama declared that “inequality is the defining challenge of our time” (Newell, 2013). Advocates of this worldview are often referred to as ‘egalitarians’. These egalitarians believe that an unequal distribution of wealth and resources is simply, in itself, *wrong*. “Over the past 40 years, 28% of all new income from global GDP growth has gone to the richest 1% (all of whom are millionaires). This is astonishing, when you think about it” (Hickel, 2020). It is incredible because it indicates that close to one third of the labor invested, of the resources that have been extracted by humanity, as well as the carbon that has been released into the atmosphere during the last 50 years, have all been directed in order to make people who are already wealthy much wealthier (Hickel, 2020). Thinkers on this side of the argument believe that this is a problem because this increasing inequality has led to a fundamental change in the social fabric of countries. They also believe that this endangers an economy’s sustainability and stability, as those who are already rich are becoming even more wealthy, while the rest of society are struggling to simply get by (Stiglitz as cited in Watkins & Yaron, 2016, p. 4). Additionally, they write that the wealthy are taking a much larger chunk of the economic pie than is proportional to their numbers (Stiglitz as cited in Watkins & Yaron, 2016, p. 8). To put that into perspective, the top 10% of people in the U.S. seized 91% of the growth in income from 1989 to 2006; not only that, but the wealthiest 1% earned 59% (Chang, 2010). Left-leaning thinkers strongly believe that this unequal distribution of wealth needs to be mitigated by policy makers and by governments, and that not only should we increase the wealth of those at the bottom, but sometimes, we should also focus on “*bringing down those at the top*” (Watkins & Yaron, 2016, p. 7). This can be achieved in a multitude of ways.

Suggestions on the left-leaning side of the argument to decrease this wealth disparity include a range of measures which aim at activating the ‘welfare state’, with the objective of making wealth trickle down in a substantial quantity (Chang, 2010). Some of these suggestions includes simple, straightforward policies such as an increase in minimum wage, as well as supporting and empowering unions (Watkins & Yaron, 2016, p. 7), to more

severe ones such as tax rates on more than 50% of income, enormous taxes on inheritances, considerable regulation that intends to control large corporations, salary limits on the incomes of CEOs, and political campaign regulations that aim to limit political bias towards the rich (Watkins & Yaron, 2016, p. 7). Additional pleas were made to extensively control large businesses – “considering that expropriating big private businesses will be too revolutionary for many countries, *and if avoiding bloodshed is a priority*, progressive taxation—imposing more taxes on those who reap record profits—is the only bloodless way to go” (Juan, 2017, p. 15 – emphasis by author). These corporations, it is argued, have ‘tentacles’ that reach the farthest corners of the Earth (Juan, 2017, p. 20). The authors imply that corporations can be rather antagonistic, affectively dehumanizing them, hence the use of the word *tentacles* – as if they are a creature of some sort.

Not only that, but a number of rather extreme policy approaches also exist, such as the ones brought forward in the book *Capital in the Twenty-First Century*, where the most prominent ideas for decreasing inequality are “an annual global wealth tax of up to 10 percent a year, and a self-described “confiscatory” top marginal income tax rate as high as 80 percent” (Watkins & Yaron, 2016, p. 7). 80 percent is a rather incredible tax rate. Moreover, some go *even further* in an attempt to redistribute the *entire* income of wealthy individuals, Thom Hartmann for example believes that we should simply *ban billionaires* by enacting a 100% tax on wealth that exceeds 999,999,999 USD (Watkins & Yaron, 2016, p. 7). Such severe policy ideas quite naturally make us think of the *reason behind* this intense push to fight economic inequality.

Stiglitz (2013, 2016) believes that a major cause of rising inequality is rent-seeking, the practice of using resources not for the production of goods and services but rather to convince policy-makers to introduce economic distortions that benefit special interests. Regressive taxation policies and inadequate social safety nets also contribute to rising inequality and in many countries, racial, ethnic, and gender discrimination may amplify the effects of the other factors (Troutt 2013 as cited in Wesley & Peterson, 2017, p. 6).

The root causes behind economic inequality then, according to left leaning thinkers, are deeply *structural*. An argument on the right-leaning side discusses how income inequality, as part and parcel and a natural byproduct

of the free market, may actually be *beneficial* for economic growth. However, left-leaning thinkers argue the complete opposite, and that increasing inequality proves detrimental to economic growth (Wesley & Peterson, 2017, p. 14). There seems to be numerous authors who support this viewpoint; Cingano (2014) also writes that higher income inequality results in lower economic growth. He goes on to note that attempting to reduce this inequality will improve social justice as well as lead to increased economic growth and prosperity (Wesley & Peterson, 2017, p. 14).

What's more, is that inequality may affect the political representation of individuals. Gilens (2012) writes that in the U.S., the political institution is more approachable and responsive to the rich. He does note however that those in office are indeed responsive to all their voters, but the policies implemented by them are often associated more with the preferences of the wealthy (Wesley & Peterson, 2017, p. 15). That being said, it is argued that it is imperative that political representation as well as the interests of people who have modest means be protected from the interests of those who have accumulated massive wealth. If this loop between wealth and pro-wealth policies in government is not severed, then inequality will continue to spiral out of control.

To that end, writers on this side of the debate believe that redistributing wealth is a goal in itself that policy makers should aim for. For example, the World Inequality Report for the year 2022 "reviews several policy options for redistributing wealth and investing in the future in order to meet the challenges of the 21st century" (Chancel, Lucas; et al, 2022, p. 20). The main objective of this report is to champion redistribution, and highlight the "revenue gains that would come from a modest progressive wealth tax on global multimillionaires. Given the large volume of wealth concentration, modest progressive taxes can generate significant revenues for governments" (Chancel, Lucas; et al, 2022, p. 20). Of course, according to the authors of this report, these resources, if transferred into the hands of a welfare state, would be much better invested (through social support to the general populace) than if they remained in the hand of few individuals from the private sector. And therefore, they argue, redistribution of wealth should be a top priority for governments.

The COVID-19 pandemic is also stated as being one of the main reasons behind rampant growth in income inequality. "A new billionaire has been created every 26 hours since the pandemic began. The world's 10 richest

men have doubled their fortunes, while over 160 million people are projected to have been pushed into poverty” (OXFAM, 2022, p. 8). Not only that, but the fortunes of the world’s 2,755 billionaires grew more during the pandemic than they have over the last 14 years (OXFAM, 2020, p. 10). What’s more, is that this has already been a trend over the past 25 years, where we can see that “since 1995, the share of global wealth possessed by billionaires has risen from 1% to over 3%. This increase was exacerbated during the COVID pandemic” (Chancel, Lucas; et al, 2022, p. 15). Suggestions to mitigate this problem hover around an extensive 99% windfall tax on the gains in wealth of the 10 richest men on the planet (OXFAM, 2022, p. 10). This would allegedly cover the cost of “enough vaccines for the entire world and fill financing gaps in climate measures, universal health and social protection, and (complement) efforts to address gender-based violence in over 80 countries, while still leaving these men \$8bn better off than they were before the pandemic” (OXFAM, 2022, p. 10). These solutions are often heralded as critical and time-sensitive, as well as urgently needed in order to save the lives of people living in poverty. It is also clear that thinkers on this side of the coin reject the reasoning that some governments use to justify inaction when combatting critical issues facing the poor, as governments often claim that scarcity of resources is one of the main reasons they *aren’t* taking the needed steps. “That lie died when governments released \$16 trillion to respond to the pandemic” (OXFAM, 2020, p. 14).

Another important feature in the debate is the scarcity of reliable data as well as the contradiction between international and national indices when it comes to measuring inequality. “Economic growth numbers are published every year by governments across the globe, but they do not tell us about how growth is distributed across the population – about who gains and who loses from economic policies” (Chancel, Lucas; et al, 2022, p. 10). This, of course, also translates into limited data collection ability when it comes to gender, race, and environmental impact. An improvement in data collection when it comes to income inequality could help policy makers confront this phenomenon, as thinkers on this side of the argument write that “inequality is not inevitable, it is a political choice” (Chancel, Lucas; et al, 2022, p. 11). Furthermore, inequality today in the MENA region seems to be the highest across various different regions of the world (Chancel, Lucas; et al, 2022, p. 11). This appears to

be in stark contrast with the “inequality puzzle” in the MENA region that (Assaad et al., 2018, p. 2) discuss in the literature.

3.3 Income Inequality as being Economically and Morally Irrelevant

On the other hand, the right-leaning side of the argument makes a strong case that economic inequality is simply *not morally deficient*, and *should not be confused with poverty*. Numerous thinkers and economists write about a ‘lump fallacy’, which revolves around the idea that a limited and static amount of wealth has been available since the dawn of time, and everyone has been focused on figuring out how this wealth should be divided. Nevertheless, what the enlightenment came to teach us was that “*wealth is created*” (Pinker, 2018 – emphasis by author). Therefore, wealth is not static, and that means that the global pie *is not* stagnant. Advances in technology, new inventions and human development can increase the overall wealth of humanity (Harari, 2015). Under this assumption, we have come to understand that people can become rich without pushing other people into becoming poor, “the entire global pie can grow” (Harari, 2015). Since this is the case, they argue that if income is equalized, people might feel that it is pointless to exert additional effort, innovate or take risks – which are all vital for the creation of economic growth for everyone across the board, hence increasing the overall size of the economic pie. Moreover, if this equalization in income does indeed happen, even those who receive low levels of income would be worse off – simply because their share of a larger economic pie would be much higher than their share of a significantly smaller global pie (Wesley & Peterson, 2017, p. 11). That being said, growth can be, and often is, *beneficial for everyone across the board*, regardless of the increase in income inequality, which occurs naturally.

A conclusion is thus reached; it is irrelevant that people should have the same, “what is morally important is that each should have *enough*” (Frankfurt as cited in Pinker, 2018). That being said, proponents on the right-leaning side of the argument claim that income inequality can easily go hand in hand with a society where everyone is getting richer and better off. For example, if the income of the poorest Americans is doubled, and at the same time the income of the wealthiest Americans gets tripled, income *inequality would significantly increase*, however, *everyone* will be much better off (Watkins & Yaron, 2016, p. 8). It is for precisely this reason, these thinkers argue, that the outcome of sustained economic growth has proven to be much better for everyone in society.

Some even go as far as to claim that countries that have high levels of income inequality witness larger economic growth (Conard (2016) as cited in Wesley & Peterson, 2017, p. 13). For instance, a study on the economic reforms in India that are accelerating growth and driving down poverty rates stated that “an increase in a standard measure of inequality, such as the Gini index, need not mean an increase in the proportion of people living in poverty” (Datt & Ravallion, 2011, p. 159). And if this is the case, this makes policies that aim to *only* decrease inequality actually *malign*, as they reduce economic growth and overall wealth (Wesley & Peterson, 2017, p. 13). It is also often argued that inequality is not immoral as a standalone concept, but the important question to raise is whether there is justification for it (Watkins & Yaron, 2016, p. 9). Armour (2014) admits that inequality may in fact be increasing, but claims that this simply is not important, due to the fact that society is now much better off than it previously ever was as a result of this sustained growth (Wesley & Peterson, 2017, p. 7). Some go even further and write that “*the most effective levelers of economic disparities are epidemics, massive wars, violent revolutions, and state collapse*” (Pinker, 2018, p. 120 – emphasis by author). This argument was made by Scheidel (2017), who writes that an increasing level of income inequality is quite natural in a modern society, and can only be slowed down by these four tragedies – which he calls the “4 horsemen of levelling” (Scheidel, 2017). This was also discussed by (Wesley & Peterson, 2017, p. 4).

What’s more, is that the previous experiences of certain countries when it comes to economic growth can prove to be a guiding compass in this discussion. That said, “a number of papers in the literature have found that measures of absolute poverty tend to fall with economic growth” (Montalvo & Ravallion, 2009, p. 2). As mentioned, it is *absolute* poverty, not relative poverty, that authors on the right-leaning side of the debate argue should be the focus of policy makers. For example, when looking at the case of China, who have made remarkable strides in the fight against poverty over the past 3 decades, we see that economic growth has been a main driving force behind the decrease in poverty rates. Albeit it is important to highlight that growth in certain sectors was much more effective than others, where (Montalvo & Ravallion, 2009, p. 9) highlight that in rural areas, the only growth rate that mattered for poverty reduction was that of agricultural output. In China, it seems that “it is the primary sector that has been the main driving force of China’s poverty reduction, rather than the secondary or

tertiary sectors” (Montalvo & Ravallion, 2009, p. 10). Of course, agriculture is one of the most essential primary sectors in China – given that agricultural land is relatively equitably distributed in the country, and reaches a large chunk of the population (Montalvo & Ravallion, 2009, p. 15). Similarly, in India’s trajectory towards economic growth, it has also been observed that “the sectoral pattern of growth matters to its impact on poverty... The green revolution stimulated pro-poor rural growth” (Datt & Ravallion, 2011, p. 157). This should make policy makers wonder regarding the motivation and objective of decreasing economic inequality, as well as the dangers of solely focusing on reducing it; governments and policy makers should be particularly cautious regarding their decisions.

Solutions raised by egalitarians also garnered the ire of thinkers on the right-leaning side of the debate. (Mankiw, 2013) reflects on some of the policies that were proposed to decrease income inequality, and weighs in with his opinion on them. It is best to quote him at length.

Why shouldn’t we raise the (tax) rate on high incomes to 75 percent, as France’s President Hollande has recently proposed, or to 91 percent, where it was through much of the 1950s in the United States?... From the just-deserts perspective, such *confiscatory tax rates are wrong, even ignoring any incentive effects*. By this view, using the force of government to seize such a large share of the fruits of someone else’s labor *is unjust*, even if the taking is sanctioned by a majority of the citizenry (Mankiw, 2013, p. 22 – emphasis by author).

What’s more, he argues, is that:

If a national system of taxes and transfers is designed to move resources from Palm Beach, Florida, to Detroit, Michigan, shouldn’t a similar international system move resources from the United States and Western Europe to sub-Saharan Africa? Many economists do support increased foreign aid, but as far as I know, no one has proposed marginal tax rates on rich nations as high as the marginal tax rates imposed on rich individuals. Our reluctance to apply utilitarianism at the global level should give us pause when applying it at the national level (Mankiw, 2013, p. 13).

Clearly, there is a line drawn; such extreme measures to equalize wealth would most definitely have an adverse effect on society as a whole. Being taxed 91% of one's income would beg the question – why would someone aspire to reach an income bracket that is taxed this much? What's more, it is argued, is that it is morally questionable to use the might of the state to redistribute wealth quite so aggressively. When one becomes rich via a lucky lottery ticket, or by inventing something new, or writing a best-selling book, economic inequality naturally ensues. However, it is also perfectly just. Wilkinson (2009) also hammers on this perspective, and further adds that if inequality is a result of malevolent actions, then the issue governments should try to face here is not the inequality itself, but the malevolent actions that led to the inequality (Wesley & Peterson, 2017, p. 8). In this case, *governments can identify the problem to be malicious activity, and not inequality in itself*; and it is crucial to make that distinction – governments should not aim to punish over-achievers for simply being over-achievers.

The reasoning behind this type of thinking is quite straightforward – the additional production power created by the most talented individuals is enjoyed by society as a whole. Watson (2015), Conard (2016), and Watkins and Brook (2016) raised a concern here as well. They write that the attempts to decrease inequality will have a detrimental effect to our modern economic systems which have created prosperity for a huge number of people. Conard (2016) also adds that the handsome salaries enjoyed by people at the top of the income distribution provide an incentive for people with talent to attain further skills that allow them to get there, as well as take calculated risks that in the end benefit society as a whole (Wesley & Peterson, 2017, p. 10). This claim can seem a bit questionable, but it is indeed a fact that over the past 200 years, extreme poverty in the world dropped significantly from 90% to 10% of the global population, and remarkably, half of that drop was in the last 35 years (Pinker, 2018). The GDP per capita around the world increased as well from 3,277 (2011 USD) in 1950, to 14,574 (2011 USD) in 2016 (Maddison, 2017). What's more, is that today, one hour of work can purchase more food, educational services, healthcare, clothes, and numerous luxuries as well as necessities than it previously used to (Pinker, 2018). Indeed, these thinkers push readers to concede that there have been benefits that are accrued by society as a whole.

A question then arises; what do right-leaning thinkers believe is the reason behind this left-leaning push to equalize income between individuals in society? Watkins and Brook (2016) and Azerrad and Hederman (2012) share that they believe that this discussion among the egalitarians could more precisely be described as an attack that is driven by envy towards the people who have been at the front lines of this vast economic growth. Mayer (2015) writes that a “[a] *world without wealth and income inequality is in fact a world of universal poverty*” (Wesley & Peterson, 2017, p. 10). According to these thinkers, then, not only are policies to decrease inequality fueled with envy, but they are also economically detrimental, having a reverse effect than what they intend. Moreover, some thinkers write that too much spending on social programs can seem to produce an adverse effect. (Pinker, 2018) informs us that the connection between spending on social programs and the social well-being of citizens does indeed go hand in hand, but only to a certain point. The positive correlation levels-off when approaching around 25% of social spending as a percent of GDP, and may even have downsides when much higher than that, namely that the insured can take uncalculated risks, under the assumption that insurers will cover them should they run into any challenges.

3.4 Income Inequality and Poverty in the MENA Region

In order to move from the theoretical ideas discussed above towards a more practical discussion, it is important to explore the research on poverty and inequality in the Middle East and North Africa (MENA). This is also due to the fact that “the debate on the Arab region is symptomatic of general problems encountered in international comparisons of inequality” (Achcar, On the ‘Arab Inequality Puzzle’: The Case of Egypt, 2020). Therefore, the region does not operate separately from the broader economy of the globe.

That being said, it has been mentioned in numerous instances across the literature that “the (MENA) region holds remarkably low Gini coefficients in a context of declining inequality. This contradicts the popular perception of high social inequality as a major cause of regional protests since the Arab Spring; hence the reference to a ‘puzzle’ in mainstream literature” (Achcar, On the ‘Arab Inequality Puzzle’: The Case of Egypt, 2020). A question arises here: given the low income rates in the region, why has it been swept by the Arab Spring in 2011? The answer to that question has proven difficult. However, there have been discussions of the inadequacies of the Gini index in the region, given the scarcity of data, and *even when* data is gathered, the inability of officials to accurately gauge income levels (which is an argument that could work for either side of the debate on inequality). “The debate about the reality of social inequality in the region has developed since 2011 — particularly in regard to Egypt, where income and consumption data are periodically collected by means of household surveys. Inequality measures based on this method alone, while income taxation data are inaccessible, are highly questionable and conflict with various observations and calculations based on other indicators such as national accounts, executive income or house prices” (Achcar, On the ‘Arab Inequality Puzzle’: The Case of Egypt, 2020). This provides an overview on the situation in the MENA region, where Gini rates do indeed seem to be low, but where poverty rates have also been on the rise.

Chart 1 – Gini Index in Select MENA Countries

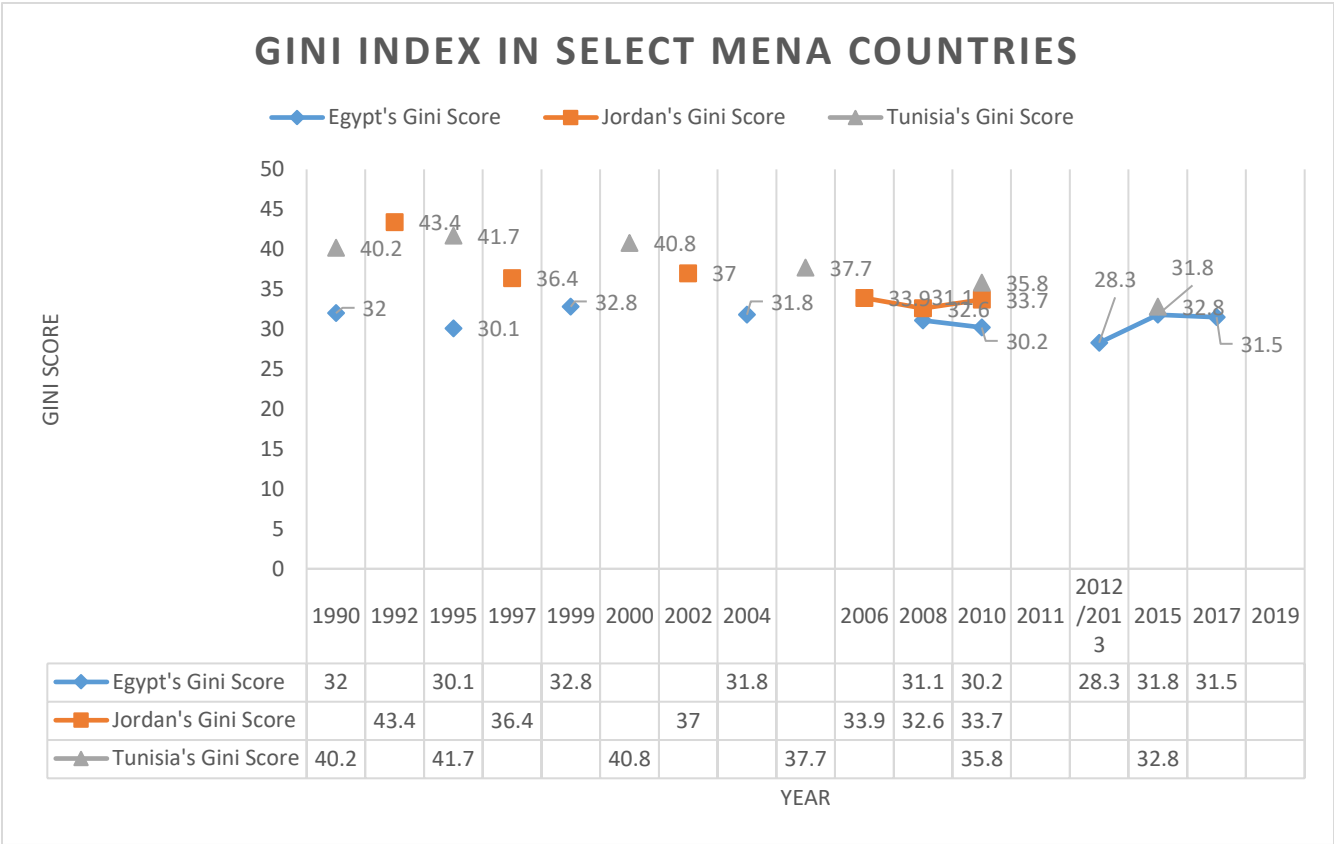


Chart created by author – based on data collected from (World Bank, n.d.), (UNDP, 2020), (Rady, 2000, p. 120) for urban Gini score, (Rady, 2000, p. 123) for rural Gini score, (World Bank, n.d.), (World Bank, n.d.)

“Globally, poverty has been decreasing since the early 1990s, but a slowdown in the rate of decline in the Middle East and North Africa (MENA) was observed even before the pandemic hit. In fact, MENA has been the only region to experience rising levels of poverty since 2013, with a dramatic increase in extreme poverty (those living on less than US\$1.90 a day) observed between 2011 and 2018, when it rose from 2.4% to 7.2%” (LOPEZ-ACEVEDO & HOOGEVEEN, 2021). This is a critical point to highlight. Income inequality has seen low levels in the region indeed, but poverty rates have been *increasing* (even prior to the pandemic). This could help explain a lot of the volatility that the region has been witnessing.

Chart 2 – Poverty Rates in Select MENA Countries

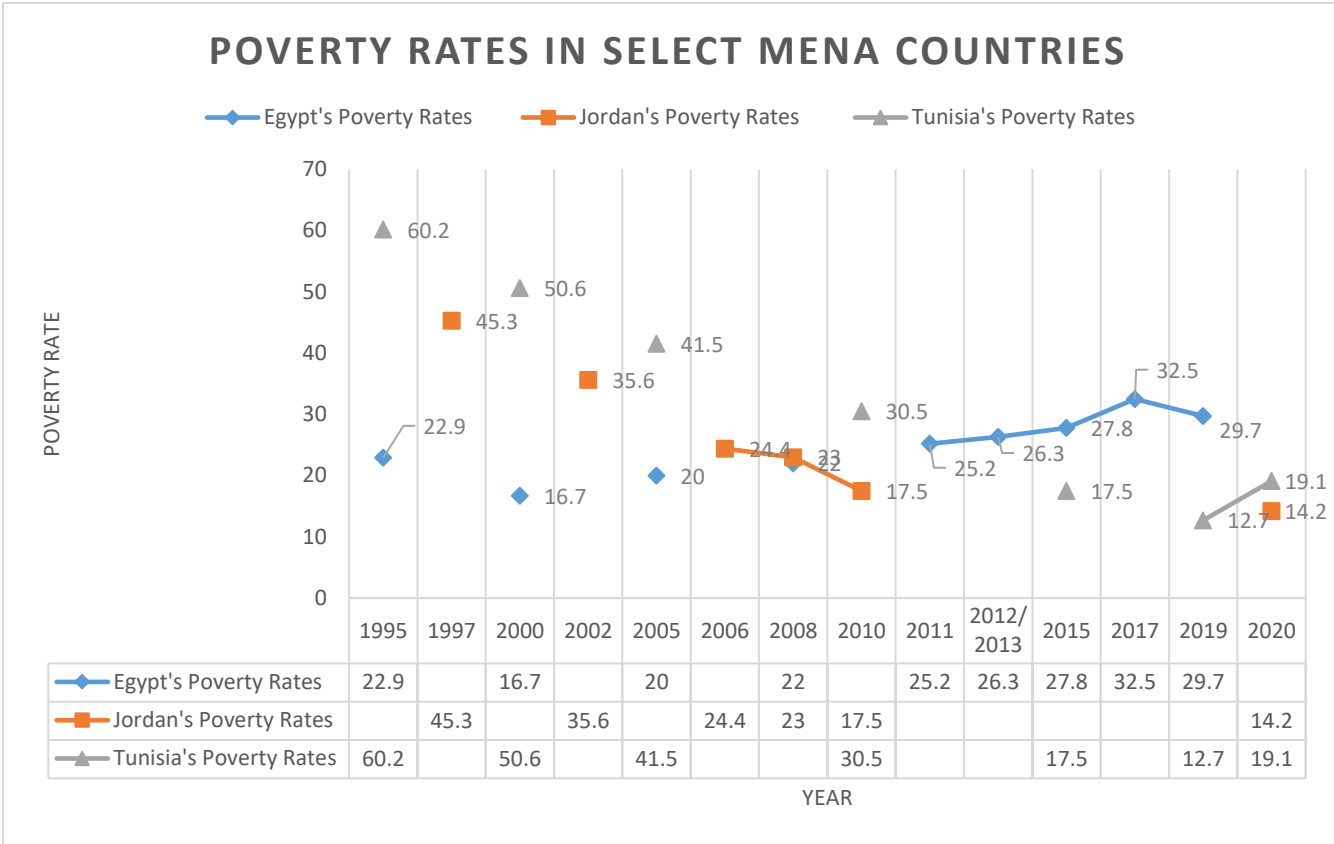


Chart created by author – based on data collected from, (Egypt Today, 2021), (Ahram Online, 2016), (Index Mundi, n.d.), (CAPMAS, n.d.), (World Bank, n.d.), (Index Mundi, n.d.), (Macro Trends, n.d.), (Statista, n.d.), (Macro Trends, n.d.).

Of course, the pandemic as well as the Russia-Ukraine war have exacerbated both issues (poverty and income inequality), where the ramifications of the lockdowns instituted by governments across the world, and especially in the region, resulted in “an unequal impact on people, often affecting the poor and vulnerable disproportionately. This is particularly worrisome, given that before the pandemic MENA was already grappling with low annual growth, high rates of unemployment, high levels of informality, low female labor force participation, a lack of quality jobs, an uncondusive business environment, food insecurity, and fragility and conflict” (LOPEZ-ACEVEDO & HOOGEVEEN, 2021). In addition to that, “the entire MENA region is particularly impacted by the conflict in Ukraine, as it is heavily reliant on grain imports from both Russia and Ukraine. The

MENA region alone is home to 20 percent of the world's food insecure population, even though it makes up only 6 percent of the global population" (Alloush & Rass, 2022). Not only that, but "studies have shown that fluctuations in oil prices (as a result of the conflict) directly impact food prices, as they affect the cost of transportation, insurance, and goods, in addition to the foods themselves" (Alloush & Rass, 2022). This may naturally result in an increase in poverty rates in the region, due to the surging inflation and declining purchasing power of households. It is important to note that the above developments have indeed severely affected countries in the region, and the predicament mentioned above resonates well with the situation in Egypt.

It seems that the debate on income inequality and how that ties to economic growth and to poverty rates is ongoing in the literature. As discussed above, one side sees income inequality in itself as a policy problem that needs to be addressed, while the other sees it as a necessary byproduct of the market economy, and should not be confused with poverty. On the theoretical level, the literature is quite rich with perspectives on both sides of the argument. However, when it comes to the theoretical as well as pragmatic debate in the MENA region at large, and in Egypt in specific, as well as the correlation between income inequality and poverty in Egypt, there seems to be a considerable gap in the literature. This research piece aims to help fill this lacuna through empirical data.

Section 4 – Contextual Framework; Honing in on Egypt:

In light of the debate mentioned beforehand, it is important to look at the history of Egypt. First, it is necessary to reflect on the tools that the Nasserist welfare state employed after president Gamal Abdel Nasser assumed power in 1954. It is indeed true that “it was only after Nasser won the power struggle against Naguib, that the Egyptian constitution of 1956 guaranteed that every citizen has the right to social security, medical care, housing, and education” (Dessouki, 1982: 60, as cited in Elsayed, 2018). In a sense, there were scattered and limited types of social programs in Egypt prior to that (under Egypt’s monarchy), but it was Nasser’s rise to power that instituted concrete social policies in the country, or what has been called “the modern welfare system” (Elsayed, 2018). What’s more, is that “these developments resulted in a flourishing welfare system that consisted of industrialisation programmes and residualist programmes (Kawamura, 2016: 88 as cited in Elsayed, 2018). The attempt to decrease the wealth disparity in Egypt during Nasser’s leadership was evident.

However, there are resources in the literature that touch upon how harmful a significantly narrow push to fight wealth inequality can be – and how an aggressive push to redistribute wealth can result in creating *even more* poverty. In the case of Egypt during Nasser’s era, a push to solely decrease economic inequality did indeed result in significantly inflating poverty, compromising the economy, as well as violating people’s incentives and rights (Brooke & Koehler-Derrick, 2020). There is research that shows that an “unintended side effect of Egypt’s canonical post-1952 land reforms was to spatially consolidate poverty in formerly ‘izba-dense areas” (Brooke & Koehler-Derrick, 2020, p. 22). It is quite intriguing to see that the policies enacted did not ‘redistribute’ wealth as projected, rather they pulled down those at the top of the income bracket, *as well as those at the bottom*. This line of thought can be best explained through an interview with an Egyptian farmer: ““If I had not taken *Islah* land (land distributed as part of Nasser’s reforms), it would have been better for me. I would have been working as a laborer for 4 pounds daily” (cited in (Saad 1989, 75))” (Brooke & Koehler-Derrick, 2020, p. 23). This forceful land reform, for example, caused numerous social problems, in addition to resulting in the ruin of large swathes of agricultural land in Egypt due to the often overwhelming responsibility to operate this newly acquired land. Nasser did indeed make grassroots reforms by simply confiscating and redistributing land, and as a result, progress when

it comes to reducing inequality was quite tangible throughout the 1970s (ElGindi, 2017, p. 125). To further supplement this point, it has been mentioned in the literature that “nationalizations and land sequestrations under Nasser, along with the capping of top incomes in the public sector, ‘have been more effective in equalising incomes than any system of progressive direct taxation could have achieved under a system of pure “laissez-faire”” (Achcar, On the ‘Arab Inequality Puzzle’: The Case of Egypt, 2020). However, “the result is the pattern of landowning but asset-poor families that appears in our data” (Brooke & Koehler-Derrick, 2020, p. 22). Poverty, remarkably, was actually *consolidated*. Instead of economically empowering the novel occupants of the lands, and allowing them to utilize their newly acquired asset to reap the fruits of the market, it shackled them to a situation that was not unlike the one they had merely gotten out of (Brooke & Koehler-Derrick, 2020, p. 24).

Following the Nasser-era in Egypt, President Anwar El Sadat assumed office in 1970, where he began a series of economic reforms that are often dubbed the ‘*Infitah*’, or the ‘open door’ policies (Mohamed & Stanek, 2021). This economic trajectory essentially adopted the free-market as its main driver (versus the centrally planned economy designed by Nasser). This meant that the Egyptian government utilized “policy to reduce state welfare spending and expand the private sector through state support and foreign direct investment” (Mohamed & Stanek, 2021). This neoliberal approach was also embraced by Hosny Mubarak, who came to power in 1981. Of course, and consistent with the literature, these free-market reforms brought with them “increased social inequality in several ways” (Mohamed & Stanek, 2021), as well as a lesser degree of welfare spending. However, it is often argued that these periods also witnessed considerable economic growth, where due to Sadat’s *Infitah* policies, Egypt saw a staggering GDP growth rate of 13.3% in 1976 (World Bank, 2020). This is in addition to the “very prolonged growth phase since the late 1980s and between 1996 and 2010 (where) the country enjoyed growth rates above 5 percent including peaks of over 7 percent between 2006 and 2008” (Verme, et al., 2014, p. 1).

What’s more, is that prior to the 2011 Egyptian uprising for example (where one of the main demands of the uprising was social justice), and in contrast with general perceptions, there were modest (as well as declining) levels of inequality in the country (according to the Gini index). This has led to what some have dubbed the “MENA

inequality puzzle” (Assaad et al., 2018, p. 2). As mentioned, these levels of inequality are heavily dependent on the Gini index. The Gini index and its accuracy in Egypt has therefore been questioned. However, this paper will rely on the Gini index as the main tool to measure inequality (versus other measurement tools that will also be mentioned in the research methodology section). This is due to the fact that “the most commonly used measure of inequality is the Gini coefficient which can take values from zero (perfect equality in which everyone has the same income or wealth) to one (perfect inequality in which one person has everything while everyone else has nothing)” (Wesley & Peterson, 2017, p. 4). That being said, there have indeed been attempts at identifying a more precise methodology to calculate inequality in the region. For example, “Van der Weide, Lakner, and Ianchovichina (2016) attempt to get around missing top incomes by looking at data on house prices. Their method raises the index by 11 Gini points, from 0.36 to 0.47, so they conclude that estimates based on household surveys have a downward bias” (Assaad et al., 2018, p.2). An 11 points gap is significant, and may have numerous ramifications. What’s more, is that having relatively low levels of income inequality is an irregular trend for countries that are witnessing high growth rates (Verme, et al., 2014, p. 1). Moreover, one of the reasons behind the social upheaval in 2011 may be a lack of equality of opportunity (embodied in low-quality public education and healthcare), which also resonates well in the country, as is often discussed. “Narayan et al (2018) show that income mobility—earning more than the previous generation—is much lower than achievement in educational mobility would suggest in Egypt, along with Morocco and Tunisia” (World Bank, 2019, p. 3). However, it is also interesting to note that Egypt *does not* have a remarkably high level of inequality of opportunity, as stated by (Assaad et al., 2018, p. 2). To further complement Assaad’s argument, it can be noted that “Egypt’s Gini is just over 0.3, which is low by international standards. It is even low by the standards of the rest of the countries in the Middle East and North Africa... This will come as a surprise to many Egyptians” (Van der Weide, Lakner, & Elena, 2018). This leads to questions regarding the correlation between the uprising and income inequality & poverty. It is quite clear that there are “puzzling aspects of contemporary Egypt, namely the apparent mismatch between income inequality measured by Household Income, Expenditure and Consumption Surveys (HIECS 2000, 2005, 2009) and the perception of income inequality measured by the World Values Surveys” (Verme, et al., 2014, p. 5).

Further to the above, in 2013, which was a year that had seen serious uncertainty in Egypt, the Gini stood at 0.30, which is “the lowest value ever estimated in Egypt” (Verme, et al., 2014, p. 2). These numbers are similar to those of developed OECD nations, and are considerably lower than the Gini of the United States for example (Verme, et al., 2014, p. 4). This indeed entails a paradox. What’s more, is that in Egypt, inequality in urban areas is much higher than in rural areas (which isn’t uncommon, given that in rural areas societies tend to be more egalitarian) (Verme, et al., 2014, p. 5). But this isn’t cause for celebration, because while these villages do indeed have low levels of inequality, they also have alarmingly high levels of extreme poverty (Verme, et al., 2014, p. 9). Interestingly, in Egypt, “social class is more important than incomes in explaining dislike for income inequality” (Verme, et al., 2014, p. 7). There also seems to be a reverse correlation between dislike for inequality and trust/religious practice of an individual (Verme, et al., 2014, p. 7).

Furthermore, and similar to the arguments made on the right-leaning side of the theoretical debate, “factors such as higher employment and higher education which are standard objectives of poverty reduction strategies are found to reduce poverty but increase inequality” (Verme, et al., 2014, p. 10). This means that economic growth that is pro-poor, which will naturally be accompanied by increased income inequality, is often argued to be “a legitimate goal that should be pursued. Policies adopted to achieve this goal must also encompass providing incentives to promote investments in areas that are geographically nearby these (poor) villages to avail more and better jobs in private sector establishments” (Verme, et al., 2014, p. 10). Certainly, reducing poverty in Egypt may therefore require a surge in inequality (Verme, et al., 2014, p. 11). It is rather curious, that (Verme, et al., 2014, p. 11) argue that the reason behind the low levels of inequality in the country can be explained by the fact that *there is widespread poverty* (similar to what thinkers on the right-leaning side of the argument claim), rather than the economy equitably distributing resources. “This is in line with the idea that, at very low levels of incomes, an increase in inequality may signal an improvement in overall living conditions while very low levels of inequality may simply signal widespread poverty” (Verme, et al., 2014, p. 11).

It is quite clear that the literature on the topic is rather divisive. With that being said, and when exploring the literature, research on the effect of income inequality on poverty in Egypt (and the link between them) remains

scarce. This paper will aim to fill this lacuna – with the objective of trying to motivate policy makers to focus their efforts and priorities on the more pressing issue. The author has attempted to do that through exploring the notions and theoretical ideas found in the literature, and applying them to the Egyptian context. It has sorted through the data in order to explore (in the case of Egypt) if and how inequality and poverty relate to one another. It has also looked at the effects of political disturbances and social uncertainties on the levels of inequality and poverty rates in the country. Does the viewpoint of the right-leaning side of the argument apply when looking at Egypt? Or is the situation more tilted to be seen from the viewpoint of the left-leaning side? Finally, the paper has provided policy makers with concrete policy recommendations that take into consideration the points mentioned above, honing their focus on the priority area that the empirical data has pinpointed.

Section 5 – Research Methodology:

This researcher utilized a mixed-methods approach to explore income inequality and poverty when it comes to Egypt. This approach was chosen for two reasons. First, the macro-level data captured by quantitative methods is believed to be best suited to analyze, understand, and then generalize findings, especially when the research question aims to search for answers on such a conceptual, as well as national, level. Second, the qualitative research was utilized to supplement the findings of the quantitative pursuit, and will shed further light on the stance of a select number of policy makers and policy influencers in Egypt when it comes to the issue of income inequality and poverty in the country. The research will also explore how these concepts link together, and which of them should be a priority to address, if any. This is similar to the methodology used by (Achcar, 2020), albeit with a main difference – he used qualitative data (content/narrative analysis of secondary data) from a number of papers as well as reports by international organizations such as the United Nations Development Programme (UNDP) and the World Bank, while this paper uses primary data gathered through semi-structured in-depth interviews. This approach should aid in further understanding the inner workings of the current policy direction in Egypt, as described by incumbent policy makers and policy influencers in Egypt – as well as the main thought process behind this direction.

5.1 Quantitative Methodology and Data

Part of the **quantitative data** that was utilized in this research was obtained from various sources such as the World Bank and the Central Agency for Public Mobilization and Statistics (CAPMAS), in order to plot poverty rates in Egypt, and how they have changed over time. This has also been interwoven with data on income inequality, which has been gathered from the UNDP using the Gini coefficient indicator. There are indeed other tools that may be used to measure inequality, such as Atkinson's index, the Hoover index, and the Theil index (UN, 2015). However, this research piece will use the Gini index as it is the "It is the most widely cited measure of inequality" (UN, 2015). Moreover, data from the World Bank was leveraged in order to capture Egypt's economic growth rate, which was then compared to levels of income inequality using the Gini, in order to identify the relationship between both. This is fueled by the fact that numerous authors on the right-leaning-side of the literature argue that income inequality increases alongside economic growth, which is in stark contrast with left-leaning thinkers, who argue the complete opposite. Another indicator that was utilized was the Human Development Index (HDI), which is also published by the UNDP – and was leveraged in an attempt to measure the effect of the said inequality on the HDI. The author estimates that a decrease in income inequality may not always bode well for the economy or the population of Egypt, and may be an indicator of rising, ubiquitous poverty rates.

Finally, and building on (ElGindi, 2017) who used Egypt's Labour Market Panel Survey (ELMPS), this research will leverage on Egypt's Household Income, Expenditure and Consumption Surveys (HIECS) for the year 2017/2018, in order to explore the correlation between a number of variables and how they affect household income. "Data on income distribution in Egypt since the early 1990s are mainly based on ... (HIECS) published by the Central Agency for Public Mobilization and Statistics (CAPMAS)" (ElGindi, 2017, p. 128). The Economic Research Forum (ERF) publish the harmonized version of this data. It must however be mentioned that (ElGindi, 2017) added that comparison between the HIECS over a number of years may at times be unreliable, and so the researcher used only *one* data set, which is for the year of 2017/2018, as it is the most updated data set available.

Analyzing the data then ensued. Building on the identified correlations between indicators, I will first use descriptive analysis tools to illustrate the relationships between the data collected from the numerous sources

mentioned above. I will also use 'STATA' (a statistical software) to analyze the HIECS data set and the relationship between the variables in the aforementioned data set. I will run a multiple linear regression model with total household income as the dependent variable (Y). A number of different regressions using several variables will be conducted in order to perform a robustness check, in effect ensuring the correlation between certain variables in the household with the household's income level. The research will therefore explore how a number of variables may influence household income. Some of these variables are: sources of income, level of education, type of dwelling, gender of head of household, marital status of head of household, main activity of the head of the household, sector of employment, observations on some utilities available in the household, such as a computer, a microwave, refrigerator, etc... The idea is to explore to what extent these variables affect total household income.

The HIECS 2017/2018 data set contained 12,485 observations – meaning 12,485 households. Given that the research is interested in the income of households with employed heads, the researcher dropped all observations of heads of the household whom are outside the labor force (including heads that are unemployed, housewives, students, pensioners, retired, have disabilities, or 'others'), as well as limited the model to cover households that have heads aged 18-60 (or working-age). The heads are therefore either employers, employees, or self-employed. The data set was thus filtered to become a total of 7,871 observations – which were then utilized to run the statistical model. Naturally, given the cultural reality in Egypt, this model is almost exclusively targeted to male heads of the household, where out of the 7,871 observations available, 7,503 households are headed by males.

5.2 Qualitative Methodology and Data

The **qualitative data** on the other hand includes **six in-depth semi-structured interviews**, undertaken from February 2022 to April 2022 with policy makers and policy influencers in Egypt. One interview was held with the Egyptian Ministry of Finance (MoF), given that they are mandated with implementing and overseeing taxation policies in Egypt as well as have an economic justice unit that is tasked to work on poverty, inequality and social security. One interview with the Ministry of Social Solidarity (MoSS), as they are assigned to work on tackling poverty and increasing social mobility in Egypt. Two interviews have been conducted with employees of the World Bank (WB), who are in positions to support/guide Egyptian policy makers in their taxation, redistribution as well as social policies. And finally, two interviews have been completed with representatives from the Micro, Small, and Medium Enterprise Development Agency (MSMEDA), which is a quasi-governmental organization that has been established with the aim of the social development, as well as the poverty alleviation of Egyptian citizens through supporting micro, small as well as medium enterprises. These organizations were selected due to their relevant mandates to the topic at hand, and in order to explore the general direction, strategy and rhetoric that policy makers and policy influencers are more geared towards, as well as the policies that they are planning on implementing (or have already implemented) when it comes to income inequality and poverty. The selection of the interviewees was done through a snowballing technique, where each interviewee further recommended other informants for this research piece. The interviews explored if policy makers and policy influencers are more focused on a progressive welfare state that aims to redistribute wealth, or if their attention is geared towards the objective of fighting poverty, as well as the conceptual reasoning behind these stances. What's more, is that the discussion further delved into the current as well as the suggested policies that aim to decrease the priorities defined by them. The interviews have been conducted through a variety of methods; face to face, on the phone, as well as via virtual meeting software (given the situation with COVID-19). An interview guide for all the interviews can be found in the appendix of this research piece. The interviews were conducted in Arabic, and have been translated into English by the author as they were being transcribed verbatim. It is important to note that the

positions of these interviewees inside their respective organizations have been kept confidential due to the sensitive nature of the topic discussed.

With regards to the qualitative data, the analysis has been done through a coding exercise conducted on the transcripts of the in-depth interviews in order to identify common themes between respondents. The researcher was then better suited to formulate an argument on the relationship between income inequality and poverty in Egypt, where this sample of policy makers stand on this contentious issue, what policies they believe are currently addressing poverty, as well as what more can be done. The emerging themes can be found in the findings section.

Naturally, there are ethical considerations as well as limitations for this research. First, and in order to mitigate any ethical issues that may arise, the researcher has obtained approval from the American University in Cairo's (AUC) Institutional Review Board (IRB) *before* conducting any in-depth interviews. This is in addition to the fact that due to the sensitive nature of the topic, all identities of the interviewees are strictly confidential, and all recordings (if available) will be destroyed 3 years after the thesis is complete. Moreover, the researcher has shared the final transcript with the interviewees in order to ensure that all responses are indeed captured in the transcript exactly as intended. Secondly, the limitations of the research can be found in the notion that correlation might not necessarily mean causation, especially when it comes to the relationship between income inequality and poverty. With regards to the in-depth interviews, we must also accept that the responses received have not been considered to be indicative of the entire Egyptian government's stance on income inequality and poverty. However, this research aims to find a correlation between the results found in the literature on the topic, as well as in the primary data that has been analyzed (both quantitatively and qualitatively). Finally, it is important to mention that the researcher is interested in the conceptual understanding and the numerous perspectives on the phenomenon of income inequality and poverty as viewed by the interviewees, and so the in-depth interviews contain no bias in analysis and interpretation, and have been coded and analyzed accordingly.

Section 5.3 – Limitations

It is important to note that the most recent HIECS data available is for 2017/2018. This means that there may have been changes in the household structure in Egypt since then, especially given the COVID-19 shock and the Russia-Ukraine war, as well as the severe challenges that are currently facing the global, regional and local economy. What's more, is that in a lot of instances in this research, correlation may not necessarily mean causation – but one cannot ignore the connection between income inequality and poverty. Additionally, the quantitative data used in the HIECS covered the head of household, and not every individual in the household (due to limitations on the availability of data regarding the income for every individual). Finally, when it comes to the qualitative data utilized; 6 in-depth interviews may not serve to provide a comprehensive overview regarding the perspectives of policy makers and policy influencers in Egypt. What's more, is that the researcher focused on conducting interviews with informants in the abovementioned positions given that the purpose of the interviews is to explore the stance and position of policy makers and policy influencers in Egypt. That said, the interviews did indeed provide significant insights into the viewpoints of the interviewees, as well as the institutions they represent. They have also been incredibly resourceful, and uniquely informative.

Section 6 – Findings:

6.1 Descriptive Analysis

Chart 3 – A Glimpse at Poverty, Inequality, Economic Growth & Human Development in Egypt

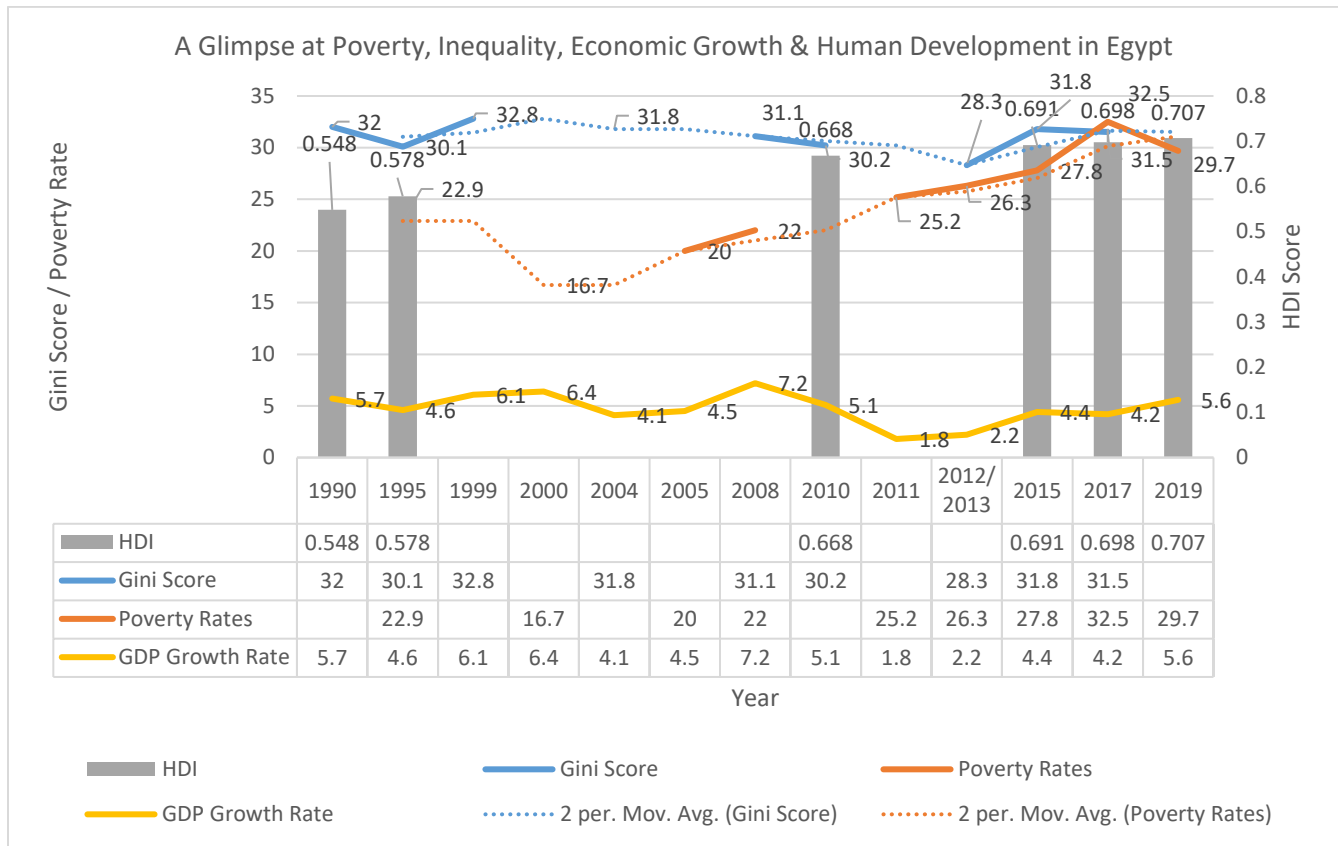


Chart created by author – based on data collected from (World Bank, n.d.), (UNDP, 2020), (Rady, 2000, p. 120) for urban Gini score, (Rady, 2000, p. 123) for rural Gini score, (Egypt Today, 2021), (Ahram Online, 2016), (Index Mundi, n.d.), (CAPMAS, n.d.), (World Bank, n.d.).

Chart 1 was created with the purpose of exploring the relationship between poverty rates in Egypt, and the country’s inequality score as per the Gini index. This was also contrasted with Egypt’s HDI score, and the country’s economic growth, in order to understand where these indicators stand when it comes to the quality of life of Egyptian citizens, as well as how this relates to the growth of the country’s economy. However, it is important to note that the data used to chart this graph was obtained from different sources, due to the fact that

obtaining them from a single source proved to be rather difficult. This can result in a discrepancy in interpretation, and therefore should be mentioned.

Another data set used was the 2017/2018 HIECS, which was retrieved from the Economic Research Forum (ERF). Below is a summary of the variables used in the data set and in the regression.

Table 1 – Summary of Variables Used in Statistical Regression

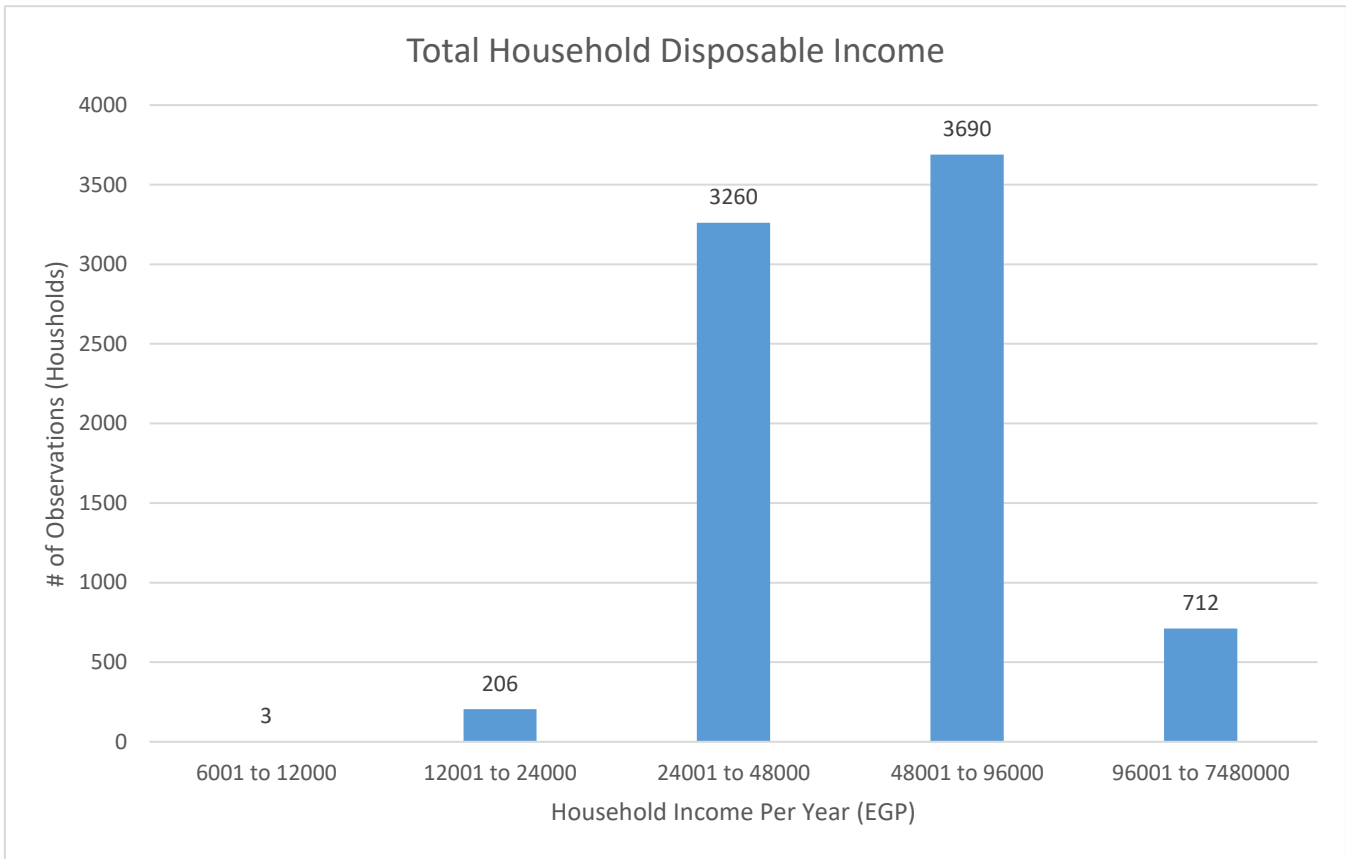
Variable	Observations	Mean	Std. Dev.	Min	Max
Total Household Disposable Income – 'totdinc' – Dependent Variable	7871	60843.86	97593.87	11003	7480000
Urban Dwelling – 'rururb'	7871	0.4209122	0.4937369	0	1
Number of Earners in Household – 'earn'	7871	1.668657	0.9251435	1	9
House has Electricity – 'elect'	7871	0.994664	0.0728577	0	1
House has Telephone – 'telph'	7871	0.9904714	0.0971548	0	1
House has Computer – 'computer'	7871	0.2732817	0.4456726	0	1
House has Internet – 'internet'	7871	0.2840808	0.4510041	0	1
House has Refrigerator – 'refrg'	7871	0.9750985	0.155835	0	1
House has Cooker, Stove, Oven, etc... – 'cooker'	7871	0.9874222	0.1114504	0	1
House has Microwave – 'microwave'	7871	0.0533604	0.2247655	0	1
House has Washing Machine – 'wash'	7871	0.9710329	0.1677247	0	1
House has Dishwasher – 'dshwsh'	7871	0.0087664	0.0932235	0	1
House has Heater – heater'	7871	0.0628891	0.2427788	0	1
House has Water Heater – 'waheat'	7871	0.5823911	0.4931963	0	1
House has Sewing Machine – 'sewing'	7871	0.0221065	0.1470392	0	1
House has Vacuum – 'vacuum'	7871	0.1913353	0.3933774	0	1
House has Iron – 'iron'	7871	0.7004193	0.4581035	0	1
House has other Durables – 'odur'	7871	0.1298437	0.3361528	0	1
Age of Head of Household – 'agehd'	7870	44.54816	8.667868	18	60
Head not Educated – 'HeadNotEducatd'	7871	0.2859865	0.4519117	0	1
Head Earned Secondary Education – 'SecondaryEducation'	7871	0.3657731	0.4816769	0	1
Head Earned Post-Secondary Education – 'PostSecondaryOrEquip'	7871	0.0437047	0.2044503	0	1
Head Earned University Education – 'UniversityEducation'	7871	0.1452166	0.3523415	0	1
Head Earned PostGraduate Education – 'PostGraduate'	7871	0.0073688	0.0855304	0	1
Type of Dwelling (House in Countryside) – 'dwltyp'	7871	0.1793927	0.3837052	0	1
Type of Dwelling (Villa) – 'dwltyp'	7871	0.0013975	0.0373599	0	1
Type of Dwelling (Apartment) – 'dwltyp'	7871	0.7633083	0.4250784	0	1

Type of Dwelling (Numerous Apartments) – ‘dwltyp’	7871	0.0147376	0.1205085	0	1
Type of Dwelling (One or More Separate Room) – ‘dwltyp’	7871	0.0097827	0.098429	0	1
Type of Dwelling (One or More Room in House) – ‘dwltyp’	7871	0.0309999	0.1733283	0	1
Occupation of the Head of the Household (Legislators) – ‘occdhd’	7871	0.0489137	0.2157014	0	1
Occupation of the Head of the Household (Professionals) – ‘occdhd’	7871	0.1095159	0.3123053	0	1
Occupation of the Head of the Household (Technicians and Associate Professionals) – ‘occdhd’	7871	0.0752128	0.2637512	0	1
Occupation of the Head of the Household (Clerks) – ‘occdhd’	7871	0.0700038	0.2551696	0	1
Occupation of the Head of the Household (Service Workers & Shop Salespeople) – ‘occdhd’	7871	0.2098844	0.4072518	0	1
Occupation of the Head of the Household (Plant and Machine Operators) – ‘occdhd’	7871	0.1172659	0.3217573	0	1
Occupation of the Head of the Household (Elementary Occupations) – ‘occdhd’	7871	0.0381146	0.1914851	0	1
Industry of the Main Job of the Head (Agriculture and Fishing) – ‘indhhd’	7871	0.1635116	0.3698553	0	1
Industry of the Main Job of the Head (Manufacturing) – ‘indhhd’	7871	0.1298437	0.3361528	0	1
Industry of the Main Job of the Head (Electricity and Utilities) – ‘indhhd’	7871	0.0223606	0.1478626	0	1
Industry of the Main Job of the Head (Construction) – ‘indhhd’	7871	0.1135815	0.3173224	0	1
Industry of the Main Job of the Head (Commerce) – ‘indhhd’	7871	0.135688	0.3424787	0	1
Industry of the Main Job of the Head (Transportation, Storage and Communication) – ‘indhhd’	7871	0.1323847	0.3389301	0	1
Industry of the Main Job of the Head (Financial, Insurance and Real Estate) – ‘indhhd’	7871	0.0068606	0.0825495	0	1
Industry of the Main Job of the Head (Public Administration) – ‘indhhd’	7871	0.1168848	0.3213033	0	1
Industry of the Main Job of the Head (Other Services) – ‘indhhd’	7871	0.1738026	0.3789637	0	1
Source of Income (Household Business) – ‘incs’	7871	0.2627366	0.4401485	0	1
Source of Income (Salaries and Wages) – ‘incs’	7871	0.6847923	0.4646281	0	1
Source of Income (Other) – ‘incs’	7871	0.0007623	0.0276009	0	1
Marital Status (Never Married) – ‘marthd_d’	7871	0.0151188	0.1220332	0	1

Marital Status (Married Head) – ‘marthd_d’	7871	0.9313937	0.2527995	0	1
Marital Status (Married Polygamous) – ‘marthd_d’	7871	0.0035574	0.0595412	0	1
Marital Status (Divorced) – ‘marthd_d’	7871	0.0133401	0.1147337	0	1
Marital Status (Widowed) – ‘marthd_d’	7871	0.0337949	0.1807125	0	1
Number of People in Household – ‘hnum’	7871	4.845001	1.588431	1	15

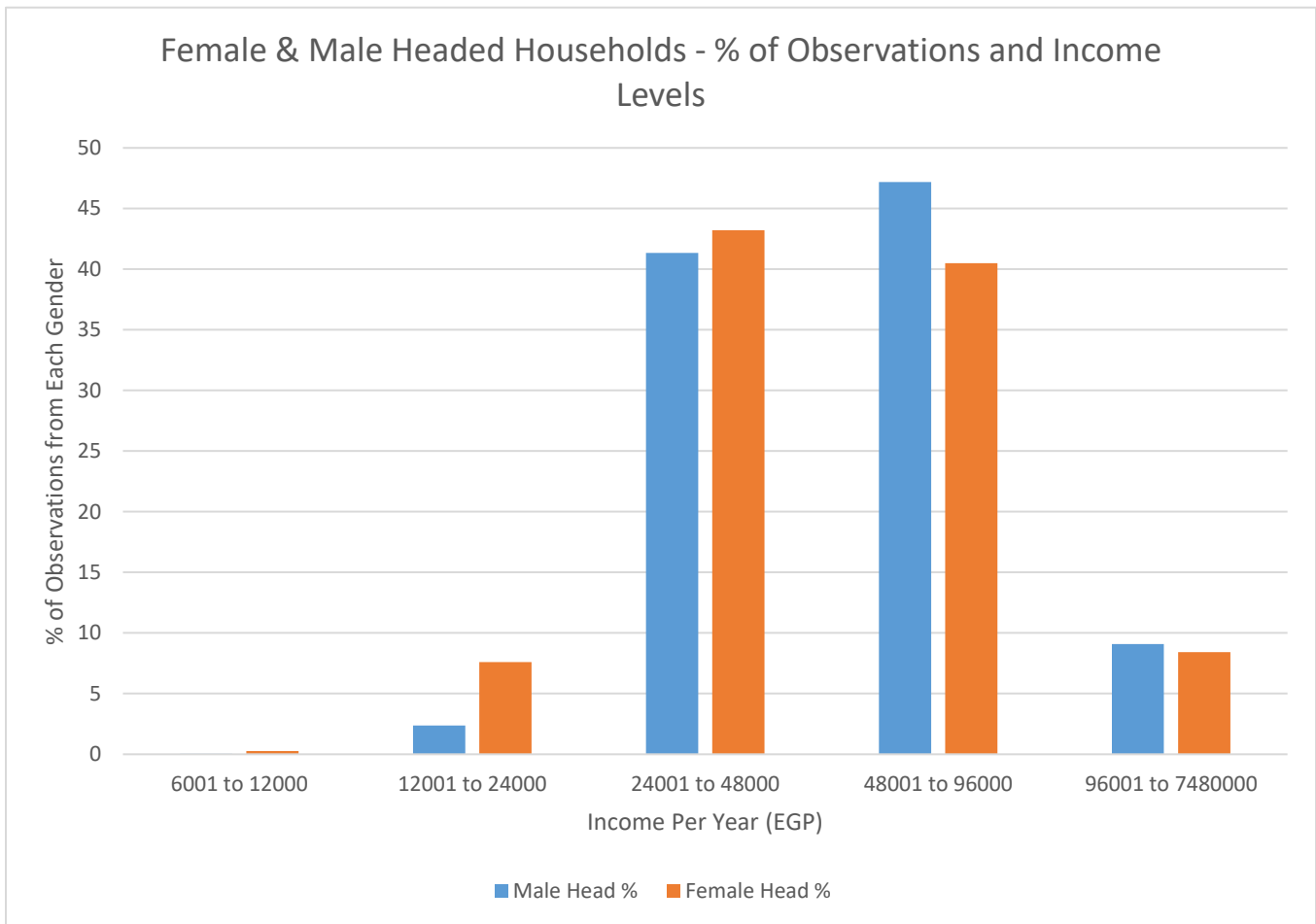
The researcher has formulated a chart for the data that compartmentalizes income levels of the household into 5 levels. The first and second levels of income for the household range from 6,001 EGP to 12,000 EGP per year, and 12,001 EGP to 24,000 EGP per year, respectively. These two levels are observed as households that live in extreme poverty. The third income strata, which includes households earning from 24,001 EGP to 48,000 EGP per year, will be considered households living under poverty and households that have low income. This is given CAPMAS’ poverty threshold of 8,282 EGP per year per individual (Egypt Today, 2019), meaning that a household of 4 individuals would fall right in the middle of this income category. The fourth income strata ranges from 48,001 to 96,000 EGP and households earning that will be considered middle to high income, and finally the fifth income level ranges from 96,001 EGP to 7,480,000 per year, and will be considered high income. The distribution of incomes, when plotted on a graph, seems to be consistent with the literature, and show a normal distribution (a bell shape).

Chart 4 – Household Income Levels



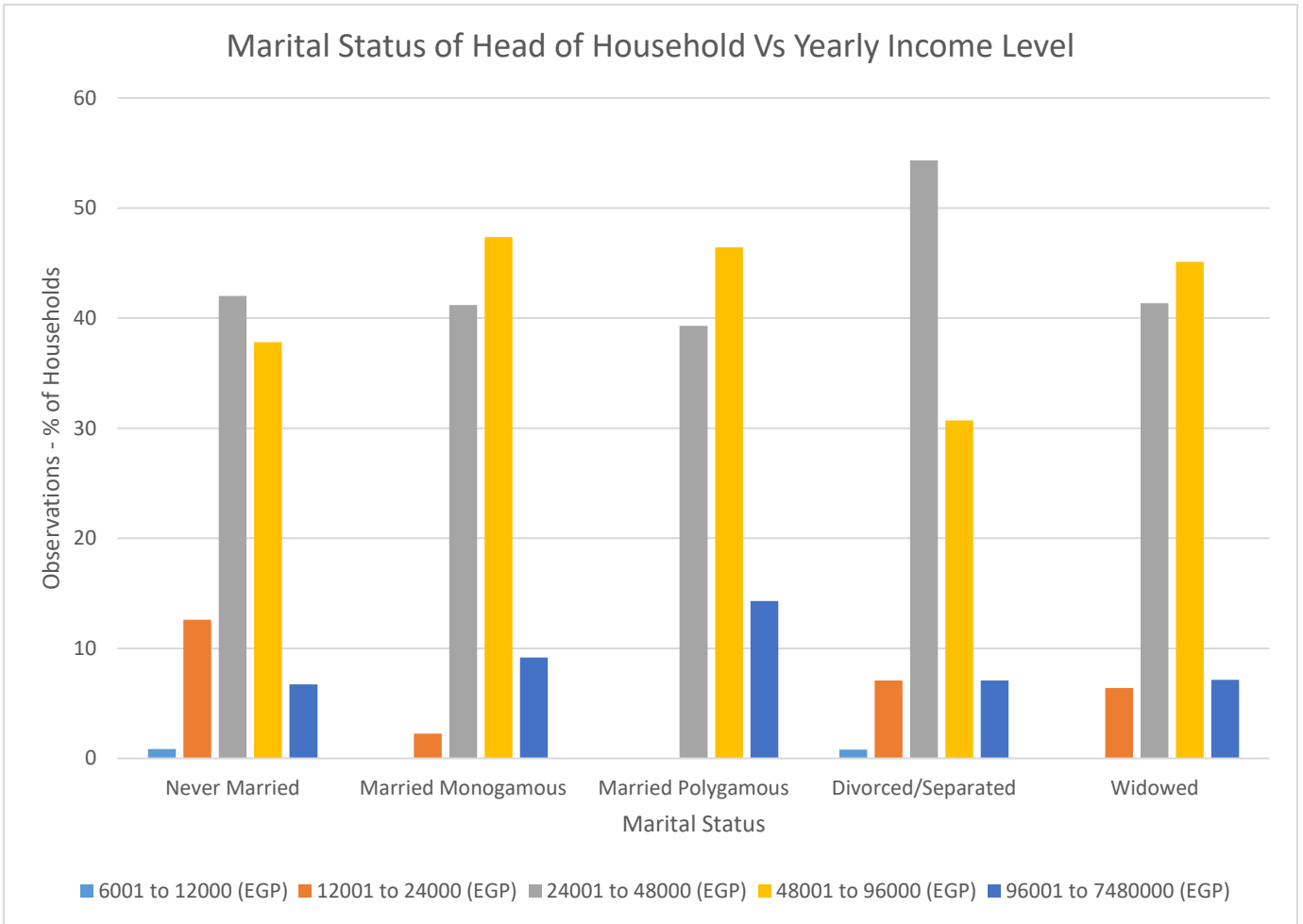
Another interesting observation is when household income levels are disaggregated by gender. As shown in the figure below, when the head of the household is male (which is the case in more than 95% of the observations in this sample), the income of the household tends to move towards the middle as well as high-income distributions. However, when the head of the household is female, the income of the household tends to shift towards the middle and low-income distribution. This tells a compelling story when it comes to female-headed households, and can serve to inform policy makers to empower women economically.

Chart 5 – Female & Male Headed Households In Relation to Income Levels



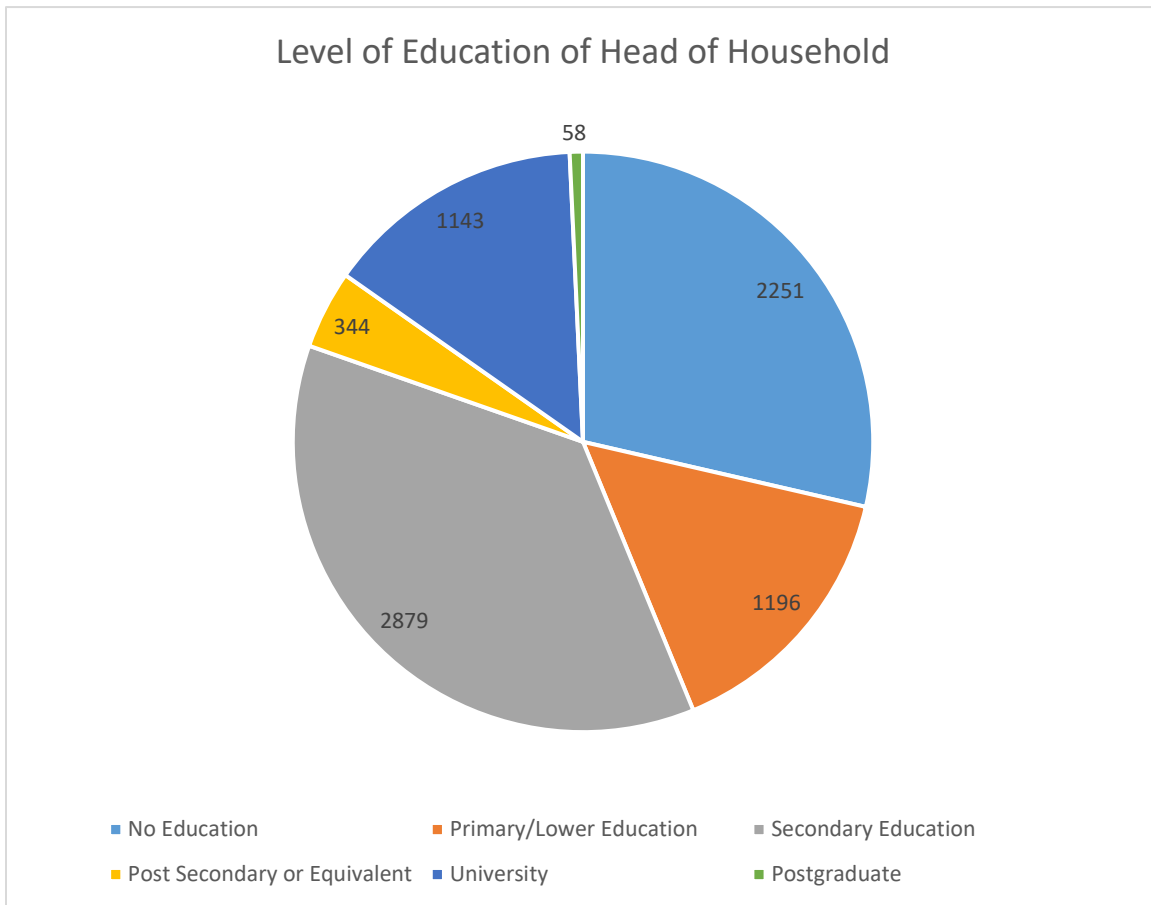
Additionally, when it comes to the marital status of the head of the household, as depicted below, findings show that households that have married heads tend to have higher incomes. It also seems that heads of households that have never been married, and those who are divorced, separated or widowed, are more prone to having lower incomes in comparison to married heads. A likely explanation may be that in households where the head is married, there is the possibility of having an extra income stream from the head's partner.

Chart 6 – Marital Status of Head of Household in Relation to Yearly Income Level



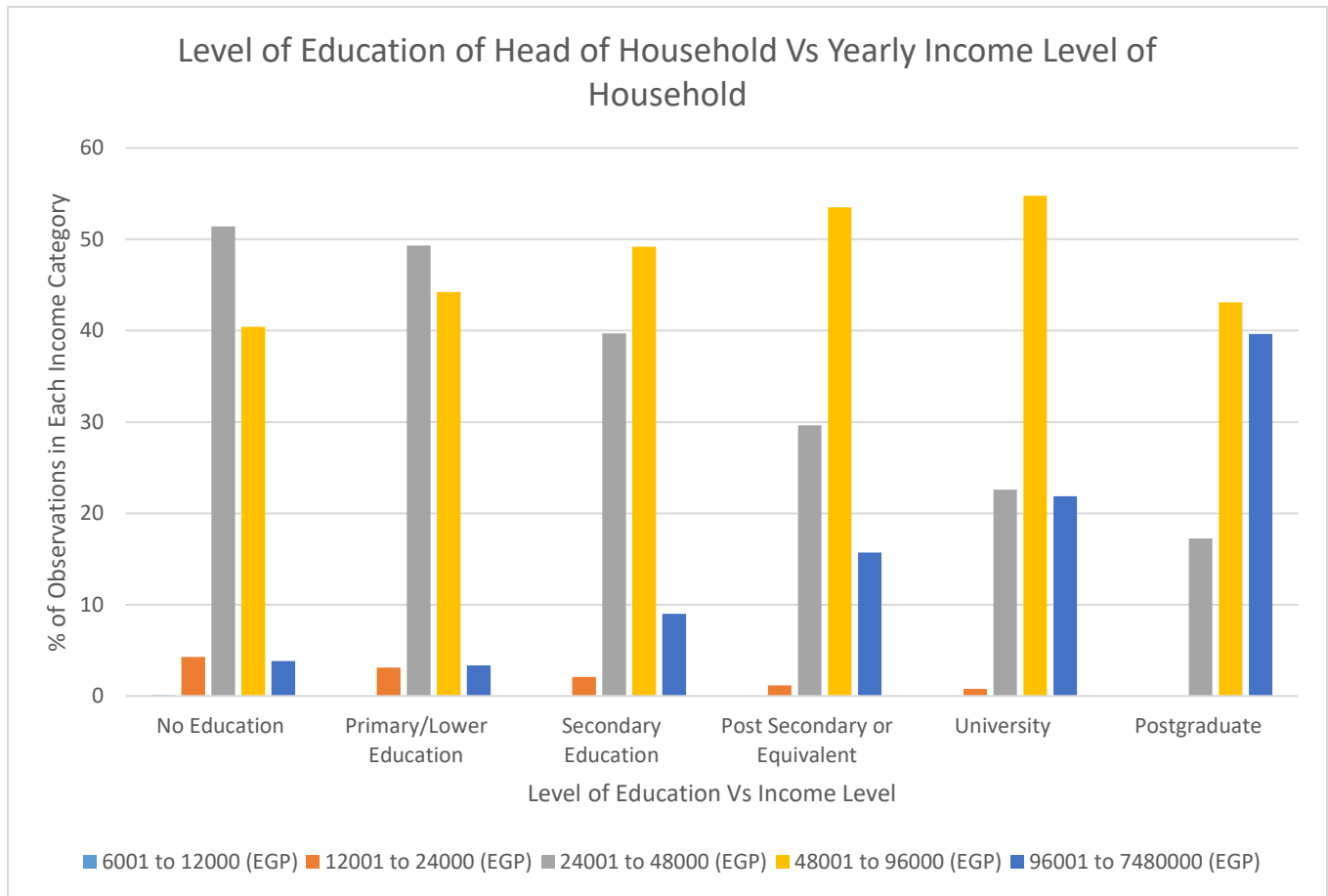
The level of education of the head of the household also seems to have significant impact on the income level of the household, which is strongly in line with the literature on the topic. The below pie chart showcases the level of education of the head of the household in the sample studied for this research, where the most common level of education achieved is secondary education, followed by heads that have had no education. Additionally, the least common level of education attained is that of heads of households that have obtained postgraduate degrees.

Chart 7 – Level of Education of Head of Household



What’s more, as shown clearly in the chart below, is that the higher the level of education, the higher the income levels of the household. This helps formulate a solid argument when it comes to policy recommendations, and fits neatly with the notion of equality of opportunity, which has been discussed earlier in this research. The highest percent of income earners in the high income strata are houses where the heads have earned postgraduate degrees, and the highest number of households that live in extreme poverty, as well as those that have low incomes, are households where the head has had no education. Furthermore, incomes steadily rise as the level of education of the head increases.

Chart 8 – Level of Education of Head of Household Vs Yearly Income Level of Household



Moving from education to occupation, the data shows a compelling set of findings. In line with the literature on poverty (which has been discussed earlier in this research piece when reflecting on the case of China), the empirical data shows that primary sectors of the economy are more likely to include individuals that live in poverty. For example, the chart below shows that heads of the household that work in ‘elementary occupations’, as ‘plant and machine operators’, or in ‘craft, trade’, or ‘agriculture and fishery’, seem to have a higher proclivity to fall into lower income levels. On the other hand, households that have heads that work as ‘technicians’, ‘professionals’ and ‘legislators and senior officials’ seem to fall under the higher income brackets. This can also help inform policy makers, who can target sectors as a whole when looking to target poverty.

Chart 9 – Household Yearly Income in Relation to Occupation of the Head of the Household

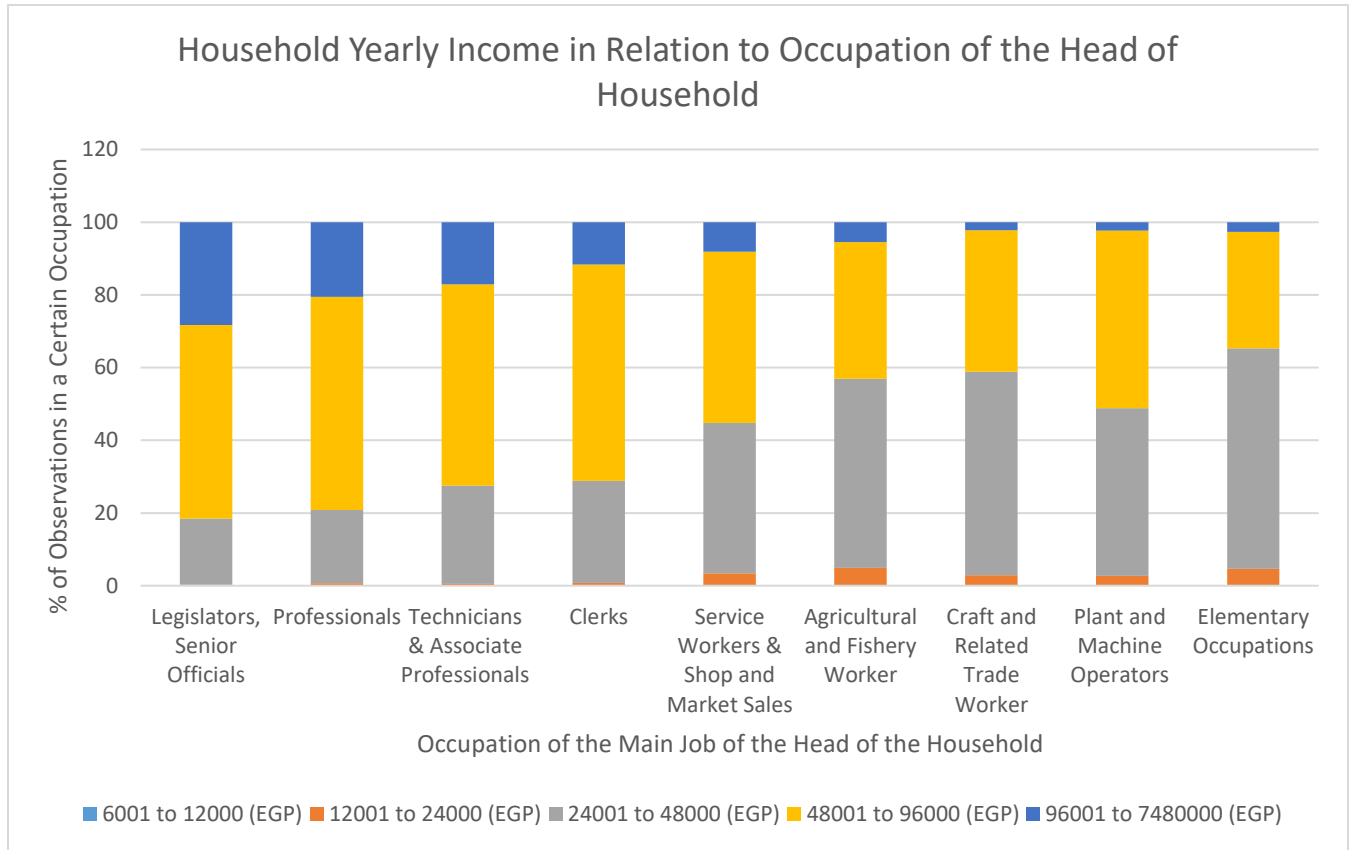
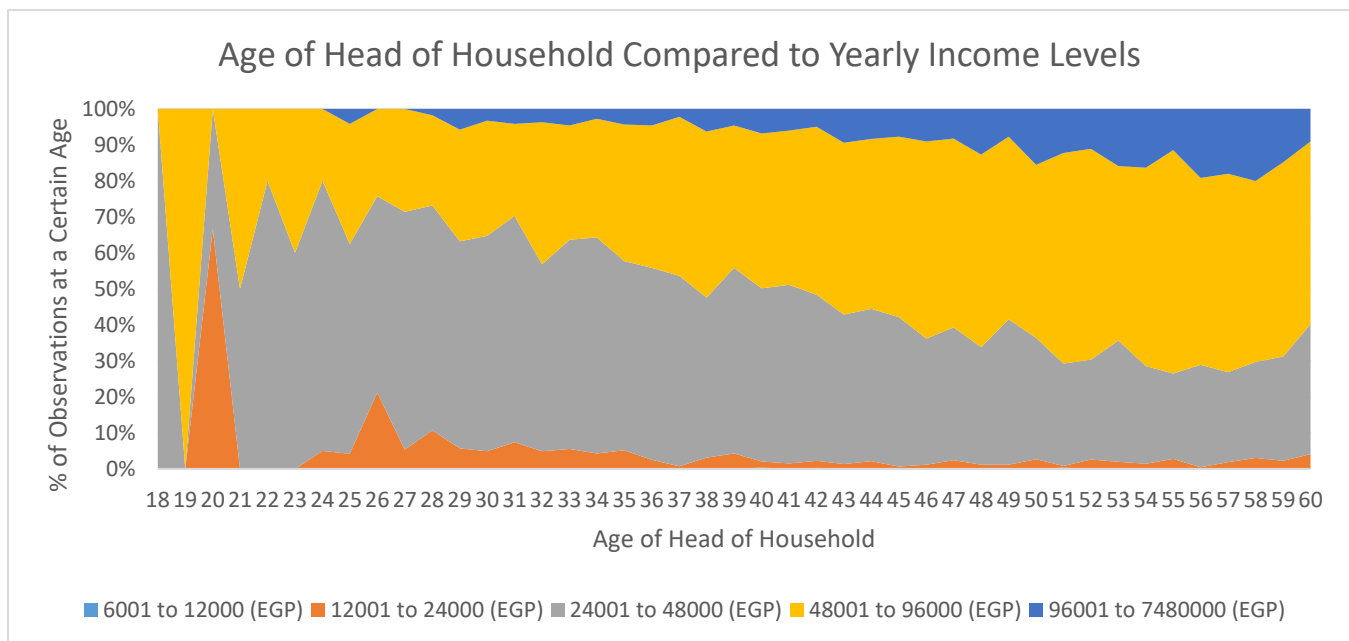


Chart 10 – Age of Head of Household Compared to Yearly Income Levels



Looking at the age of the head of the household and how that ties to income, some additional learnings become clear. For instance, almost no heads of households under the age of 25 are in the high income category. What's more, is that as age increases, so does the probability of obtaining higher incomes. This means that there is a clear correlation between the age of the head of the household and the household's income. A logical explanation would be the fact that older individuals have had 1) more time to accumulate skills that translate into higher incomes, and 2) to purchase assets that may then be utilized to increase their income levels. Again, this finding is consistent with the literature. However, as heads approach the age of 60, a slight reversal can be observed in incomes, where the justification for this could be that individuals begin retiring at that age, and so their incomes may naturally decrease (due to the fact that pensions after retirement are not as high as incomes before retirement).

Table 2 – Gender of Head of the Household

Gender of Head	Frequency	Percent
Male Head	7,503	95.32
Female Head	368	4.68
Total	7,871	100

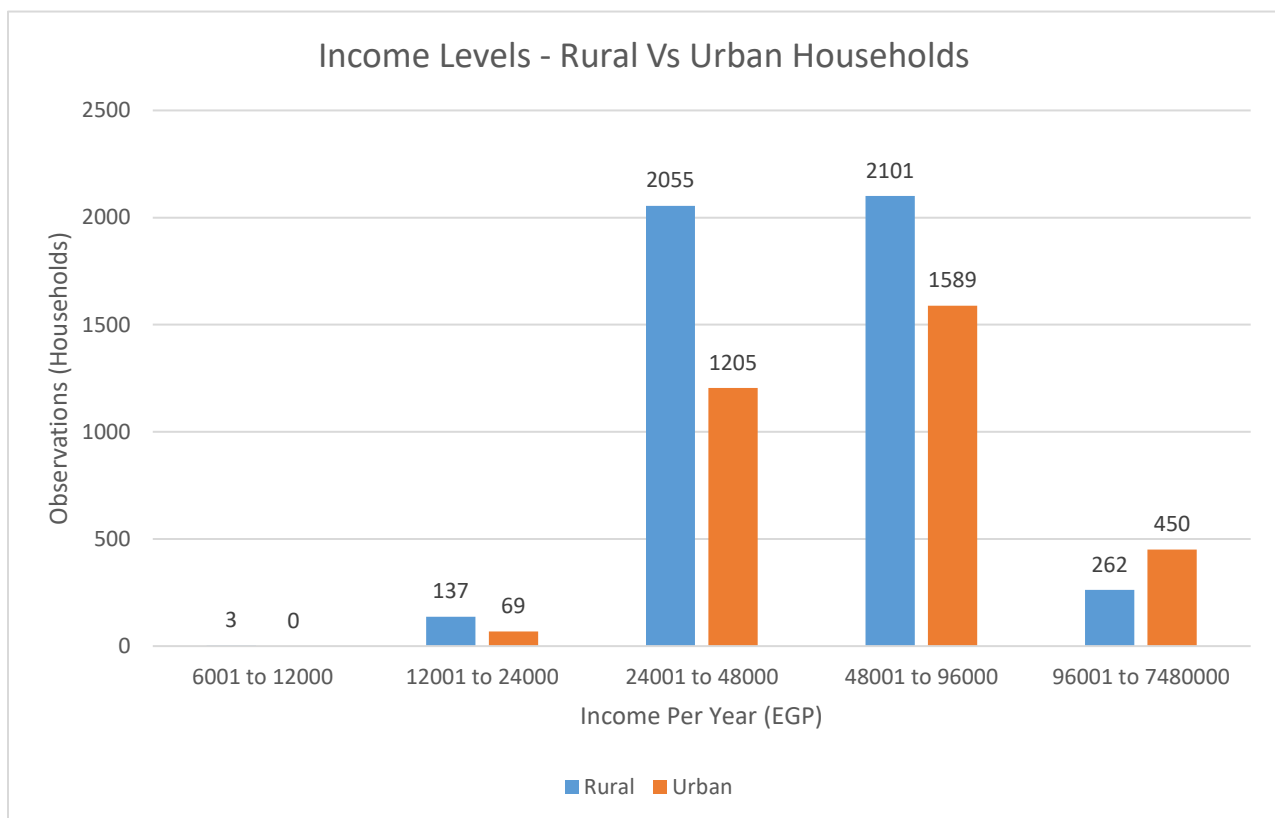
Naturally, given the cultural background and context of the country, over 95% of heads of households in the sample are male. As was shown above, households that are headed by women are more likely to fall in the lower income strata than those headed by men.

Table 3 – Urban or Rural Residence

Urban/Rural Residence	Frequency	Percent
Rural	4,558	57.91
Urban	3,313	42.09
Total	7,871	100

Close to 58% of households in this sample live in rural areas, which might also tell a compelling story when discussing income inequality and poverty, especially given that the literature is clear in its suggestion that poverty often disproportionately affects rural areas.

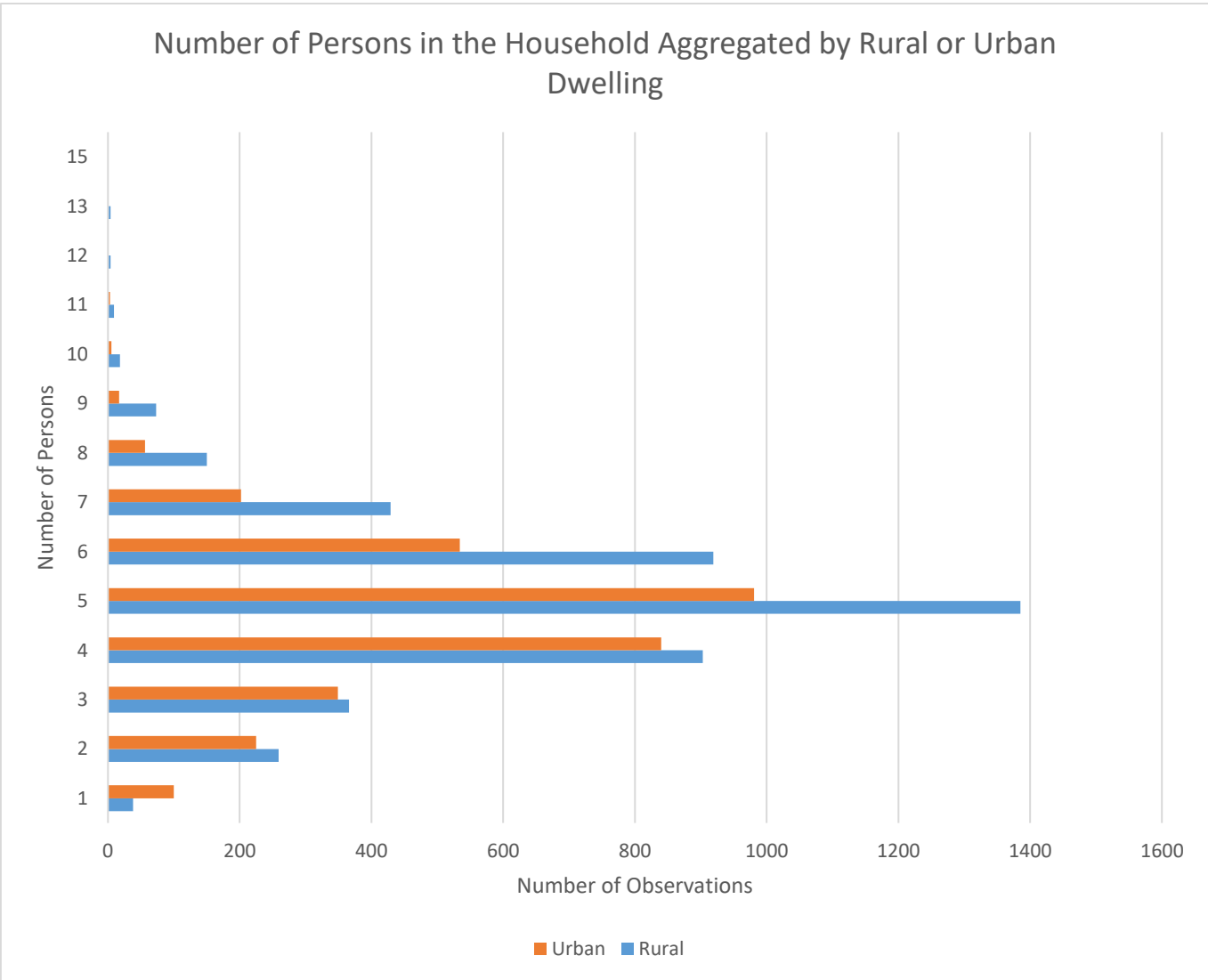
Chart 11 – Income Levels in Rural Vs Urban Households



Income levels, when examined in relation to urban and rural dwelling, also fit neatly with what has been shared in the literature regarding the proliferation of poverty in rural areas compared to urban areas. For instance,

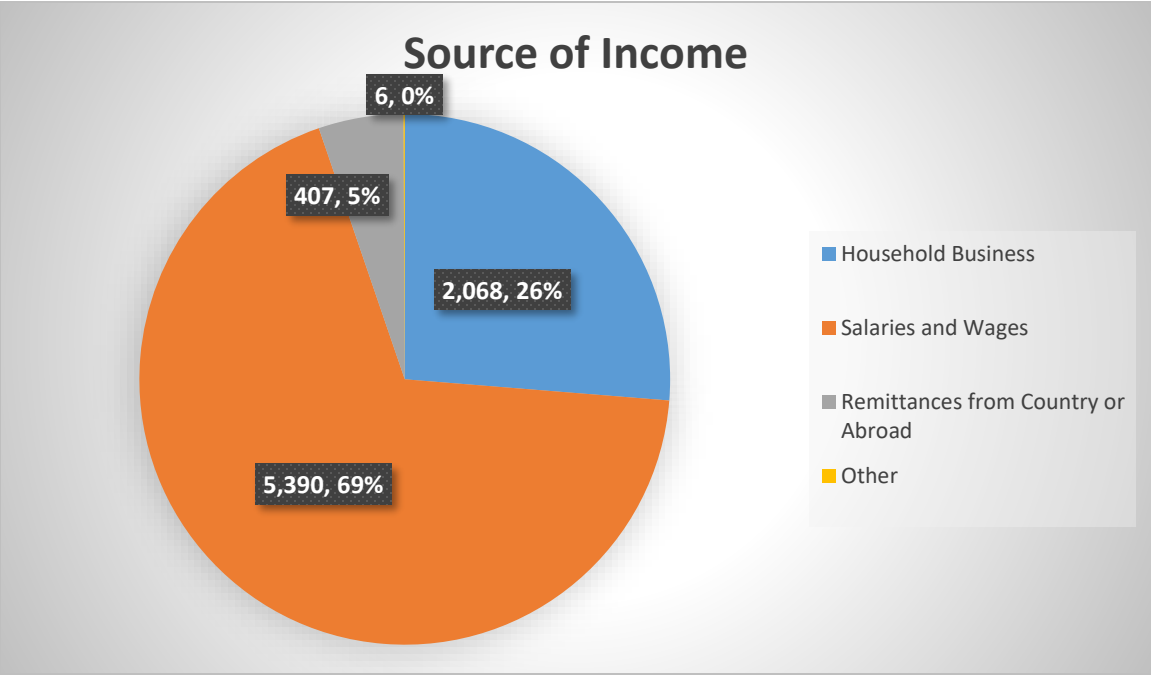
the *only* occurrence where urban households overtake rural households in number is in the ‘high income’ category. In *all other instances*, including the low-income categories, rural households have a higher representation. Again, this is consistent with the literature, especially in Egypt, where the poverty map clearly highlights that poverty is more rampant in rural locations, such as in underserved areas in Upper Egypt. This can also provide policy makers with insights, and can push for targeting certain geographical areas when it comes to addressing poverty.

Chart 12 – Number of Persons in the Household Aggregated by Rural or Urban Dwelling



The above chart also paints a vivid image. An increase of the number of people in the household is directly proportional to the probability of that household being located in a rural area. Interestingly, the *only* instance where the sample of households in an urban area is higher in number than those in a rural area is when the household has *only one* individual in it. Other than that, *in all other instances* (where a household is comprised of 2 or more individuals), the sample of households situated in a rural area is higher in number. This may speak to the importance that households in rural areas place on having their families engage in labor with them (given the demand of labor intensive primary sectors such as agriculture and fishing), as well as the cultural notion of “*el walad beyeegy berezko*” – or ‘the child comes with their blessing’, which often is used to justify a large number of births.

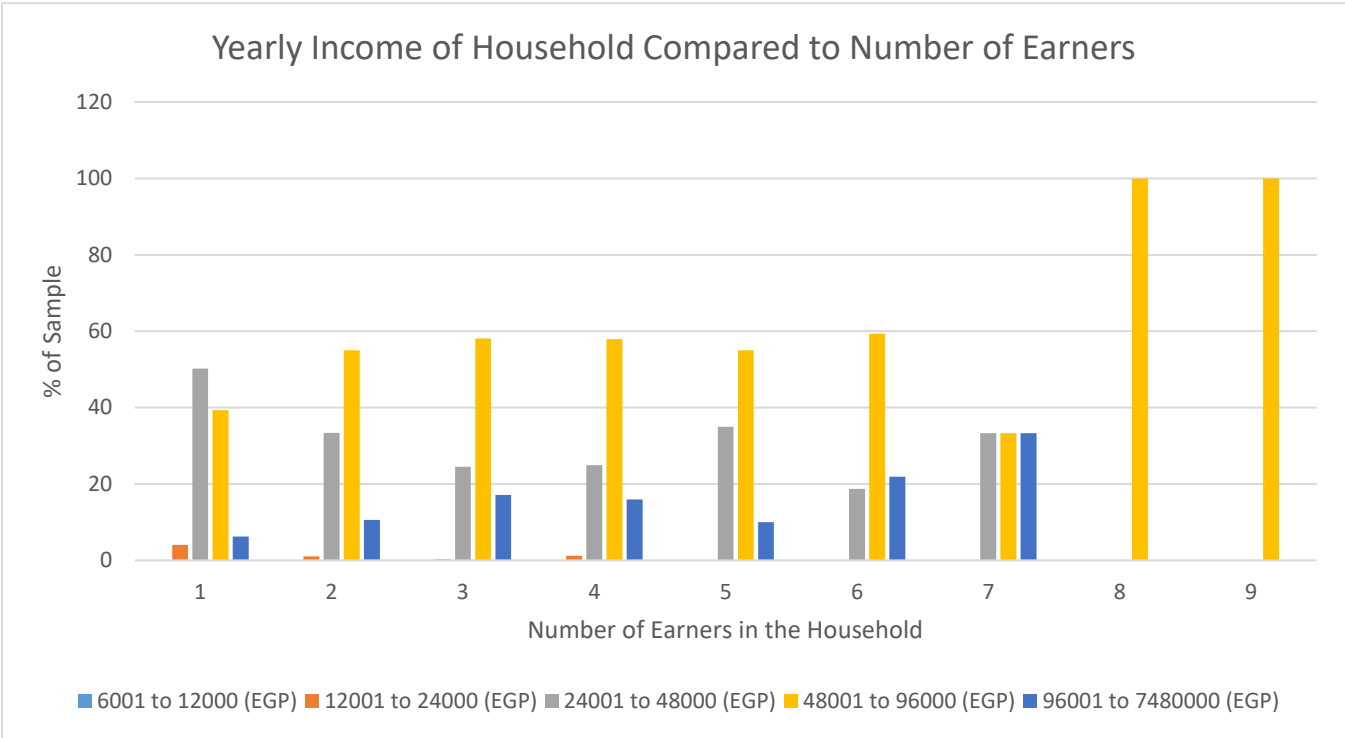
Chart 13 – Source of Income for the Household



The most common source of income for households are ‘salaries and wages’ (close to 69% of the sample). This highlights the importance of ensuring adequate remuneration to recipients of these salaries and wages (especially when it comes to fighting poverty). This can be done through instituting a minimum wage that is applied across the board, including by the private sector, as well as having robust mechanisms in place that ensure

that the minimum wage is indeed adhered to. Tackling this immediately addresses 69% of the sample, and may therefore target a significant number of individuals when applied on a large scale. Although, it is important to note that there are some concerns with rising inflation when it comes to instituting a minimum wage across the board.

Chart 14 – Yearly Income of Household Compared to Number of Earners



The above chart also tells a coherent story; the higher the number of income earners in the household, the higher the total income of the household. This connects with the chart below, which also highlights that the larger the number of individuals in the household (and not earners), the higher the total income of the household. However, this does not mean that the *per capita* income of the household is increasing, and may often mean that it is actually *decreasing*, leaving less resources for each individual in the household. This is clearly mentioned in the literature, where poverty is linked with larger numbers of people in the household (Hussein, 2012). This can also be shown through a simple equation. For example, the lower bound of the high-income category (which is 96,000 EGP per year) is at similar levels in the chart below when looking at households with eight individuals as well as when looking at households with four individuals. However, dividing the total income on the number of

people in the household tells a completely different story. For example in the household with four individuals, the income per capita is 24,000 EGP per year, while in households with eight individuals, the income per capita is only half of that – or 12,000 EGP per year.

Chart 15 – Yearly Household Income Compared to Number of People in the Household

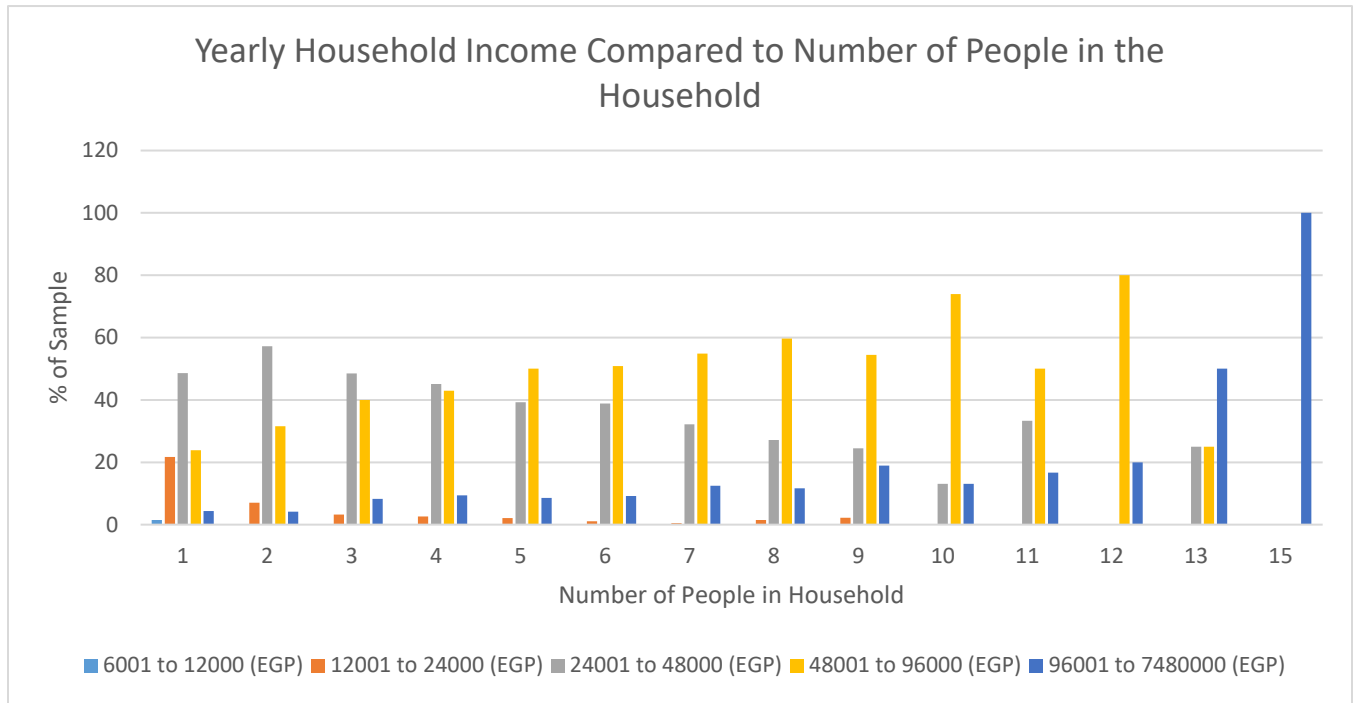
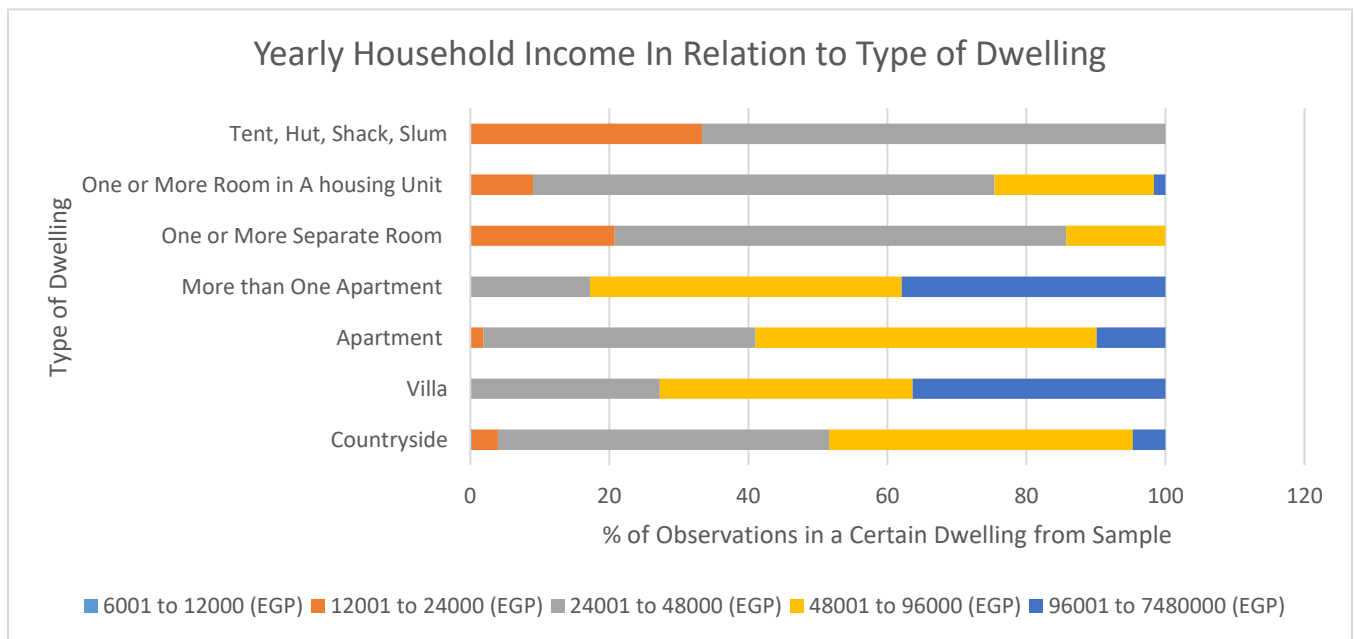


Chart 16 – Yearly Household Income in Relation to Type of Dwelling



Type of dwelling also correlates neatly with certain levels of income. Living in a tent, hut, shack or slum only includes households that have incomes in the lower two strata. This changes, however, as the type of dwelling changes, where more than two-thirds of households that 'have more than one apartment', and who are 'living in villas', are in the middle and high-income categories. A curious point here is that households that own more than one apartment have higher incomes than those living in villas. However, this may be because these households might rent out these extra apartments for additional income, versus households that live in one villa, and who are therefore unable to earn any extra income from rent.

Table 4 – Results of Multiple Regression Model (Full Model)

Source	SS	df	MS	Number of obs	7870
				F(54, 7815)	12.51
Model	5.97E+12	54	1.1047e+11	Prob > F	0
Residual	6.90E+13	7815	8.8283e+09	R-squared	0.0796
				Adj R-squared	0.0732
Total	7.50E+13	7869	9.5257e+09	Root MSE	93959

Total Disposable Income	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]	
Urban Dwelling	2988.381	2475.503	1.21	0.227	-1864.268	7841.03
Number of Earners	3552.482	1276.193	2.78	0.005	1050.802	6054.163
Electricity in House	4092.219	14591.3	0.28	0.779	-24510.63	32695.07
Telephone	4258.937	11155.41	0.38	0.703	-17608.65	26126.52
Computer	1391.846	2855.657	0.49	0.626	-4206.007	6989.698
Internet	12091.19	2776.299	4.36	0.000	6648.899	17533.48
Refrigerator	3799.111	7338.314	0.52	0.605	-10585.95	18184.17
Cooker	1022.942	9768.74	0.10	0.917	-18126.4	20172.29
Microwave	39214.55	5131.779	7.64	0.000	29154.89	49274.22
Washing Machine	5118.266	6746.851	0.76	0.448	-8107.368	18343.9
Dish Washer	42831.44	11773.69	3.64	0.000	19751.85	65911.02
Heater	19468.61	4619.491	4.21	0.000	10413.17	28524.05
Water Heater	2756.998	2703.087	1.02	0.308	-2541.776	8055.773
Sewing Machine	-6471.621	7309.644	-0.89	0.376	-20800.48	7857.237
Vacuum Cleaner	9786.213	3266.388	3.00	0.003	3383.218	16189.21
Iron	-5732.722	2714.149	-2.11	0.035	-11053.18	-412.2641
Other Durables	8811.753	3445.551	2.56	0.011	2057.552	15565.95
Age of Head of Household	856.3817	137.4449	6.23	0.000	586.9529	1125.81
Head Not Educated	-1486.094	3481.732	-0.43	0.670	-8311.221	5339.033
Head has Secondary Education	3826.008	3381.854	1.13	0.258	-2803.33	10455.35
Head has Post-Secondary OrEquiv	11159.79	6011.733	1.86	0.063	-624.8151	22944.39
Head has University Education	18905.38	5022.158	3.76	0.000	9060.602	28750.15
Head has Post Graduate Education	33157.91	13341.62	2.49	0.013	7004.766	59311.04
Countryside	16530.2	54952.79	0.30	0.764	-91191.98	124252.4
Villa	21989.18	61836.91	0.36	0.722	-99227.71	143206.1
Apartment	20863.11	54930.53	0.38	0.704	-86815.44	128541.7
Numerous Apartments	40574.48	55630.76	0.73	0.466	-68476.69	149625.6
One or More Room	13347.77	55906.57	0.24	0.811	-96244.07	122939.6
One or More Room in Housing	13323.92	55188.27	0.24	0.809	-94859.85	121507.7
Legislators	32149.07	6193.541	5.19	0.000	20008.07	44290.07
Professionals	-6536.655	6045.236	-1.08	0.280	-18386.94	5313.625
Technicians and Associate Prof.	3989.585	5284.989	0.75	0.450	-6370.408	14349.58
Clerks	-1904.376	5797.835	-0.33	0.743	-13269.68	9460.932
Service Shop Market	3454.253	4506.802	0.77	0.443	-5380.285	12288.79

Plant Machine Ops	1321.662	4982.847	0.27	0.791	-8446.052	11089.38
Elementary	-316.4572	6329.346	-0.05	0.960	-12723.67	12090.75
Agriculture and Fishing	-13351.8	15446.31	-0.86	0.387	-43630.71	16927.1
Manufacturing	-16805.46	15218.35	-1.10	0.270	-46637.51	13026.58
Electricity and Utilities	-9141.691	16533.83	-0.55	0.580	-41552.43	23269.05
Construction	-14158.26	15370.51	-0.92	0.357	-44288.56	15972.05
Commerce	-15245.46	15382.44	-0.99	0.322	-45399.16	14908.24
Transport Storage Comm.	-16292.02	15367.69	-1.06	0.289	-46416.81	13832.77
Finance Insurance & Real Estate	2484.526	19760.05	0.13	0.900	-36250.45	41219.5
Public Admin	-6917.45	15330.61	-0.45	0.652	-36969.55	23134.65
Other Services	-16764.7	15251.22	-1.10	0.272	-46661.18	13131.78
Household Business	5013.632	5238.434	0.96	0.339	-5255.101	15282.36
Salaries / Wages	-5569.71	4993.403	-1.12	0.265	-15358.12	4218.697
Other	9584.171	38714.07	0.25	0.804	-66305.77	85474.11
Head Never Married	7549.76	22109.44	0.34	0.733	-35790.66	50890.18
Married Head (Monogamous)	4390.273	20405.28	0.22	0.830	-35609.53	44390.07
Married Polygamous	1681.076	27211.28	0.06	0.951	-51660.32	55022.47
Divorced	4340.816	22227.88	0.20	0.845	-39231.78	47913.41
Widowed	3333.33	21091.04	0.16	0.874	-38010.76	44677.42
Number of People in Household	4033.578	773.0939	5.22	0.000	2518.107	5549.048
_cons	-44170.09	62190.82	-0.71	0.478	-166080.7	77740.56

There are a number of correlations between certain characteristics of a household and the overall income of that household. These connections will be further explored in the 'empirical analysis' section and will also help with informing the policy recommendations section. However, in order to conduct a robustness check, the researcher has run different regressions using a variety of combinations of variables, in order to confirm the statistical significance of each of the variables when it comes to predicting household income.

Table 5 – Results of Multiple Regression Model (Wealth Attributes & Number of Earners)

Source	SS	df	MS	Number of obs	7870
				F(17, 7852)	30.18
Model	4.60E+12	17	2.7045e+11	Prob > F	0
Residual	7.04E+13	7852	8.9608e+09	R-squared	0.0613
				Adj R-squared	0.0593
Total	7.50E+13	7869	9.5257e+09	Root MSE	94662

Total Disposable Income	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]
Number of Earners	4545.208	1200.039	3.79	0	2192.811 6897.604
House has Electricity	3530.863	14659.68	0.24	0.81	-25206.01 32267.73
Telephone	8741.074	11148.3	0.78	0.433	-13112.56 30594.7
Computer	4894.264	2826.55	1.73	0.083	-646.5254 10435.05
Internet	14112.88	2756.556	5.12	0	8709.299 19516.47
Refrigerator	5669.395	7285.87	0.78	0.437	-8612.849 19951.64
Cooker	2677.258	9777.747	0.27	0.784	-16489.73 21844.24
Microwave	41714.24	5123.841	8.14	0	31670.15 51758.34
Washing Machine	8161.685	6714.004	1.22	0.224	-4999.549 21322.92
Dish Washer	50783.91	11758.84	4.32	0	27733.45 73834.36
Heater	21406.47	4634.488	4.62	0	12321.63 30491.3
Water Heater	5711.469	2582.505	2.21	0.027	649.0717 10773.87
Sewing Machine	-7384.078	7337.684	-1.01	0.314	-21767.89 6999.735
Vacuum	11746.21	3215.915	3.65	0	5442.162 18050.26
Iron	-2921.871	2648.445	-1.10	0.27	-8113.528 2269.786
Other Durables	10374.42	3448.331	3.01	0.003	3614.77 17134.06
Age of Head of Household	895.0563	127.6679	7.01	0	644.7933 1145.319
_cons	-28957.06	21709.45	-1.33	0.182	-71513.37 13599.25

Running the regression with a sharp focus on wealth attributes as well as the number of earners in the household confirms the statistical significance of some of these attributes on household income, and will be further reflected upon in the analysis section.

Table 6 – Results of Multiple Regression Model (Level of Education)

Source	SS	df	MS	Number of obs = 7871 F(5, 7865) = 30.45 Prob > F = 0.0000
Model	1.4236e+12	5	2.85E+11	R-squared = 0.0190 Adj R-squared = 0.0184
Residual	7.3535e+13	7865	9.35E+09	Root MSE = 96693
Total	7.4958e+13	7870	9.52E+09	

Total Disposable Income	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]	
Head Not Educated	-835.3697	3459.905	-0.24	0.809	-7617.703	5946.964
Secondary Education	8123.673	3326.399	2.44	0.015	1603.048	14644.3
Post-Secondary Or Equivalent	23891.2	5915.786	4.04	0.000	12294.69	35487.72
University Education	36533.48	3999.662	9.13	0.000	28693.08	44373.88
Post Graduate	62544.31	13000.68	4.81	0.000	37059.53	88029.1
_cons	51301.04	2795.962	18.35	0.000	45820.21	56781.87

Running the regression with level of education as the only independent variable strongly reiterates the importance of education in determining income levels of the household, as well as the statistical significance of education when it comes to predicting income. When the head is uneducated, there tends to be a negative correlation with household income. This increases dramatically and consistently as the the level of education of the head increases, showing a strong positive correlation – which is in line with the literature.

Table 7 – Results of Multiple Regression Model (Level of Education & Type of Dwelling)

Source	SS	df	MS	Number of obs = 7871
Model	1.85E+12	12	1.54E+11	F(12, 7858) = 16.55
Residual	7.31E+13	7.86E+03	9.30E+09	Prob > F = 0.0000
				R-squared = 0.0247
				Adj R-squared = 0.0232
Total	7.50E+13	7870	9.52E+09	Root MSE = 96457

Total Disposable Income	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]
Urban Dwelling	9354.695	2356.441	3.97	0.000	4735.445 13973.95
Head Not Educated	1106.803	3476.776	0.32	0.750	-5708.602 7922.208
Head has Secondary Education	7590.382	3323.325	2.28	0.022	1075.782 14104.98
Head has Post-Secondary Or Equiv	21970.23	5911.025	3.72	0.000	10383.05 33557.41
Head has University Education	33420.64	4026.139	8.30	0.000	25528.34 41312.95
Head has Post Graduate Education	57213.34	12995.5	4.40	0.000	31738.71 82687.98
Countryside	25942.42	55785.52	0.47	0.642	-83412.04 135296.9
Villa	53724.16	62873.29	0.85	0.393	-69524.21 176972.5
Apartment	28731.09	55731.36	0.52	0.606	-80517.2 137979.4
Numerous Apartments	65294.54	56446.04	1.16	0.247	-45354.72 175943.8
One or More Room	6560.673	56783.64	0.12	0.908	-104750.4 117871.7
One or More Room in Housing	14980.29	56064.85	0.27	0.789	-94921.72 124882.3
_cons	19427.94	55725.62	0.35	0.727	-89809.09 128665

Running the regression with a focus on the level of education and the type of dwelling also confirms the impact of education as well as rural versus urban dwelling on level of income of the household, where urban dwelling indicates a higher probability of the household having a higher income. However, the type of dwelling also consistently has low statistical significance.

Table 8 – Results of Multiple Regression Model (Level of Education & Occupation of Head of Household)

Source	SS	df	MS	Number of obs = 7871 F(27, 7843) = 10.84 Prob > F = 0.0000
Model	2.70E+12	27	9.9908e+10	R-squared = 0.0360
Residual	7.23E+13	7843	9.2134e+09	Adj R-squared = 0.0327
Total	7.50E+13	7870	9.5246e+09	Root MSE = 95987

Total Disposable Income	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]	
Head Not Educated	379.0214	3493.451	0.11	0.914	-6469.073	7227.116
Head has Secondary Education	3888.769	3417.396	1.14	0.255	-2810.239	10587.78
Head has Post-Secondary Or Equiv	17160.08	6078.709	2.82	0.005	5244.189	29075.97
Head has University Education	27367.69	4962.303	5.52	0.000	17640.26	37095.13
Head has Post Graduate Education	52907.59	13424.58	3.94	0.000	26591.83	79223.35
Countryside	18538.63	55531.77	0.33	0.739	-90318.43	127395.7
Villa	42842.97	62614.09	0.68	0.494	-79897.32	165583.3
Apartment	24730.39	55495.14	0.45	0.656	-84054.88	133515.7
Numerous Apartments	58570.18	56203	1.04	0.297	-51602.67	168743
One or More Room	7100.611	56525.17	0.13	0.900	-103703.8	117905
One or More Room in Housing	9630.719	55809.07	0.17	0.863	-99769.94	119031.4
Legislators	51118.14	6188.402	8.26	0.000	38987.23	63249.06
Professionals	6339.887	6096.002	1.04	0.298	-5609.901	18289.68
Technicians and Associate Prof.	14397.97	5335.266	2.70	0.007	3939.429	24856.52
Clerks	8968.474	5844.371	1.53	0.125	-2488.051	20425
Service Shop Market	7320.381	4585.775	1.60	0.110	-1668.959	16309.72
Plant Machine Ops	4548.71	5073.611	0.90	0.370	-5396.92	14494.34
Elementary	-1096.339	6438.727	-0.17	0.865	-13717.96	11525.28
Agriculture and Fishing	-12579.19	15672.34	-0.80	0.422	-43301.15	18142.76
Manufacturing	-18385.76	15525.38	-1.18	0.236	-48819.64	12048.11
Electricity and Utilities	-10021.61	16853.04	-0.59	0.552	-43058.07	23014.84
Construction	-16564.35	15670.57	-1.06	0.291	-47282.83	14154.14
Commerce	-12990.32	15627.73	-0.83	0.406	-43624.85	17644.2
Transport Storage Comm.	-18788.69	15661.8	-1.20	0.230	-49490	11912.62
Finance Insurance & Real Estate	3317.546	20124.64	0.16	0.869	-36132.11	42767.2
Public Admin	-10530.81	15608.85	-0.67	0.500	-41128.32	20066.71
Other Services	-21463.05	15521.77	-1.38	0.167	-51889.85	8963.754
_cons	39509.83	57590.38	0.69	0.493	-73382.66	152402.3

When running the regression with a focus on education, type of dwelling and the sector of occupation of the head of the household, the model re-confirms the importance of education in determining income, as well as

its statistical significance. This is in addition to reiterating the low statistical significance of the type of dwelling. Interestingly, in contrast with the full statistical model that was run above, this iteration of the regression shows that heads of households working as 'technicians and associate professionals' (in addition to those working as legislators) also tend to have a statistically significant correlation with higher levels of household income.

6.2 Empirical Analysis

When looking at chart 1 above, and when it comes to the HDI, it is clear that Egypt has been making positive strides. Egypt's HDI score in 1990 was 0.548, and has risen consistently over the past 29 years to reach 0.707 in 2019. This entails a positive shift in the quality of life of Egyptians, one that endured the shocks that have faced the Egyptian economy and society over the past 30 years, as we've seen in the contextual framework above.

What's more, is that there seems to be a negative correlation between Gini scores and the poverty rate in the country. What that means is that when poverty rates increase, the Gini score of Egypt decreases, and when the Gini score increases, the poverty rates decrease. Of course, correlation might not necessarily mean causation, but this trend is interesting to note. For example, in 2012/2013, at the height of turmoil in Egypt given the Tahrir and June 30th uprisings, and all the uncertainty that came with them, the Gini score in Egypt plummeted (consistent with some perspectives in the literature that revolutions are 'levelers'). In addition to that, poverty rates increased considerably, where 26.3% of the population lived under the poverty line. What's also intriguing, is that in the last 30 years, the Gini score was highest in 1999, standing at 32.8, and during that same time, in the year 2000, Egypt also witnessed the lowest poverty rates in the last 30 years, at 16.7% of the population. Again, this correlation does not necessarily mean causation, but this connection cannot be overlooked.

Naturally, given the uncertainty that Egypt witnessed in the last decade, and the numerous economic shocks, poverty rates have been climbing alarmingly. It was only in 2019 that there was a reversal in the upward trend of poverty, where the poverty rate decreased for the first time in 20 years. However, it is important to note that this rate is expected to increase given the strain that both COVID-19 and the Russia-Ukraine war have had on economies across the world – especially emerging economies. There are some estimates that confirm this, but there has yet to be official data released by the Egyptian government. Of course, looking at this trend, and also at the ideas set forth by right-leaning thinkers in the literature review, levels of income inequality could also *decrease*, given that thinkers on the right-leaning-side of the debate write that “the most effective levelers of economic disparities are epidemics, massive wars, violent revolutions, and state collapse” (Pinker, 2018, p. 120). This holds some truth in Egypt, and again, was dubbed the “MENA inequality puzzle” (Assaad et al., 2018, p. 2),

where it can be clearly stated that the lowest Gini score (and hence the most egalitarian distribution of income) that Egypt has seen over the past 30 years was indeed during the tumultuous years between the 2011 and 2013 uprising, reaching 28.3 on the Gini index. This fits well with the argument that policy makers should not look at a decrease in Gini levels as a sole metric of success, given that this could mean a significant increase in poverty rates across the board.

When looking at the economic growth of the country, and the trends when it comes to this metric (which is mainly GDP growth), there can also be an interesting observation. Poverty rates tend to decrease when the country is witnessing high rates of economic growth. For example, in the year 2000, GDP growth stood at 6.4%, which was accompanied by a huge drop in poverty rates (standing at 16.7%, the lowest number recorded over the past 30 years). Indeed, this correlation does not always hold, where in 2017, GDP growth stood at 4.2%, but poverty rates reached an alarming 32.5% of the population. In this case, however, this discrepancy could be explained by the devaluation of the Egyptian pound (EGP) in 2016, which was part of Egypt's economic reform program, and which resulted in the EGP losing close to 50% of its value (Associated Press in Cairo, 2016). Naturally, this significantly affected the purchasing power of the population and pushed numerous households under the poverty line. It is important to note that this is expected to happen once more, given the devaluation of the Egyptian pound in October 2022 (Egypt Independent, 2022), where the pound lost close to 24% of its value compared to March 2022, and 50% of its value since the beginning of 2022.

This connection gives rise to a number of important questions. Is there urgency to decrease the Gini score in Egypt? Another question would be, is it desirable to solely look at decreasing the Gini index in Egypt? The above data indicates that only focusing on that could be a critical fault, and could sidetrack policy makers from looking at the more crucial social issue – which is absolute poverty. This discussion will be further explored and refined in the section covering the in-depth interviews with policy makers and policy influencers that have been engaged as part of this research piece, as these interviews have proven to be an excellent resource to complement these quantitative observations.

On the other hand, the findings from the analysis of the 2017/2018 HIECS prove to be an important glimpse in the effort to boost incomes – in effect fighting poverty. Although not statistically significant, urban dwelling of a household indicates a higher household income than households in rural settings, which is consistent with the literature on the topic. Interestingly, and as shown above, the number of individuals in the household indicates a slightly higher total household income (and this seems to be statistically significant as well). However, this does not mean higher income *per individual* in the household, and may often mean that the total income of the household increases when there are more individuals in the household, but when divided by the total inhabitants of the household, the per capita share of each individual falls.

What's more, is that as the number of earners in the household increases, the total income of the household also increases (and this correlation was also statistically significant). This is quite natural, but it also sheds light on the importance of economically empowering women from a *purely economic and financial* sense, where household income may then increase and aid in pushing families out of poverty. This fits neatly with what will be discussed in the qualitative findings, where one of the interviewees mentioned the importance of empowering women when it comes to fighting poverty.

There are a number of items/characteristics of the household that were included in the statistical model in order to explore their effect on the level of income of the household. Examples of these items/characteristics were houses that have electricity, access to the internet, a telephone, computer, refrigerator, cooker, microwave, washing machine, dishwasher, heater, water heater, sewing machine, vacuum cleaner, an iron, and other durables. Most of these items/characteristics had low statistical significance when predicting levels of income for the household, except for access to the internet, owning a microwave, dishwasher, heater, vacuum cleaner, an iron, and other durables (which all had high statistical significance). Naturally, having access to the internet as well as owning a microwave, dishwasher, heater and other durables all directly correlated with higher levels of household income. On the other hand, owning an iron (high statistical significance) and a sewing machine (low statistical significance) indicated that the household will have *lower* income. This could be due to the fact that the

function of both these items are often outsourced in households that have the resources to do so, and that households that have lower incomes tend to take on these tasks.

The model also confirms the powerful statistical relationship between the age of the head of the household as well as their level of education with household income. This means that the higher the head of the household is educated, the more likely the total income of the household will increase. For example, households where the head is not educated tend to have a negative correlation with income levels. This increases slightly when heads are educated at the secondary level, and continues to increase significantly until the 'postgraduate' level of education, which indicates the highest correlation when it comes to an increase in household incomes. Regarding the age of the head, it is important to note here that the sample includes heads of households with a maximum age of 60, in order to explore the correlation of income when it comes to individuals engaged in the labor market.

The type of dwelling was also an important variable to look at, given that the assumption was that owning more than one apartment or living in a villa would entail a higher income level for households. That was indeed the case, where living in the following type of dwelling (in ascending order) indicated a higher level of income: living in the countryside (lowest income correlation), in an apartment, a villa, or multiple apartments (highest income correlation). It is important to note though that these variables had low statistical significance when it comes to predicting income.

When it comes to jobs, only one profession had a strong statistical significance in relation to income, and that was when heads of households were working as 'legislators'. Working as a legislator proved to have a positive correlation with household income. This could be the result of the financial transparency that is required when it comes to gauging income of legislators, due to the political sensitivity of the role. All other occupations had low statistical significance. However, when running a model that only controlled for educational levels of the head, type of dwelling of the household, as well as the occupation of the head, one other observation/occupation was perceived to become statistically significant and had a positive correlation with income levels – and the observation was for heads working as 'technicians and associate professionals'. It is interesting to note though

that heads of households working as clerks, in agriculture and fishing, in manufacturing, electricity and utilities, construction, commerce, transportation, storage and communication, as well as public administrators, all had a coefficient that is *negatively* correlated with household income. This is well in line to the literature, which tells of a correlation between primary sectors and poverty (especially when it comes to agriculture and farming). On the other hand, heads of households working in the service industry (shops and markets), as plant and machine operators, or in financial insurance and real estate, all have jobs that positively correlate with household income, albeit with low statistical significance.

It is also important to mention that heads of households that own household businesses are more likely to have higher incomes than heads that are receiving salaries or wages. This is crucial to mention, given the Egyptian state's focus on entrepreneurship and self-employment, and will be highlighted in the policy recommendations section of this research piece. However, it is worth noting that the source of income had little statistical significance on the level of income of the household.

Marital status also had little statistical significance when it comes to predicting household income. However, it might be useful to note that this is in slight contrast to what has been observed when plotting the marital status of the head on a graph in the previous section. The statistical relationship between marital status of the head of the household and household income tells us that the lowest predictor of an increase in household income is when the head is widowed, divorced, or engaged in a polygamous marriage (although this could be due to the limited observations of this sample, given that the plotted graph tells another story). Heads that are married monogamously, and heads that have never been married, have the highest correlation with an increase in household income. This seems logical, given the cultural background of the country, and the prevalence of this sample (of heads that are married monogamously).

After running various different models on STATA, it seems that some variables remain definitively statistically significant throughout. These variables are level of education of the head of the household, the number of individuals and earners in the household, the age of the head of the household, and certain wealth

indicators such as access to the internet and other household characteristics, and finally some of the sectors of work of the head of the household.

6.3 Qualitative Analysis:

6.3.1 Defining Poverty – Focusing on Absolute not Relative Poverty & Looking at Poverty from a Multidimensional Lens

One of the most important discussions in the interviews held by the researcher were those revolving around the different *types* of poverty, which is one of the main points of this paper. It has been made clear in the literature review that there are numerous ways to calculate and look at poverty. As mentioned earlier, poverty could be perceived relatively (comparing a person or a group of people to another person or group of people), versus looking at it in absolute terms (where there is a clear poverty line, such as the World Bank's 2.15 USD per day needed to sustain basic needs). The interviews conducted with policy makers and policy influencers in Egypt have also emphasized this important point, and have added another layer to the discussion, which is the incorporation of a multidimensional lens when looking at poverty, in addition to the often-used income-based indicators. For example, one interviewee shared that “we want to eradicate *absolute poverty*. This is the goal that people don't phrase out clearly, because you can't eradicate relative poverty, because next to someone else you'll always be fat or thin, next to someone you'll be poor or rich, it doesn't matter” (MoSS In-depth Interview, March 2022). What's more, is that this same interviewee further explained that:

Social justice is a goal, it is the goal of the programs that are undertaken, not the eradication poverty as it is a very ambitious goal, not that I don't believe in it, but the more the standard of living increases, the more there will still be people who are labelled as poor. So, every time you divide society into quintiles, then there will always be people who are poor (in the lowest quintile). The idea is *how poor are they*. (MoSS In-depth Interview, March 2022)

This clarifies the line of thinking mentioned above, which clearly highlights that relative poverty may be irrelevant for policy makers, and the concrete challenge is *that of absolute poverty*, which is an issue that may be mitigated and hopefully one day eradicated.

What's more, is that all interviewees pushed to look at poverty multidimensionally, and not only using income indicators.

First of all, looking at the income indicator is not an indicator of poverty. Income-based indicators do not give an accurate indication of poverty, because poverty is multidimensional. Deprivation from

education is a form of poverty, deprivation from healthcare services is a form of poverty. The type of housing you live in is also a form of poverty; not having access to water is a form of poverty. So, when you look at income-based poverty, you are unable to target people who are multidimensional poor. I might be earning 20,000 EGP, and you're also earning 20,000 EGP, but I have a child with a disability, and you don't, so this means that I am poorer than you while we have the same income. So, I see that the income indicator is not a fair indicator that identifies poverty. (MoSS In-depth Interview, March 2022)

The interviewee also emphasized that when programs are being targeted (in MoSS), the ministry uses the multidimensional poverty index to reach eligible individuals. "That's in the targeting of cash transfers. This methodology is adopted in all services that we (at MoSS) provide. We do something called "*Baahth Hala*" (case search), and then the employee from MoSS goes down and reports the case of the whole household. So for instance, sometimes a person can come and say, "what! You will give support to someone who makes 10,000 EGP?!", and we say "yes, we will give support to someone making 10,000 EGP because he has 1,2,3 and has a chronic illness, etc, etc, etc...". So that person is multidimensionally poor regardless of his income" (MoSS In-depth Interview, March 2022). What's more, was that the one of the informants that work with the World Bank further echoed this:

Yes, the access to services, basic infrastructure, sanitation, safe water, the things that may affect your health later, things that for example can result in (God forbid) virus C or any of these diseases. So also access to safe housing, when someone lives in a slum area, that is different (from someone living in a safe area). And we can see the expansion with the social housing programs currently taking place, and the World Bank is supporting a project now in "*Sandook El Iskan El Egtemaay*". And new areas that have been developed in lieu of slums like El Asmarat and Maa'aa and all these areas. All of that is purely multidimensional poverty, it's not related to monetary and income, of course it will affect your monetary situation and your income and income inequality, but it is all in the end multidimensional poverty and multidimensional inequality. (WB In-depth Interview over Phone Call, February 2022)

This further showcases this line of thought, which is that income-based indicators may not be the most accurate way to identify levels of poverty or inequality in Egypt, especially given the large informal sector in the country, which will be discussed later in detail. "There are many features, and I always say, income is important, but in a country like Egypt, it's very hard to know someone's income, but you can know a lot from their consumption" (WB In-depth Online Interview, February 2022).

What's more, is that when discussing income inequality, there seemed to be consensus that there is little reason to dwell much on that in Egypt, which will also be showcased in more detail in this paper. However, some

clearly looked to replace 'income inequality' with 'inequality in general', which can be interestingly captured below:

I will replace the word income inequality with inequality in general. Because income inequality is a result of other things; so if I tell you that someone isn't hired or doesn't have a decent job in the formal labor market, and the wage income is your largest share of income sources, so this results in income inequality. Usually, there are other aspects of inequality that are a priority right now, and all the reforms that the government is undertaking with the minimum wage and the structural reform program is trying to look at income inequality and address it... Because when we talk about equal education and that we want to let vulnerable and poor individuals learn and to enter universities, earn scholarships, and have the ability to learn, this may really result in social mobility... Accessibility to health as well, and that's why we have a universal health insurance scheme that we're speaking about, all these things are aiming to avail equal opportunities. (WB In-depth Interview over Phone Call, February 2022)

Clearly, and relying on this perspective, inequality is not only related to income. According to the above informant, income inequality is a byproduct of other forms of inequality, such as regional disparities, where for example poverty is "mainly concentrated in Upper Egypt... but with COVID we're expecting higher regional disparities and higher income inequalities" (WB In-depth Interview over Phone call, February 2022). This can be further exacerbated by the fact that for poor households, "labor income is the major source of income, they don't have assets, they don't have rent, so the big bulk of their income comes from wage employment. So we can't talk about poverty and inequality without talking about informalities, as the labor market in Egypt has a large share of informal jobs and casual work" (WB In-depth Interview over Phone call, February 2022). This is in addition to hammering on addressing poverty through multidimensional means, which was also mentioned by this informant. This was further supported by the need to support people who work in the informal market by providing social security and increasing productivity, which will also be covered in an upcoming theme.

Additionally, it was highlighted that Egypt is facing a serious challenge with poverty due to the demographic dividend. "Every 7 months we increase by 1 million people, and now the joke in meetings is how many people were we before the meeting and how many are we after the meeting? How many people have increased in Egypt since we started this interview!" (WB In-depth Online Interview, February 2022). This is indeed a challenge:

For example, in Europe today their problem is that they are facing ageing. And we will reach this level as part of social protection: what do you do with your older generation? Given that there is early

retirement and people are living longer. So if I... decided to have an early pension from the age of 50; I may live until I'm 80, so the state will spend 30 years subsidizing me. So we are now in the time that the working age population should be working and in a formal manner, so that they make a contribution to the pension scheme. These people who work informally, when they get old, who will sustain them? They have no pension system. Now, part of the new pension law is to have pension schemes for the informal workers, because informality is part of society, you cannot ignore it... Which means that the government is admitting that informality is part and parcel of society. And not only in Egypt, a lot of countries have pension schemes for informal workers... demographics can be a dividend, or it can be a curse. (WB In-depth Online Interview, February 2022)

This is currently a serious issue in Egypt. As will be further discussed in this paper, a potential solution could be investing in human capital, which would unleash the potential of this demographic dividend and add to the economy and productivity of the country – and in line with the main topic of this paper – will serve to significantly decrease poverty rates. That being said, it is clear that policy makers and policy influencers in Egypt lean towards identifying poverty in its absolute terms, rather than relatively, signaling that it is abject poverty, not relative poverty or inequality, that is more of a pain point for the government. What's more, is that poverty is also being defined in a broader sense than from the traditional monetary angle, and is being looked at through a *multidimensional lens*, which also includes access to healthcare, education, as well as the standard of living of individuals and households.

6.3.2 The Objective of Policy Makers & Policy Influencers in Egypt

Now that the type of poverty that policy makers and policy influencers in Egypt seem to be focused on has been laid out by the informants of this research, the discussion went on to explore what the objective of these policy makers and influencers should be. There is general consensus on the fact the reduction of absolute poverty should be the main focus of policy makers and the government. What was also discussed was *how* this can be achieved, and will be laid out in another theme. However, as will be shown below, *it is absolute poverty, not income inequality, that should be the main target of governments*. “Reducing poverty is the ultimate goal, and the objective of all that is happening (around us) is to have equality of opportunity, yes, *and not redistribution of wealth*, no. Equalizing opportunities for everyone where everyone can develop, which will in effect be reflected in people living a more decent life, where poverty will decrease, and which helps us reach our goal of no poverty” (MSMEDA In-depth Interview, February 2022). Clearly, redistributing wealth, as a concept, seems to be less of priority when contrasted with poverty. However, income inequality was considered one of the outcomes of poverty by one of the informants. “Like I was saying, poverty is the main thing we should target... We’re speaking about the main pillar, or component, and *that is no poverty*. But speaking about inequality, that is something that falls under poverty” (MSMEDA In-depth Interview, February 2022).

The main goal therefore should be to graduate people from poverty, and until that happens, “we need to protect people, because this is our mandate as well” (WB In-depth Online Interview, February 2022). This is indeed the case, where this informant highlighted that it is a constitutional mandate in Egypt for the government to protect people living in poverty. This can be done through what almost all informants dubbed investing in ‘human capital’. This stance can best be described through quoting one of the informants working with the WB at length:

We have always said that health and education are important. But the human capital project translates health and education into productivity. For example, Egypt’s score in human capital is 0.49, the highest score you can reach is 1 and the least score is 0, we are in the middle. This means that Egyptians, boys and girls, by the time they reach 18, they will only be at half their productivity. Why? Because learning outcomes are very poor; children spend 12 or 13 years in school which are translated into 6 (actual) years of schooling... The other thing is stunting, as stunting affects cognitive ability, etc... So there are things in your early childhood that put you on a path towards poverty... (WB In-depth Online Interview, February 2022)

This predicament is often understood to be a significant barrier in the fight against poverty, and makes intergenerational mobility quite difficult. The informant further proceeds to share that:

What we are trying to do in the human capital project is to do a business case around health and education. Because ministers of finance all over the world, they see that health and education are rather long term investments, and they are sectors that do not generate revenue. Unlike, for example, petroleum. But we are sectors that build human capital, so what we work on isn't tangible. So the minister of finance wants a dollar in, dollar out. If I invest this amount, how much will that have as a return on investment (ROI)? Human capital does not work this way; so we try to bring it from the productivity angle. In the end, you want the population to be productive. So you're building schools, and building universities, and opening healthcare units, and people's health is quite poor, and their education is poor. So it's a lost investment actually, when you're putting people in schools but they're not learning, and you're building the hospitals and they're not healthy. (WB In-depth Online Interview, February 2022)

This brilliantly captures the current sentiment when it comes to the sectors that are on the receiving end of the bulk of investments in the country. The priority for this informant when it comes to poverty reduction is clear, and that is *building human capital*. However, they mention that there are lost investments due to commercial mindsets focused on tangible, dollar-driven ROI. This approach, according to this informant, is not the most suitable way to measure investment in human capital, and can often derail initiatives that aim to build a well-rounded citizen.

That being said, the priority for policy makers here is clear. Given the high levels of absolute poverty in Egypt, the main objective of the government (when it comes to this file) should be to decrease the amount of Egyptians living under the poverty line – regardless of levels of income inequality (which isn't high in Egypt, surprisingly). This has led to what some have dubbed the 'MENA inequality paradox/puzzle' (Assaad et al., 2018, p. 2). Moreover, the next section further sheds light on how the informants of this research piece view income inequality in relation to poverty.

6.3.3 “*Ya a’m Sally Ala el Naby, Let me First Eat and Drink*” – Income Inequality is not a Priority

There was nearly unanimous agreement from all informants that income inequality is irrelevant in the fight against absolute poverty. “Of course I’m not focused on that, “*Mosawat eh we Neelet Eh*”, let the people first (live) and then look at inequality. Like they tell you, this is a luxury, we aren’t there at all. And then when you yourself define, you always say “*Haded Kafah*”, meaning that I want people to first find food and drink and housing and clothing, and then when we can talk. Feed me and clothe me and then we can talk!” (MSMEDA In-depth Interview over Phone Call, April 2022). When further probed on the issue of income inequality, this informant replied back, ““*Ya a’m Sally Ala El Naby*”, let me first eat and drink” (MSMEDA In-depth Interview over Phone Call, April 2022). This stance is clear, and links neatly with the right-leaning-side of the debate.

Furthermore, when asking the informant working with the WB if income inequality should be a priority for the government in Egypt to focus on, the response was:

Honestly no; I don’t think so. At least for the time being. Not that it’s not important, but given what I said about the Egyptian context... We are a middle-income country at the end of the day, we’re not a high income country, we don’t have a proper ecosystem nor proper taxation... Income poverty works brilliantly in places where everybody is employed and they have social security and where it is very transparent and very formalized. But when you have 63% of the economy being informal, by the way the World Bank... issued a report, and the slogan was “*the informal has become the formal in Egypt*”... And not just as individuals, but as firms. There are a lot of firms that are operating informally. So the informality isn’t only related to individuals, like a “*Tok Tok*” driver or someone selling vegetables, but we have informal firms and establishments that are totally unregulated and employ a lot of people on their pay roll. (WB In-depth Online Interview, February 2022)

This stance was echoed further by the interviewee working with MoSS, which, again, is the ministry mandated with fighting poverty in Egypt. It is best to quote them at length (when asked if there should be higher levels of taxes and redistribution of wealth in the country):

For me, honestly, and I don’t mean it in a bad way, but is it my fault that I worked hard, and hustled, and started making money, and so you want to take my money? Yes, I’m pro development and pro-poor, and pro-poor policy making and spending, but I’m not pro that you make people (who have resources) to hate people who have modest means. I’m pro that you tax me, progressively, and tax me reasonably... When you look at it, I’m a tax payer. But the people who benefit from the services that I pay taxes to cover are not tax payers, and I pay everything here in Egypt out of pocket; let’s face it, you won’t go to the (national) health insurance and I won’t go to the (national) health insurance. You won’t enroll your kids in governmental schools and I won’t enroll my kids in governmental schools. I won’t ride a bus, and you won’t ride a bus... Do not tax every single thing a wealthy person owns; because

there are people who say, “they have houses in the North Coast (Sahel)”; how on earth do you know how hard they worked to buy that house? Why do you want to tax me something that’s above my ability to pay? I think this is one of the things that makes the people weary of the Egyptian government, and feel like they want to suck their blood. (MoSS In-depth Interview, March 2022)

This informant had a clear and vocal position on the issue of higher taxation rates with the purpose of redistributing wealth and curbing income inequality. This interviewee also believes that it is undesirable from both the moral perspective, as well as from the productivity perspective, as it will result in the productive class being wary of the state, and the danger here is that they may choose to practice their productivity elsewhere.

I don’t believe in salary ceilings as a person, this is a personal opinion. Because when you put a ceiling on salaries, you are kicking away experiences and capabilities that would have come to benefit you in the country 1,000 times more than the salary you are hesitant to pay them. Inequality is part and parcel of life, okay. That you have people that aren’t ultra-poor, and that you have relative poverty, is something so different than having absolute poverty. So from my perspective; no, I believe that you (should) have a minimum standard based on the increase in prices and on inflation rates, etc... yes. You need to have something like that because you have to protect certain socioeconomic classes from falling under the poverty line and not being able to afford their basic needs. (MoSS In-depth Interview, March 2022)

A liberal approach indeed to managing the economy, one that believes in allowing the market to adjust itself, rather than having policies that could in the end result in more harm than good.

Why do you want to shut down the idea that I work in the government? When you earn well, you won’t have a brain drain in the country. We have a brain drain because the competent people cannot work with the salaries that are offered by the public sector... We’re not going to lie to each other, we are not a social state, and socialism has proven that having everyone at the same (socioeconomic) level is a failed model. So you need state-led development that has some (private sector activity). The invisible hand also has proven to be incorrect. So you need something in the middle. (MoSS In-depth Interview, March 2022)

This is indeed a utilitarian approach, and again adheres to the line of thought employed by the right-leaning-side of the debate on income inequality. What’s more, is that some informants also hammered on the argument from the moral perspective.

But if we’re speaking about people who already have access, or have opportunities, or their income is already much higher than others due to their work ethic or because they have better opportunities than others, I don’t think that’s something negative (income inequality). This is because these people help the community, and employ people that may have lower incomes, and because they had better opportunities, better ideas, better approaches, and they manage to develop themselves more, in this case I don’t think inequality in income is a negative thing. (MSMEDA In-depth Interview, February 2022)

Clearly, as a value judgement, and in a case where inequality in income is due to legitimate reasons, this informant believes that having different levels of income is not necessarily a negative thing. This idea is the underlying premise of all informants when asked about income inequality in the country.

Finally, when asked if the state should work on redistributing wealth more effectively, and bringing incomes closer together through the redistributive arm of the state, one of the informant eloquently summarized the line of thought undertaken by almost all informants; “no, this isn’t the solution. *The solution is to help those that are down to catch up, not to get the people at the top and tell them “stop, do not grow anymore” – no!*” (WB In-depth Online Interview, February 2022). So, for the informants, from a moral perspective, it is more about individual effort, rather than equality of outcomes. What should be done is to equalize opportunities between individuals, which as a notion has been covered in the conceptual framework, and was mentioned repeatedly by the informants of this research. “Like I said, equality of opportunity means that all people have the same opportunity... So we all have the same opportunity *and the more competent one gets that opportunity*, and not that the person that gets the opportunity is from a certain gender, age, or whatever” (MSMEDA In-depth Interview, February 2022).

An important caveat needs to be highlighted here however, and that is the absence of equal opportunities in Egypt (which will be discussed in more detail in this paper). This results in the fact that “there is no upwards social mobility in Egypt... That’s the difference between social classes when they enter the labor force and market, as well as with education. This is the part where you give people what they actually need *to start at the same footing*, or that you try to make that footing close to each other” (MoSS In-depth Interview, March 2022). Finally, to capture the spirit of the main ideas mentioned by the informants, it is important to reflect on a statement by the informant from MoSS, who shared that “I’m not saying redistribution of wealth is wrong. It shouldn’t be overwhelming on people” (MoSS In-depth Interview, March 2022). This may be the main takeaway from this section, which is the importance of being balanced when it comes to redistributing wealth, and ensuring that taxes aren’t overwhelming on a certain socioeconomic class, as overdoing redistribution policies may result in an outcome that is the opposite of the one intended.

6.3.4 “From Prevention to Protection and then to Production” – Policies that Aim to Fight Poverty & Equalize

Opportunities

The discussion also shed light on the current as well as the suggested policies that aim to work on reducing absolute poverty rates in the country. Informants shared a number of these policies and projects, which target those under the poverty line. The overarching idea behind these projects is that they aim to first prevent vulnerable populations from falling under poverty, and then to protect those who are already under the poverty line, and finally to promote productivity for beneficiaries receiving services. This can best be captured by a quote from one of the informants working with the WB.

So we try to prevent people from falling into poverty, so that’s the prevention part. There’s also a protection part, because there are people who already living in destitute so you try to protect them. And then there’s the promotion part, which we call “from protection to production”, and you try to empower people to find jobs through livelihoods, pathways to employment whether through wage or self-employment. And we look at models like the model of BRAC, graduating the poor using cash, etc... So that mandate of social protection is prevention, protection and promotion across the lifecycle. (WB In-depth Online Interview, February 2022)

A current initiative that was often mentioned was Takaful and Karama (T&K), which is a project that was co-designed by the WB, and is being implemented by MoSS.

I’d also like to speak about Takaful and Karama (T&K)... because it starts with self-selection. So if you think you are poor you come and you apply to T&K. We run a proxy means test (PMT) formula through a questionnaire, these are proxies to poverty and they look at poverty through a multi-dimensional perspective. It’s not just about income poverty, and that’s a very important point in the targeting methodology of T&K. Yes, we do geographical targeting, where we go to the poorest villages, but we do a PMT formula, and it’s on the tablet, and the social worker goes to the household that applied and whom perceive themselves as poor. (WB In-depth Online Interview, February 2022)

These steps act as levels of filtration to the T&K program; so not only is it geographically targeted, but it is also built on the idea of self-selection – which further hones the focus of the program, as well as on a PMT formula that aims to decrease inaccurate targeting and prevent leakage.

So I, as the state, will go to your home and assess if you are indeed poor or not. The tablet has a lot of questions that have to do with the house’s conditions. Do you have roof, do you have flooring, do you have access to potable water, what is the electricity consumption, what is the size of the house, how many people are living in the house. So these proxies all result in a poverty score, and the government then says anyone below that score will be part of T&K, and for the rest we won’t forget about them, but they will be in the T&K database. What’s more, is that the PMT gave us a lot of information about them, so we have a lot of information about the poor. So maybe they are not in T&K but they need

potable water, or they're not in T&K but they need adequate housing, or whatever else. So looking at poverty from a multidimensional perspective, this is what we are doing in the T&K project, which is a WB project. (WB In-depth Online Interview, February 2022)

Again, the project highlights the importance of looking at poverty through a multidimensional lens, where it is clear that income poverty alone may not be enough to classify someone as poor. That said, once a household is eligible, they receive a monthly cash transfer under T&K, which they can cash-in from the nearest post office. Interestingly, the social worker filling the information on the tablet *does not know* the weights assigned to each question in the PMT formula, so as not to tamper with the questions and the answers (WB In-depth Online Interview, February 2022). This is “because I may be a social worker that feels that this family needs the support, or for any other reason I want them to be beneficiaries of T&K. Then they can start playing with the questions in order to make them eligible. No, we don't want the social worker to do that, we want one ruler that measures the poverty score of all families in the same way” (WB In-depth Online Interview, February 2022). This results in a quite harsh ruler or yardstick to measure poverty, yes, but it also provides a rather scientific and rigorous formula to choose eligible beneficiaries to T&K.

(PMTs) are a very harsh tool. This is because you draw the line somewhere, and there could be a decimal point in difference between me and you for example, and you're my neighbor, and due to that I will get the service, and will be eligible for T&K, and you will not, because of that 0.1. This doesn't mean that Mohamed isn't poor, Mohamed is as poor as me, but the difference was so miniscule that it could be one question that resulted in me being in the program and you aren't. So this is what we mean by harsh, this is how harsh a PMT formula and a cutoff point is. But it's very easy for the government to include more people into the program, if they have more money, they just raise the threshold and they bring in more people, as these people are already registered and you know them. The problem is the fiscal space, to have the ability to do that, because this cash dependency worries the government. (WB In-depth Online Interview, February 2022)

Of course, this harshness was also questioned by the informant in the MoF. The interviewee shared that sometimes beneficiaries can “get deprived from all types of aid if they have are placed in a slightly higher level, or only one point over the poverty line. This is also not normal! So there has to be some leniency in scores. So that person is not able to purchase health insurance for example, so they take support in the form of health insurance, but (that means) they do not qualify for T&K” (MoF In-depth Online Interview, April 2022). Clearly, this is a more tailored approach which also hammers on the idea that fieldwork (such as the visit of a social worker) can never be substituted by registries and databases. It is important to mention that this is also a caveat that was discussed

by one of the informants, where it was mentioned that the Egyptian state is currently building a unified national registry.

We, as the WB, are also working with the Administrative Control Authority (ACA), and are supporting them to build a unified national registry. What is the unified national registry? It is a registry that includes all Egyptians – one hundred and something million people are in that registry, and all with their unique ID number, and they managed to transform these 100 million into family units, so there are 23 million families. If I run your ID in the ACA, I'll get your name, where you live, which household you belong to, who are your parents, are you going to a public or private school, the electricity consumption of your household, your telephone bill, because your telephone is connected to your national ID. (WB In-depth Online Interview, February 2022)

The unified national registry is a massive project for sure, and may serve to be a critical tool to better target social programs in Egypt. However, it is also worth mentioning that there could be significant privacy concerns with such a registry – something that policy makers should keep firmly in minds as they maneuver such a sensitive database.

So the government is now trying to categorize people according to their welfare state, and they have 5 categories: very poor, poor, near-poor, vulnerable, and rich, something like that. It is all administrative data, so it's not 100% accurate, but they look at certain proxies like car ownership, public vs private school enrollment, if you work in the government they know your salary immediately, your property, assets, land tenure, and some other things. They also look at remittances... the income to the country from remittances is 4 or 5 times that of the Suez Canal... So, the ACA is able to track that with immigration, who works in the Gulf, who makes transfers, etc... *Of course, we told them that there is a danger associated with something like that and to take decisions based on this registry, because nothing will ever substitute fieldwork, that you go down and see the household and do a PMT like T&K.* (WB In-depth Online Interview, February 2022)

T&K is also a conditional cash transfer, meaning that it is contingent on the beneficiaries satisfying some criteria, such as ensuring their children go to school, as well as that mothers make regular visits alongside their infants to the nearest healthcare unit. This fits well with the notion of providing multidimensional services to families, as the government utilizes the cash transfers to nudge these families to access such services. A great example could be one that was highlighted by the informant from MoSS, who shared their insights when it came to beneficiaries of T&K, and in a manner that ties well with the notion of equality of opportunity.

Equality of opportunity is, let me give you an example, when I first used to see the beneficiaries of T&K, I would have told you they wouldn't want to go to school, they won't want to learn, they wouldn't succeed – look at how they are living! You know the principle of "it will be impossible that these people start being productive". Then, after these people graduated, we started seeing people who even entered the American University in Cairo (AUC)! You're talking when you really invest, you have to see that equal opportunity, it is very important that you do not deal with people from a charity perspective; charity is not sustainable. You have to empower people, and they dig in stone, "*Yenhato Fel Sakhr*", no

problem.... But, you gave him/her an opportunity to learn, and continue his/her education, and you gave them an opportunity to receive healthcare and go to the medical center, so for me, availing the service is very important. And availing the awareness, awareness is the most important tool in development. (MoSS In-depth Interview, March 2022)

So it is the full, multidimensional service, in addition to awareness on the beneficiaries' right to the service, that serves to propel individuals out of the poverty trap, according to this informant. Another story shared by this interviewee can prove to shed more light on the importance of awareness when it comes to services availed by the state.

Awareness is a very important thing; one of the things that contributes to the vicious cycle of poverty is the lack of awareness and knowledge. I'll give you an example. Some of my colleagues once came back from the field, and they were very happy that they met a lady there living in the mountains, and she had 4 children living with a disability, and she doesn't have anything but potatoes to cook. They asked her what she needs, and she told them I don't need anything, I'm satisfied as is. So I told them that there is a difference between that she is ignorant about her rights, and that she is satisfied with the situation she is in and she thinks that life is like that. I mean, if you've never been to Japan, are you going to miss Japan? This is how I see it. So I told them actually, it's a shame that she's saying that. (MoSS In-depth Interview, March 2022)

This fits neatly with the concept of investing in human capital, specifically because "when the social safety net program of T&K started, it was focused on human capital investment and equal opportunities" (MoSS In-depth Interview, March 2022). It is also critical to mention that the Takaful program is built in a manner that provides families with cash support which is, *by design*, not enough to sustain a family on its own. "A lot of the parents used to tell us that... the support is little, but that is the idea of this support, if you give someone 1,500 EGP per month, why would they go work? They will think "I'm sitting in my home relaxing and the government sends me money"" (MoSS In-depth Interview, March 2022). However, it was shared that Karama (which serves the elderly and people with disabilities, rather than those living under the poverty line), should see its transfer amount increased. "I mean, someone who is 65 years old, and who won't be able to work, someone who's close to the end of their life, even if they live 20-30 more years, they need a decent pay. I think the amounts of Karama should increase a bit, because 500 EGP a month for a person with a disability, that wouldn't be enough for 4 or 5 sessions of physical therapy" (MoSS In-depth Interview, March 2022). What's more, is that such social programs need to be linked to other productivity programs, "so the idea is that Takaful is for a certain period and for *certain reasons*. After that this has to be linked with other programs like Forsa (which is a program that aims to train citizens to

begin productive businesses, in effect 'graduating' them from T&K). (This is so) you can, instead of giving someone a fish, you teach them how to fish" (MSMEDA In-depth Interview over Phone Call, April 2022).

Another project that was mentioned was Hayah Kareema, naturally. Hayah Kareema is a massive, multi-pillar, presidentially endorsed project that aims to serve over 50 million Egyptians, and boasts a budget of over 700 billion EGP (Arab Finance, 2021) (Egypt Today, 2021). This project targets the most impoverished villages in the country in its first phase, and will provide a number of fully-fledged services to inhabitants of these villages in order to see poverty rates decrease in the country. Haya Kareema targets "around 152 villages, that are currently heavily being worked on, and then we'll go into phase 2 and then 3 and 4 where we will cover 4,500 villages... So the Egyptian government's work with Hayah Kareema has to do with geographic development as well as sectoral development. So the sectors like agribusiness... you'll find that really captured in the project... like in Upper Egypt which has the most impoverished governorates... (support is targeted there) more than those targeted in the Delta, because they are in most need..." (MSMEDA In-depth Interview over Phone Call, April 2022). When an informant was asked about what projects the state is undertaking to equalize opportunities, Hayah Kareema was immediately mentioned.

I think it is already being done in Egypt. When you speak of a mega project like Haya Kareema, and the policies undertaken to affect inequality or poverty from a multidimensional angle... Like I'm saying in Hayah Kareema and slum upgrading, these are all policies that the government has already started taking into consideration... So my advice to you is also always look at quality of life not only income, because income is a means, but not an end in itself. But quality of life is the end. There could be someone who has income that is higher than the poverty line, but he does not have access to health and has high out of pocket expenditures on health and is not well off in terms of their health. Or again, monetarily they are above the poverty line but they are not educated, so they are vulnerable anytime if they lose their job they will fall below the poverty line. (WB In-depth Interview over Phone Call, February 2022)

This huge project also tackles a number of other vital pillars, which are all crucial when looking at multidimensional poverty and how to address this problem.

Social housing is very important for quality of life. There are other policies that have to do with minimum wage, and also the part that has to do with monetary and income inequality. All of these programs and the infrastructural development happening whether it's for transport or roads, all of these angles are mega projects or national projects and initiatives and address exactly the priorities that we talked about. And universal health insurance of course, it is a very important aspect. Because out of pocket expenditure in Egypt is very high, we're the highest in the MENA region... Even if you're

talking about something infrastructural, but in the end if it's something housing you'll do, or like Sakan Kareem, you're doing it for quality of life and multidimensional poverty... So I see general inequality as a priority right now, and not only income inequality. (WB In-depth Interview over Phone Call, February 2022)

This holistic approach also covers the point mentioned before on human capital investment, and hammers on the idea of not merely focusing on short-term infrastructural ROI-driven investments. An interesting project that was mentioned was the World Bank's human capital project, which is a global project that mainly ranks countries in a manner where there is competition between them. "But the problem with the human capital project is that because it is outcome based, from one year to the next it's very difficult to improve your score. Because stunting and education outcomes take years, and so it's very frustrating for all governments, not just Egypt, and they tell the WB that it's not fair, because they say we're increasing investment, we're improving quality, but you don't get results the next year – it takes years" (WB In-depth Online Interview, February 2022). So this tool is a great way to measure progress when it comes to human development. And this moves the discussion towards the importance of investing in human capacities, in effect equalizing opportunities and activating social mobility – which is an excellent recipe for poverty reduction.

For example, one informant shared that "if children don't have better (educational and healthcare) outcomes than their parents then they will remain trapped in poverty" (WB In-depth Online Interview, February 2022). So people in poverty are set to remain in poverty given that they do not have the necessary opportunities to escape the poverty trap. This can be best shown through quoting one informant at length.

We also have public vs private schools, so if you are poor, your kids will go to a public school and the educational outcome is poor. So the education system is also reinforcing the inequalities, because if you are poor and you are unable to access good quality education, you will always be at a disadvantage, and those who have the resources will put their children in good schools, so this reinforces the inequality. (WB In-depth Online Interview, February 2022)

The necessity of investing in the healthcare and education of the Egyptian people was hammered on by all interviewees, especially when it comes to decreasing poverty rates and equalizing opportunities. "The first thing, when talking about equality of opportunity, is the issue of education. I was saying that the education system is reinforcing inequalities. Okay? Therefore, this is the first thing. That the public education system becomes as good as the other (private) education system" (WB In-depth Online Interview, February 2022). So, not only is the

education system keeping people trapped in poverty, but it also compounds inequality, as households that don't have access to quality education can remain trapped for generations. "Like I was telling you, if people have bad health, and are uneducated, then you're already at a disadvantage at birth! Also, this equality of opportunity translates to this; if you're born rich, you will probably continue to be rich, and if you're born poor, in order to break the cycle of poverty this will be quite difficult. This is because social mobility in Egypt isn't easy" (WB In-depth Online Interview, February 2022). This was also mentioned by another informant working with the WB, who shared that:

(Equality of opportunity) is giving everyone the right or opportunity to access basic services, education, health, access to jobs, access to finance, access to housing, access to all the infrastructure, telecommunication and internet, you're talking about an internet and mobile gap if you compare gender or regional disparity... (These are) all things that are interrelated and affect each other. If you don't have equal opportunities in education, most probably you won't have equal opportunities in jobs because most probably if you're (applying for) a decent, more formal job, you should have higher quality education in order to be able to get this job. (WB In-depth Interview over Phone Call, February 2022)

One of the informants working with the WB discussed what they called "*Seyaset El Nafas El Taweel*" – or policy that is forward looking, which also revolves around investing in healthcare and education, so that there is "higher human capital accumulation". However, they highlighted that this could have low desirability for political reasons.

This is a very important policy. And this requires a long-term investment and will take years and is not something political, it is not tied to an electoral cycle. So it's not that I come as a president for 4 years and I want quick wins so I'll push that to the person after me. No; these are things that need a long (term) commitment – "*Seyaset El Nafas El Taweel*". (WB In-depth Online Interview, February 2022)

Not only that, from the economic perspective, "deprivation from education has a very high cost. It's a very high cost on the government. There is research that shares that every dollar you spend on a child's development, saves money later in the future" (MoSS In-depth Interview, March 2022). Clearly, looking at poverty through the multidimensional lens, as well as forging policy that tackles it through numerous aspects, may prove to be a critical tool in the fight against poverty – and there is profound agreement among policy makers and influencers in Egypt that this needs to be one of the tools utilized moving forward.

The issue is, as was openly captured by one of the informants, that there is often little consensus on what ‘equality of opportunity’ means, and this occasionally results in confusion, as well as lost opportunities for impactful policies.

There was a committee that was represented by many different actors, and not just MoF, and I was part of it, and *there’s no consensus on what we mean by equality of opportunity*, or how we want to move forward with this file! So this is often a big struggle, so we have a committee for this, and we’re not even on the same page! So as long as you don’t have a clear, unified definition that helps you identify what it is that you need from this issue exactly, then we won’t ever be able to come out with anything. And in the end everyone (in the meetings) is sitting to discuss the achievements of their own ministry, and we hear (someone saying) we created the ideal mother, we created etc... And they consider that...in this way they are supporting women, *I’m being serious*, this is from entities that aren’t small at all! (MoF In-depth Online Interview, April 2022)

This speaks to the significance of identifying what the government, *as a whole*, including its various arms, means when it mentions ‘equality of opportunity’. Defining this notion at the strategic level is fundamental if it is to be supported by different ministries and agencies. The reason mentioned above by the informant from the MoF should be enough to understand *why* having a common understanding of equal opportunities will help in the design, delivery and evaluation of anti-poverty programs.

Stemming from that discussion, another important point was raised in the interviews, and that was how economic growth and economic development can often be conflated, and how that ties with poverty rates in the country. “I’ll tell you something; people always mix-up between economic growth and economic development” (MoSS In-depth Interview, March 2022). For example, Egypt had close to 7% GDP growth in 2008 (World Bank, 2022), “but the fruits of this growth were not trickling down to society” (MoSS In-depth Interview, March 2022). “And now it is 3.4% I think” (MoSS In-depth Interview, March 2022).

If an investor comes to Egypt and then they won’t employ people from Egypt, then what is the idea behind that? You are injecting money into the economy? Yes. However, for me, someone who looks at economics and finance in general from a development perspective, if you do not invest in human capital, then we’ll see the same thing that happened during the days of the revolution. The gap (in wealth) will keep on increasing in size. There will be ultra-elitist businessmen benefiting from the investments, and then you’ll have the entire nation servicing these people and they do not benefit from them. (MoSS In-depth Interview, March 2022)

However, this informant also shared that “of course this (economic) growth will inject money, but how this injection will be employed is always the million dollar question” (MoSS In-depth Interview, March 2022). And that

is indeed *the* critical question. This point specifically, regarding the GDP growth rate of the country, and how that ties with economic development and poverty reduction, was significantly discussed with numerous informants. For example, one informant highlighted that “you look at development from the angle that not only growth is the main indicator, you also have to look at equality of opportunities, accessibility to decent jobs, accessibility to education and health” (WB In-depth Interview over Phone Call, February 2022). So this means that the focus should be on what the interviewee with the WB dubbed ‘equitable growth’.

We can’t have growth without development, because sometimes you are growing without creating decent jobs, you are growing without creating income equality and equality of opportunity. That is why... private sector employment is critical, and how decent jobs are important. So maybe there has been a high growth rate, but not at the same rate as there (should be when looking at) equality of opportunities in other things, like education, decent jobs, employment in the formal market, etc... Also, the private sector *could be playing a major role* in the upcoming period to generate decent jobs and formal jobs... So growth, the number, will *not* give you an indication on the other aspects, unless you look at a holistic developmental figure. (WB In-depth Interview over Phone Call, February 2022)

Clearly, the notion here is that GDP growth, divorced from quality of life indicators, would not serve to paint a full picture of the economic development of the country. This is an important point when it comes to fighting poverty. What’s more, is that engaging the private sector in the economy has also been mentioned repeatedly. The discussion hovered towards the role of both the “private sector and the state led (enterprises). If you want to level the playing field, give the private sector the same benefits that you give to state led institutions. This means that there is no equality of opportunity even for the private sector” (WB In-depth Online Interview, February 2022). This support to the private sector would serve to be an incredible push when it comes to job creation and poverty alleviation in Egypt.

So... in Egypt, what is the model? The public sector will not hire, and they have instituted a hiring freeze for a couple of years now; where will the jobs come from? They will come from the private sector. If you’re instituting state-led growth, and the pie is decreasing in size for the private sector, how are you going to create jobs? (WB In-depth Online Interview, February 2022)

When this issue was further discussed, this informant shared the following:

Okay; this is my personal opinion, it is not a World Bank position. Definitely, there is growth in the economy, even during COVID-19. This growth is due to the fact that there is a lot of construction going on. And the government has a perspective that the construction sector makes all other sectors work. It creates employment and is a labor intensive sector. But, I’m not sure regarding only working on that and not working on the human side... So you’re building new cities, and a new capital, and you’re talking

about the future and climate change, green jobs, and renewables and digitalization. Okay; are the people in Egypt ready for that? Are the poor people in Egypt ready for that? No; the privileged people in Egypt are the ones ready for that. (WB In-depth Online Interview, February 2022)

The informant here highlights the approach of the government when it comes to the largescale construction projects taking place, and that these policies are more of public employment programs (PEPs), that aim at decreasing unemployment on a largescale, especially given the vitality and labor intensity of the construction sector.

So the economic growth is there, yes, and there will definitely be people who benefit out of it, but also those who benefit are the ones who are able to compete. People that are left behind, and... the Hayah Kareema initiative... (a lot of it) has to do with infrastructure. Building schools for example, but if the teacher is very poor quality like they are, then we're doing nothing. You'll build a medical unit and the doctor won't go because they have a private practice... Same thing. Or you're going to open a medical unit and have contraceptives but the people still think that using contraceptives is religiously deviant – *Haram*, so the women won't go! If you don't work on the behavior, if you don't work on the human side, this is where I see Egypt can make a very big difference in income inequalities; if they tackle the issue of human investment – which is lacking. (WB In-depth Online Interview, February 2022)

Investing in human capital is therefore essential for this informant, as without that, infrastructural investment and development may not achieve the desired results. What's more, is that a lot of the infrastructural upgrades currently being undertaken are funded via debt financing.

We have to say also, that the growth model is *state led, and debt driven*. This isn't your money, you're borrowing. And two, a lot of things are being done by the state. They keep telling you we're engaging the private sector but still, for the economy to grow in a much healthier way, you need to give the private sector an equal share of the pie. You need to find models and opportunities for engaging the poor, and not only the big projects for the big companies and looking at the FDI, which is very important, I'm not saying it's not important, and it will have a difference over time, but also, all of that is being led by certain investments in specific sectors. So these sectors need to be diversified over time. (WB In-depth Online Interview, February 2022)

One of the informants also mentioned an important stipulation, which was the need of the state to regulate the market, so as not to let the “tycoons eat up the market, and not to let go so that monopolies form... (However) you need to have business and market interplay” (MoSS In-depth Interview, March 2022). This balance is critical in order to create the necessary jobs that are needed to absorb the huge amount of entrants into the labor force every year. “You need to inject from 800,000 to 1 million job opportunities (every year). That's for graduates as well as those who have gone out of the labor market due to privatization. The government does not hire anymore”

(MSMEDA In-depth Interview over Phone Call, April 2022). The role of the private sector therefore will be crucial in the upcoming period, especially if the government is looking to help create jobs and drive down poverty rates.

This approach should be supplemented by providing support to the fields where the Egyptian market is competitive, as well as the sectors that heavily engage households living under the poverty line.

For example tourism, the poor work there, agribusiness, how can we enhance the ecosystem of these sectors, and to initiate more support and incentives for the private sector so that these sectors can thrive. There is no point in the state incentivizing sectors that are not “in”; the future is green, renewable, digital, tourism, pharmaceuticals, e-commerce, so to start working on these sectors and to go back to the idea that every person needs to have a university degree – this line of thinking is wrong! And the idea that we place boys in the army for a year is incorrect. In this year the boy is not productive, and isn’t learning anything, so we have things that are systemic, and they have to change... Like I told you, there’s only one way to get out of poverty, and that is to get a job... (WB In-depth Online Interview, February 2022)

This viewpoint is consistent with the literature, and can build on the experiences of countries like China for example, whom have heavily supported the primary sectors in their economy, sectors that mostly employ people who live under poverty. Incentivizing these sectors automatically translates into supporting people living under poverty. This is an approach that policy makers in Egypt can borrow, and could prove to be a powerful push towards poverty reduction in the country. The year of conscription of Egyptian boys could also be decreased in duration, and boys can serve in fields that are related to what they have studied, in order to gain hands-on experience that would considerably aid them as they enter the labor market.

A final interesting finding under this theme was that of the informant from who works at the MoF, and who shared that it may be a misconception that there is little fiscal space for social programs. They further explained that the ‘missing link’ could be numerous other things, such as the absence of a national strategy for poverty reduction (which will be discussed further in another theme). It is best to share their insight at length.

I realized that the last problem in mind in pursuit of social justice is money! As a matter of fact the money is available, and we have programs, so for example I have a program called health insurance for those who aren’t able “*Taameen Sehy Ala El Ghyr Kadereen*”, and that’s not the new system but an old one, and every year there is a budget allocated to it, but it is never spent! And after that it is recovered in the budget towards the end of the year... You have other problems that have to do with the design of the program, it is often inappropriate, sometimes it is lack of awareness, people don’t know that they have a right to use that service, it is too remote for them to access (the service) if they live far away

in rural areas, etc... You have different problems, and maybe one of them is how will we sustain it (the program/project) in the future... (MoF In-depth Online Interview, April 2022)

Clearly, there is a perception that sources for financing may be identified and tapped into, and that these resources may be steered towards certain programs, but *the more crucial bottlenecks* with such programs have to do with the impact, effectiveness, efficiency and sustainability.

6.3.5 “*Masr Feeha Khairat Keteer Awi Ghyr Marsooda*” – Egypt has a lot of Wealth that Isn’t Captured; the Immense Size of the Informal Economy

A major theme that was also emphasized by all informants was the incredible size of the informal economy in Egypt, and how that results in serious difficulties when attempting to calculate poverty levels accurately, as well as when looking at any sort of income inequality. The main notion here is that income isn’t necessarily captured through formal means, such as salaries in bank accounts, and that cash is often used in a manner that is untraceable for policy makers, making an estimation of actual income quite difficult, if not impossible. The most effective way to circumvent this challenge, it was shared, is to look at consumption as a proxy (of course, formalizing the economy would be a much more precise solution, but Egypt is still far from incorporating all informal businesses into the formal economy).

Look, there is of course income inequality, but it is very difficult to measure it, because you have a very high degree of informality. 63% of the economy is informal. So the household income and expenditure survey, which states the poverty line, isn’t based on income, *but on consumption*. So you try to know how much people spend, and by their spending and consumption habits, you categorize them. So we don’t have a good, formal and transparent system where you can see the population and its income. But we’re not blind to what we’re seeing around us, because we can see a lot of private sector activity, and the sectors they work in, and what the pay looks like. (WB In-depth Online Interview, February 2022)

This was noticeably echoed by all informants, who highlighted that one of the main challenges of having an informal economy is that data is often not accurately reported. Not only that, but there seemed to be a notion that there is a lot of wealth that isn’t identified by the state, hence the title of this section; *Masr Feeha Khayrat Keteer Awi Ghyr Marsooda*. It would be best to quote one of the informants at length.

Honestly speaking, the GDP (of Egypt) is underreported. The GDP is higher than that, it is underreported. If the real GDP is the one that’s calculated, then Egypt would have collapsed during the revolution. And it would have collapsed during COVID-19. So, Egypt has so a lot of wealth that isn’t calculated – “*Masr Feeha Khayrat Keteer Awi Ghyr Marsooda*”. Also, people know how to dish out money; sometimes I feel like if I’m in the place of one of them (someone in the informal economy), I wouldn’t want to formalize myself. Why would I formalize myself? But, again, the risks of not formalizing yourself are huge! (MoSS In-depth Interview, March 2022)

This specific dilemma was also discussed in detail with informants from MSMEDA, whom are mandated with working with micro, small, and medium enterprises in the country, and whom are tasked with leading the effort to formalize the economy in Egypt, or at least to work towards that direction.

That said, the informants from MSMEDA shared that they led the design of the new law number 152 for 2020, as well as its executive bylaws. “MSMEDA is the arm of the government that worked on the law... There were numerous discussions as well as collaborations with numerous institutions, close to 24 or 25 organizations and ministries worked together in order to issue the law” (MSMEDA In-depth Interview, February 2022). It is clear that MSMEDA is well versed in the incentive structure given to informal enterprises, in an effort to push them to formalize.

Thankfully, MSMEDA has in its regional offices, in addition to financial and non-financial services... (and) starting in 2004, our 1-stop shops, which help organizations become formally established and to receive their permits and licenses. And this is the point of law number 152 for year 2020, or the new law for micro, small and medium enterprises, which was launched in July 2020, and the executive bylaws were issued in April 2021, and in the 6th section (of the law) all the incentives to incorporate the informal economy into the formal economy are included. So, there is a strong enabling environment, like H.E. the president said in one of his speeches in the opening of a project in Upper Egypt, it’s about ‘legitimizing’ these entities. (MSMEDA In-depth Interview over Phone Call, April 2022)

This ‘legitimization’ is embodied in mainly moving firms and individuals from the informal economy to the formal economy. There are valid concerns, of course, for people to move to the formal economy. One of the informants from MSMEDA further sheds light on this concern.

And maybe we were always asked, why are you running after the informal in order to make them formal. We don’t mean the traditional idea that has been passed down (the generations) that we want to take taxes from them, *no*, what we want to do, honestly, and even look at the new law, it consists of 9 sections, including 109 articles, in addition to the executive bylaws consisting of 96 articles, most of them are incentives. Financial incentives, tax incentives, etc... (MSMEDA In-depth Interview over Phone Call, April 2022)

This informant also hammered on the perception that micro businesses are the classification of businesses that have more to do with poverty alleviation, versus small and medium enterprises. “So if I will tie our work to what you want to talk about in this paper, I want you to always target micro, not small (enterprises). Small enterprises aren’t very close to poverty alleviation, not like micro enterprises. Here, always when we sit with donors or others, we always say the main objective of microfinance is poverty alleviation” (MSMEDA In-depth Interview over Phone Call, April 2022). It is therefore the case that beneficiaries living under the poverty line, many of whom operate in the informal sector, are one of the main targets of MSMEDA. And today, ‘micro’ businesses also have a clear

definition under the law, which wasn't the case before law number 152 was issued in 2020. This helps in identifying and supporting these businesses.

So now, for all institutions in Egypt, they have a common definition of what micro-credit is, and which is in line with the definition of the Central Bank of Egypt (CBE). This definition gave the chance to micro-finance loans to increase in size, as it defined micro-finance as the project that has a turnover of less than 1 million EGP per year (if it's a running project). And if it's a new project, and the invested amount is less than 50,000 EGP, it is also considered micro-finance. Therefore, the amount of the micro-finance loan increased, where now we deal with clients who are officially established and have a commercial register and tax card, as well as a license. This helps us in moving clients from the informal, or what others call the adjacent sector, or the sector working from under the stairs, "*Taht El Selem*", to the formal sector, through (working with them on) their documents... (This) helps them obtain benefits and incentives that the law has given to them. (MSMEDA In-depth Interview, February 2022)

The reason behind MSMEDA's focus on microcredit is rather straightforward, and that is that "we try to contribute to the decrease of poverty incidence, as well as improve the living conditions of individuals and families, in effect providing a decent life. These families are the ones that receive micro-credit loans from our side" (MSMEDA In-depth Interview, February 2022). And this synthesis between micro-enterprises and the informal sector is indeed a solid one, it is a fusion that was mentioned by all informants of this research, as well as heavily discussed in the literature.

This effort to formalize the Egyptian economy should also be complemented with an intense awareness initiative, which aims to speak to beneficiaries in the same "language of the people. So what we want to do now is to engage with success stories. SMEs know how to talk with SMEs, much more than we can, they have one language, and success stories are very important to talk to those who have just started their projects. What's more important than the success stories are the stories of failure. The stories that failed *and then* succeeded" (MSMEDA In-depth Interview over Phone Call, April 2022).

It is undoubtedly clear that policy makers as well as influencers in Egypt view the informal economy in Egypt as massive – bigger even than its formal counterpart. This immense size results in the production of, as well as acting upon, data that isn't as accurate as it could be. This formula may definitely skew any attempt to accurately measure income inequality or poverty. From the perspective of absolute poverty, the state has to resort

to proxies to perform its calculations, such as looking at consumption, or analyzing household status. Surely, the merits of formalizing the economy could be tremendous in Egypt, the key is finding the right incentives.

6.3.6 Incorporating Monitoring and Evaluation (M&E) into the Equation

Another interesting theme that emerged during discussions with the informants of this research was the importance of monitoring and evaluation (M&E) of anti-poverty projects and programs, as well as having quality databases that operate *accurately* and *effectively* across different governmental bodies. It was clear that there is a significant pain point here, given that a number of the informants raised a concern when it comes to the efficiency of governmental anti-poverty programs. That question isn't only if these programs are efficient or not, rather, that there is difficulty measuring *how efficient they are* in driving down poverty rates.

The people in Egypt don't know the difference between a process-based indicator and a results-based indicator. Process, for example, is to say that we trained 3,000 employees. That's great, but that's a process. The result is that the number of calls that you are receiving at the call center where you trained these employees, or that the number of answers to grievances has increased... So, the people in Egypt, and I'm taking about very high level people, don't know the difference between an activity and the output. Also, some of the M&E frameworks in the country you'll look at the indicators and you'll laugh... So in our key performance indicators (KPIs) people don't know the difference between measuring a process, where I, internally, need process based indicators to measure my work internally. But results, these are the results of the process that I undertook. You don't have the difference between both these ideas, it is still blurry here in Egypt. (MoSS In-depth Interview, March 2022)

This informant highlight a serious issue in the modality of measurement when it comes to social programs in Egypt. Results are often conflated with processes, which may lead to utilizing inaccurate yardsticks to gauge achievements. What's more, is that there is an indication that even high-level policy makers often confuse these two different modalities of measurement. This may lead to these inaccurate measurement tools being cascaded from the level of policy all the way through the administrative apparatus of the state. This issue was also visibly evident when conversing with another informant, and when asked if anti-poverty programming would increase economic growth in Egypt, the informant responded:

Honestly, we don't have this tool to measure. Whatever I will say is projections "*Kalam Morsal*". Maybe in this area specifically... one of the things we stressed on a lot in the MoF and other ministries are reluctant about, but I think it is very important, is the *issue of monitoring and evaluation, M&E, of the programs. Not for the sake of decreasing spending or whatever, but because we need to have a type of analysis so that we understand if this program isn't efficient, doesn't have impact, and then we can answer your question. If this program has social impact, then the next step is that it will have economic impact... But as we go, every program that is working alone and in a separate island, which are yes working to provide aid to people in poverty of course I agree, but you aren't able to measure actual impact. (MoF In-depth Online Interview, April 2022)*

The inability to measure impact, coupled with the dilution of anti-poverty programs (given that they are scattered and work in different silos), may prove to be an inefficient strategy in the fight against poverty. “What happens is that there are so many (dispersed) programs, and in the end we don’t feel the social or economic impact of these programs” (MoF In-depth Online Interview, April 2022). This is clearly identified as an area that needs work, where it was further shared that one of the main mandates of this informant is to try and escape the ‘loop of ad hoc aid’, and to work on synthesizing programs in a manner that creates harmony between them.

Furthermore, one of the informants also highlighted the absence of a national poverty alleviation strategy, as well as the adequate databases to formulate such a strategy. This strategy needs to be built in a manner that utilizes cross-ministerial collaboration as well.

So the idea that is always shared is that there is a social protection strategy in Egypt. I highly doubt that. There should be work done with MoSS on the social protection strategy; but since this has *only been done by MoSS* and without going back to other stakeholders, means that it isn’t a strategy or anything, and it isn’t multidimensional and isn’t looking at either the financial sustainability of the projects nor at their evaluation... So always, one of the main problems I faced, was that we were never able to solve any problem in any project. You should have a clear direction, a clear strategy, with clear targets where you know where you’re going tomorrow and your priorities are crystal clear, and you know what are the things you should do, and building on this strategy you are able to measure where you stand! (MoF In-depth Online Interview, April 2022)

The need for a crosscutting anti-poverty strategy is clear according to this informant. Not only is the strategy important, but the ability to measure and gauge progress on the strategy is also imperative.

Whatever the efforts that are undertaken, and the program could be great and beautiful and reaches people, but is it delivering the best it could? Or is it delivering 50% of what it was designed to achieve? You are not able to measure anything! This is a massive problem that I think will never be solved and we won’t be able to decrease the poverty rates we’re discussing as long as we are working with the same strategies... the same manner of work, which is good intentions, this looks good, let’s do that! Let’s do this for people in poverty! We need to have clear priorities and tasks, where I, here at the MoF, know that in the next few years the focus will be on Hayah Kareema, so I will budget for Hayah Kareema for the next 5 years. Then I know I have the following numbers to deliver, and there is a certain entity that is measuring this program, and the program is working based on these determinants/KPIs. Only then will you be able to know if you’re headed in the right direction. (MoF In-depth Online Interview, April 2022)

The absence of a unified direction for the state can indeed prove to be detrimental in the fight against poverty. Not least due to an important reason shared above, which is the inability of the state’s executive arms to *know* if it is headed in the right direction, given that KPIs aren’t clear in that regard. This ties very well with the notion

discussed earlier which highlighted the difference between process indicators and result indicators. So for example, an anti-poverty program can build a huge number of hospitals, schools, production units, and refurbish homes. This is a process, however, the results, or the outcomes, which is a decrease in poverty rates in the areas served by this program, should be the ultimate goal that informs policy makers whether the program is performing well or not. Not only that, but a rigorous evaluation of the program, using tools such as randomized control trials (RCTs), can also inform policy makers on *how efficient* the program is, and if it is reaching its targets.

Consolidating databases would also serve to be a crucial step in this direction. An interesting insight shared by one of the informants highlights exactly why this is the case.

The priority, first thing, is the consolidation of the databases! This is the first thing we need to do before taking any decisions in any direction. In Egypt, we have a massive problem, and that is sharing information. Even within the government itself; and you'll find a significant inconsistency in any information you receive; so you can take a piece of information from me and then go to MoSS where you'll find that it's a completely different piece of information, as an example of course. (MoF In-depth Online Interview, April 2022)

This is of critical importance in Egypt. What's more, is that today, digital tools that are easily available could serve to make this sort of consolidation tremendously easier than it would have been a decade or two ago. And this logistical investment would result in efficiency gains that may be hard to quantify. The redundancies that could be avoided when having such a database and strategy for poverty reduction could be instrumental when attempting to alleviate poverty. This is indeed the main idea of the unified national registry that was discussed by one of the informants from the WB in this paper. However, this registry needs to be streamlined across all ministries, as well as fused into the day to day of all of the state's arms working on multidimensional poverty reduction. This would provide all ministries with a 360 view on the status of beneficiaries, such as where they stand on education, healthcare, type of dwelling, etc... and would be a significant step in the right direction.

6.3.7 “A Double Burden” – Gender & Poverty

Another interesting theme that also emerged from the interviews was that of gender. It was clear that policy makers and policy influencers also aim to look at gender when exploring the ramifications of poverty on individuals and households, as “there are those who are always at a double burden” (WB In-depth Online Interview, February 2022). In order to offset these drawbacks, one of the informants suggested the principal of ‘positive bias’.

I have an example of an opportunity for someone to carry and move iron. The job is to move iron. Where are opportunities between women and men here? I can’t do anything here! So positive bias is that we open up the opportunity for both genders, and then deal with the challenges that arise. Meaning, that a woman has specific needs, and she has advantages in certain things, so for example you’ll find that she is very creative in work related to knitting. This is in her nature, she has delicate hands, etc... Okay, the woman also has low mobility, so this is our culture, so we have to start having positive bias; so I won’t wait till she comes to take the service from me, but I can move with my service to go closer to her. (MSMEDA In-depth Interview over Phone Call, April 2022)

This is, of course, easier said than done. The difference between the availability of services to women and the accessibility of these services can make all the difference. One of the interviewees from MSMEDA highlighted this dichotomy, where they explained: *“Ya Farhety Inak Ataht”*; you availed but you didn’t take into consideration the accessibility of the end user” (MSMEDA In-depth Interview over Phone Call, April 2022). A clear example was also shared, where the informant highlighted that policy makers:

Have to deal with accessibility in the framework of the ability of the end user to access what is available... So don’t say I will provide a training in a central location in a district, and this is available for the women and men. No, this isn’t true, the woman *will never go* to the central location in a district. But, you can do that if you make it at the village level not the district level. This way it is closer to her home, so after she cooks and cleans, she can go and get trained, etc... (MSMEDA In-depth Interview over Phone Call, April 2022)

This is indeed the case in many developmental initiatives, and has been discussed by more than one informant for this research piece. An example given by the informant from MSEMEDA can be found below.

So we started something that’s great, that we convinced one of the international organizations to provide a mobile unit to us. This unit is a moving office, that we can use to go to people, and provide the service close to them. If you’re talking about poverty alleviation, we did this around 6 years ago, in a program called “Betaktak Hoo’oak” – “your ID, your right”... We thought of the idea that especially for women who aren’t registered (as in don’t have an ID), and who are mainly in Upper Egypt and in impoverished areas, they don’t have their IDs so they aren’t able to access their rights, or funding, or get jobs, or anything. So we started with the NCW and UNDP a program to avail a service, and we

collaborated with the Ministry of Interior. So we got a mobile unit for photography, and we went down to these villages and provided them with forms for free – the forms for the IDs, and they started filling them, and then we issued IDs from the ministry of Interior for free. So now at least they are seen by the system. (MSMEDA In-depth Interview over Phone Call, April 2022)

This example serves to highlight a common theme, which is that some groups, such as women in Upper Egypt or in hard to reach areas, may be bound by social and cultural norms as well as realities that make it difficult for them to find jobs or launch their own businesses. These realities need to be taken into consideration when policy makers and policy influencers design programs that aim to economically empower women, as they can make or break these programs. Simply availing the service does not mean that take-up rates will increase – but making these services and programs accessible to these groups of people ensures that they are indeed well-utilized.

Section 7 – Policy Recommendations:

This research piece intends to help pinpoint the more pressing issue for Egyptian policy makers to tackle. The relevance of the said study is critical, as it aims to aid policy makers hone the focus of the state towards the more disparaging social ill. An empirical analysis of the data indicates that they should be targeting a decrease in levels of absolute poverty, rather than income inequality. The findings have painted a vivid picture; too narrow of a focus on decreasing income inequality can prove to be unfavorable to the overall economic growth, prosperity, as well as the poverty rates of the country, and that a low Gini indicator may sometimes mean a ubiquity of poverty. Given the current situation and context in Egypt, the persistently high rates of absolute poverty should be swiftly addressed. It is of paramount importance to sharpen strategies to tackle this malicious social ill, and below are a number of recommendations that can be taken forward by the Egyptian government to help drive down the poverty rates in the country.

7.1 Establishing a National Anti-Poverty Committee or Agency in Egypt

It is necessary that an agency or committee is established with the *sole mandate* of reducing multidimensional poverty in Egypt. Firstly, multidimensional poverty has, by virtue of the name, numerous dimensions. And so the quality of education, for example, falls under the mandate of the Ministry of Education and Technical Education (MoETE), while quality healthcare falls under the mandate of the Ministry of Health and Population (MoHP), and social safety nets fall under the purview of the Ministry of Social Solidarity (MoSS). Naturally, this creates a logistical difficulty for any *one* of these bodies to ensure that beneficiaries are receiving *all* of these services (this is without even looking at other pillars of multidimensional poverty). What's more, is that this specific predicament has resulted in difficulties for the conditionalities of T&K for example. As explained, MoSS places conditions on the cash transfer of T&K. However, it is the MoETE that reports on children's attendance to school. And it is the MoHP that shares if mothers did indeed visit the healthcare centers as part of the conditionality associated with T&K. Naturally, this may cause confusion at MoSS, and could result in these conditionalities being inaccurately reported, or at least not reported in a timely manner.

What this national committee should do is that it will first inclusively (through the engagement of all relevant stakeholders) draft a whole-of-government strategy to decrease multidimensional poverty rates in Egypt. It should then set clear KPIs and targets for these poverty rates. So for example by the year 2028, the levels of poverty in Egypt should reach 25% of the total population, and by 2030, they should decrease further to 22%, etc... This is similar to the poverty KPI modality used in Egypt's vision 2030 (MoPED, 2015), as well as in the UN's SDGs. However, the idea here is that this committee should also be held accountable if these targets are not reached, and as such it will focus on looking at *outcomes*, and not *processes*, as was mentioned by some of the informants of this research. What's more, is that this entity could also research current poverty reduction programs around the world that are supported by rigorous scientific evidence, such as BRAC's targeting the ultra-poor approach (TUP) (J-PAL, 2015). Moreover, this committee should report to either the prime minister or the president, and work in a cross-cutting manner with all ministries that are related to driving down poverty rates. The unified national registry, which was discussed by one of the informants of the WB, will also be a critical tool

in the arsenal of this committee, and as mentioned, it should be supplemented by a strong hands-on team that conducts regular field visits and is closely linked to activities unfolding on-ground. This national committee should respond to the clear pain point voiced by one of the informants regarding ad hoc aid, and should *own* the multidimensional poverty file in Egypt.

A solid example of the value of such a committee would be in the case of the Philippines, which has also instituted a National Anti-Poverty Commission (NAPC). The NAPC “was established to serve as the coordinating and advisory body for the implementation of the social reform and poverty alleviation agenda. It derives this mandate from Republic Act 8425, also known as the Social Reform and Poverty Alleviation Act of 1997” (Devex, n.d.). This commission has indeed helped hone the government’s policy when it comes to poverty reduction, where poverty has fallen by two-thirds from 1985 to 2018 (World Bank, 2022). The operational cost of the said commission in 2021 is estimated at 208 million Philippine Pesos (Marcelo, 2022), which is close to 100 million EGP. This should be the estimated yearly operational cost of such a committee (especially given the comparable population sizes of Egypt and the Philippines).

7.2 Supplementing Income Poverty with a Multidimensional Poverty Index

First, it is critical that poverty indicators in Egypt are supplemented with a multidimensional poverty index, in order to be able to mount a solid, well-rounded offensive against increasing poverty rates. This index, in-line with data from the World Bank, should include “six indicators: consumption or income, educational attainment, educational enrollment, drinking water, sanitation, and electricity. These are mapped into three dimensions of well-being: monetary, education, and basic infrastructure services” (World Bank, 2022). The data of this research piece has unequivocally shown that policy makers and policy influencers in Egypt view poverty through a multidimensional lens, and looking at income poverty alone is no longer enough. It is true that the Egyptian Ministry of Planning and Economic Development (MoPED) is currently working on an Egyptian version of a multidimensional poverty index (Ministry of Planning, 2022). This is a steadfast step towards a holistic measurement of poverty in the country, but this index has yet to be incorporated into public statistics, and has not been fused with the income (or rather consumption) indicators that are utilized by CAPMAS to calculate poverty rates in the country. So today, when CAPMAS issues reports highlighting poverty rates, it is still looked at through a purely monetary lens.

Clearly, this does not suffice given the tremendous global movement to view poverty multidimensionally, and therefore needs to be addressed swiftly. What’s more, is that designing programs that tackle poverty multidimensionally can serve to equalize opportunities for Egyptians so that they are better suited to escape from absolute poverty. A complementarity of the standard fiscal approach to calculating poverty (using the traditional monetary techniques), used by CAPMAS, as well as a synthesis with multidimensional indicators, should serve to have an incredible effect on how the government, as well as its executive bodies, looks at Egyptians under poverty, *as well as how it designs anti-poverty programs*. An example would be the case of Mexico, which has used “a multidimensional poverty measure to design and coordinate multisectoral policies (and has) developed national strategies... to coordinate multisectoral policies, with a reduction in the MPI as the main goal” (UNICEF, 2021, p. 8). This was done through “convening different sectors to discuss how to collectively reduce multidimensional

poverty” (UNICEF, 2021, p. 8). What’s more, is that this should not require large financial resources, given that the raw data is already gathered in household surveys that are routinely undertaken by the government.

7.3 Engaging the Private Sector

The instrumental role of the private sector when it comes to employing Egyptians, and therefore reducing poverty rates in the country, was mentioned by almost all informants of this research. It is indeed the case that “the rate of public sector employment among new entrants to the labor market has been declining” (Barsoum & Abdalla, 2020). This is due to an overinflated public sector, as well as reforms that aims to make the sector more efficient and ‘meritocratic’ (Barsoum & Abdalla, 2020). Not only that, but “the private sector in Egypt already plays an integral role in the economy, providing the lion’s share of employment. With a share of GDP at around 60 per cent and an employment share of 74 per cent” (EBRD, 2017, p. 3). The empirical data of this research also showed that that largest share of incomes for Egyptian households are from wage employment. With that being the case, the centrality of engaging the private sector, especially given the enormous amount of entries into the labor market every year, cannot be overstated.

That being said, the private sector faces numerous barriers in the Egyptian market, such as the fact that “industrial licensing and land allocation processes are particularly cumbersome and insolvency procedures are lengthy and tend to criminalise business failure. The size of Egypt’s informal economy – around 40 per cent of GDP – is a reflection of the high costs associated with formalisation and interaction with the complicated regulatory environment” (EBRD, 2017, p. 4). The primary data from this research also paints a clear picture, which is that currently, the growth model in Egypt is state-led. However, and “despite a privatisation drive in the 1990s, state dominance remains relatively high in sectors such as power, manufacturing and banking. The lack of a level playing field distorts firm entry and exit” (EBRD, 2017, p. 5). Activating the role of the private sector and ‘leveling the playing field’ is also high up on the agenda of the state.

A national strategy for privatization has been recently issued (Wahish, 2022). However, this strategy needs to be swiftly rolled-out, and incentives are urgently needed for sectors that are labor intensive (especially if they are primary sectors, as mentioned previously). The state should also set a timeline for rapid withdrawal from non-essential sectors, where the private sector may step in an institute efficiency gains that may prove healthy for the entire economy. Of course, this does not mean the complete absence of regulation, no. This needs to be

supplemented by reforms that address the issues concerning the demand side of the labor market, where steps could be undertaken to restructure taxation policy, access to finance for the most marginalized, as well as to reduce the cost of doing business and cutting red tape in the country (World Bank, 2019, p. 6). Additionally, ensuring that an adequate minimum wage is adhered to by the private sector can prove to be a crucial step in the right direction. As we've seen from the quantitative data utilized in this research piece, most of the incomes in the sample were from wage employment, and this proves a crucial point regarding how effective a minimum wage would be.

Working with the private sector to address development challenges has indeed proven to be resourceful in a number of instances. For example, "Feed the Future is the US government's global hunger and food security initiative that addresses the root causes of poverty, hunger and undernutrition" (OECD, 2016, p. 9). This program has worked closely with numerous partners, including "private sector actors... to create public goods or achieve business and development objectives... (through offering) matching funds, technical assistance, access to credit, and the physical infrastructure and policy environment that fosters growth in emerging economies" (OECD, 2016, p. 9). It is also important to note that the literature shares that there are "sharp reductions in unemployment associated with acceleration in GDP growth, a significant increase in investment, a decline in government spending and a surge in trade. Cases include Chile in 1982 where unemployment fell from 19.6 per cent to 8.7 per cent in 4 years and Sweden in 1997 where unemployment halved within a similar timeframe" (EBRD, 2017, p. 2). An important "precondition observed in these countries is rapid growth in private sector investment thanks to improvements in the business environment to encourage private sector development" (EBRD, 2017, p. 2). Fostering an environment that is conducive for business will therefore be essential.

"Allowing for more private sector participation, alongside key policy and institutional reforms, has the potential to bring a more market-oriented approach to the provision of services" (EBRD, 2017, p. 9), especially in sectors such as transport and municipal infrastructure for example (EBRD, 2017, p. 9). Not only that, but the private sector can play a critical role in skilling the work force, which will boost the employability of youth and help bridge the gap between educational institutions and the labor market (EBRD, 2017, p. 9). That said, engaging

and empowering the private sector will be an essential step for Egypt to combat the persistently high rates of poverty.

7.4 Defining Equality of Opportunity, and then Championing it Across the Board

As was repeatedly mentioned by the informants of this research, the Egyptian government needs to work intensively on equalizing opportunities. It is first essential to *define* what equal opportunities are. This was brilliantly captured by the informant from the MoF, who shared that in cross-ministerial meetings, attendees often confuse what this notion means. And so working on a common definition that all executive arms of the state can agree on will serve to hone the focus of all stakeholders on effectively tackling the different components of ‘equal opportunities’. Naturally, these components will be a mirror image of the pillars of MoPED’s multidimensional poverty index, and should directly respond to them. The responsibility of defining equality of opportunity should lay with the national agency or committee that is to be established to address poverty rates in the country.

For instance, access to quality education and healthcare are two important components of that index, and are generally agreed upon to be two of the fundamental tenets of equal opportunities. Focusing on opportunities, rather than outcomes, will indeed be an uphill battle, as was mentioned by the informant from the MoF, who shared that most individuals talk about equality of outcome, and few discuss equality of opportunity. However, it is a battle that is crucial, due to the danger of pursuing a policy of equalizing outcomes, which may often lead to tokenism. Alarmingly, “Assaad (2013) estimates that a child from a disadvantaged family has a one-in-ten chance of enrolling into university, while a child from a privileged family is virtually guaranteed to make it to university” (Van der Weide, Lakner, & Elena, 2018). The importance of this recommendation lays in the strength of equal opportunities when it comes to breaking intergenerational poverty, and as we’ve seen, removing restraints on social mobility.

7.5 Supporting Primary Economic Sectors in Egypt

Strongly supporting economic growth and activity in the primary sectors of the economy in Egypt (such as agriculture, fishing and mining) can serve to have a tremendous impact on people living in poverty. This, similar to the experience of other developing countries, such as China and India, is due to the fact that these fields are labor intensive and employ individuals that are often operating in the informal economy, and whom also reside in rural and underserved areas. For example, in Egypt, “the share of agricultural workers is high in both high-poverty governorates of Upper Egypt and moderate-poverty governorates of Lower Egypt” (World Bank, 2019, p. 4). “It is estimated that about 24 million Egyptians (or close to one-quarter of the population) work in the farming and fishing industries” (FAO, Circa 2019). So, in a sense, this suggestion also includes a geographic component, where “recent estimates of poverty at district and village levels (in Egypt) also show there to be large spatial variations in poverty even within governorates. Raising prosperity overall will thus entail a geographic component” (World Bank, 2019, p. 2). This is not only the case in Egypt, where a WB report shed light on the fact that “nearly 80 percent of the world’s extreme poor live in rural areas, with most relying on farming for their livelihood. Poverty reduction efforts, thus, need an intensive focus on raising agricultural productivity, *which has the largest impact of any sector on poverty reduction, roughly twice that of manufacturing*” (World Bank, 2019 – emphasis by author). What this highlights is that an industrious agricultural sector could indeed play a pivotal role in driving down poverty rates in Egypt (World Bank, 2019, p. 4).

The type of support provided from the state varies considerably, and can range from generous subsidies to farmers, landowners and the fishing industry, cutting red tape and providing tax incentives, to assisting primary producers in tapping markets overseas. Indeed, heavily focusing on these sectors has proven fruitful in various instances and in numerous countries – the literature is clear on that. MSMEDA can also serve to support this effort by focusing on empowering individuals in these sectors, given their incredible outreach all across Egypt’s governorates. Again, this can all be orchestrated via the national committee suggested to work on multidimensional poverty reduction in Egypt. Financing for such programs can come from the budget allocations

for social safety nets currently being rolled out by the government, as well as more innovative techniques that revolve around easing tax rates for small-holder farmers and fishermen, or directly linking them to markets.

7.6 Fostering a Culture of Entrepreneurship in Egypt

A major challenge in Egypt has to do with cultural perceptions when it comes to 'decent' jobs. Neither the educational system, nor the cultural environment, foster an atmosphere that is conducive for entrepreneurs and self-employed individuals. Given the limited available public sectors jobs due to the current reform program undertaken by the government, and the already overloaded public sector, it is self-evident that alongside empowering the private sector, supporting entrepreneurship will play a crucial role in the upcoming period. As has been mentioned in this research piece, the informants that work with MSMEDA shared that they already address this file, and that their activities range from spreading awareness on the benefits of entrepreneurship, to having programs specifically tailored to entrepreneurs (surprisingly, even if they don't have an idea for a business to begin with).

First, however, it is important to nudge educational institutions across the country to tailor programs around entrepreneurship. MSMEDA has indeed been doing something similar with a number of universities, where one of the informants shared that they have a protocol with the American University in Cairo (AUC) and the German University in Cairo (GUC), as well as 24 other private and public universities. MSMEDA also has an agreement with the supreme council of universities in Egypt, as an overarching entity that oversees universities in the country (MSMEDA In-depth Interview over Phone Call, April 2022). However, this needs to be mainstreamed in the content that is being delivered in these universities, as well as in the preparatory and secondary levels of education in the country. Therefore, the topic will need to be addressed from numerous dimensions, and so it should also fall under the purview of the national committee for poverty reduction suggested above. Currently, entrepreneurship is supplementary in most universities (albeit the topic has gained much more significance in recent years, and especially in a number of private universities), and needs to be more engrained into the educational culture of Egypt. Building this 'culture of entrepreneurship' needs more than one player, however, and should be sustained for a long period of time in order to offset decades of unfavorable perspectives on what constitutes 'decent jobs'. Of course, it is not only about awareness, but also significant financial and non-financial services that aim to boost this sector at large.

That being said, a whole-of-society strategy may be needed to embed this culture in the country. This is due to the fact that this challenge is not only educational or business-related, it is deeply rooted in perceptions of 'quality work' in Egypt. A lot of lessons can be utilized from the experiences of organizations such as MSMEDA, who have created programs that boost the entrepreneurship ecosystem in every phase of the life cycle of a company – even if a business is still an idea. The private sector will also need to be engaged in this effort, as a 'learning by doing' approach will be vital to teach new generations the needed agility to cope with a quickly-evolving market. Another intervention could be to utilize the power of the media and film to enhance the perception of the population regarding entrepreneurship. Finally, supporting these entrepreneurs by availing marketing opportunities may be the quickest and most effective way of economically empowering them, where often their products are of good quality, but they struggle with finding the market that would be interested in their products. A study of a number of cities in the US between 2005 and 2015 also shows the ability of entrepreneurship to drive down poverty rates as well as increase incomes for non-entrepreneurs (Lee & Rodríguez-Pose, 2020). It is important to note that "while there are likely to be pronounced economic benefits from entrepreneurship, these will not necessarily reach the poor" (Lee & Rodríguez-Pose, 2020). It is only when the entrepreneurship is undertaken in *tradeable sectors*, that an impact on poverty reduction can be seen. Again, this speaks to the importance of availing marketing opportunities to micro-entrepreneurs, and opening up marketing channels for their products and services.

7.7 Augmenting the Labor Force via Including Women – an Economic Argument

Qualitative as well as quantitative empirical data from this research made a compelling case regarding absorbing women into the labor force, and the effect of that on income levels of households. “The female labor force participation rate in Egypt is a mere 21.3 percent” (El Saadany, 2021). Although women may be overrepresented in the informal market, and therefore may not be fully captured in this figure, it is still woefully inadequate (El Saadany, 2021). Involving women in the labor market would serve as an extra revenue stream into households, and would in effect decrease poverty rates (as we’ve seen with the quantitative data in this research – especially when the number of earners in a household increases). This means that it makes sound economic sense for women to have jobs and steady incomes – which will in effect work on driving down poverty rates. This could be done through a nexus between the National Council for Women (NCW) in Egypt, as well as the committee tasked with decreasing poverty rates in the country. These solutions reiterate the importance of having the aforementioned committee work in a crosscutting manner.

What’s more, is that women that have more agency, tend to have more of a say on the number of children that they have. “The vast majority of studies found some positive associations between women’s empowerment and lower fertility, longer birth intervals, and lower rates of unintended pregnancy” (Upadhyay et al., 2014). Again, this ties to the findings of this research, which have shown that the larger the number of individuals in the household, the higher the probability that this household will be in a rural area, and will fall under the poverty line. That said, active labor market policies that aim to equalize opportunities as much as possible, and engage women and enroll them into the labor force, would serve as an excellent tool in the arsenal of Egyptian policy makers to drive down poverty rates, as well as result in a positive ripple effect in numerous other domains. Estimations on a global level share that “empowering women economically could help lift the living standards of the estimated 388 million women and girls experiencing extreme poverty in 2022” (STRATTA, 2022). Regionally, there is also a “staggering loss in GDP in the MENA region” (El Ashmawy, 2016, p. 3). Therefore, again, empowering women not only makes sense from a right-based approach – it also makes sound economic sense.

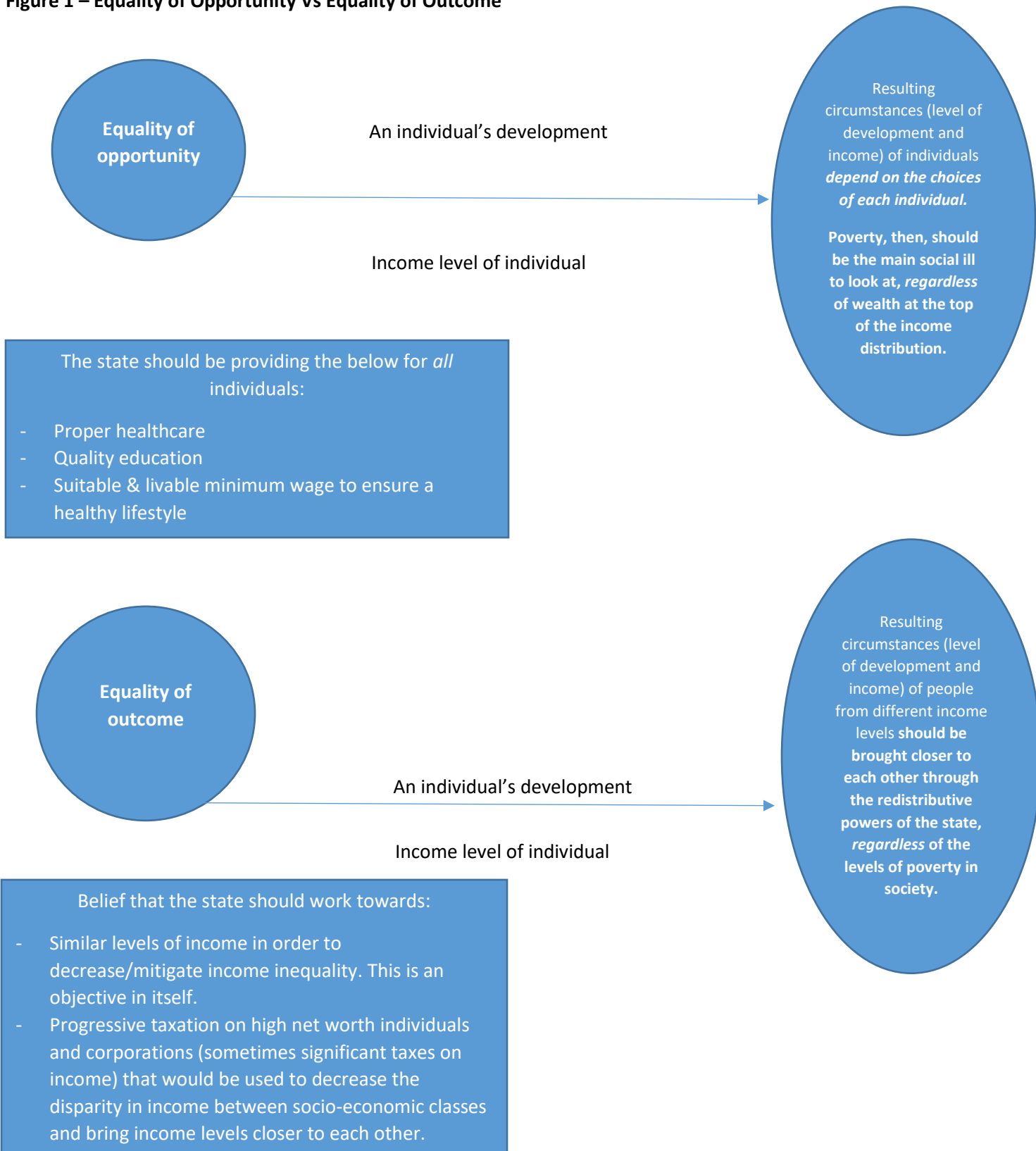
Section 8 – Conclusion:

The predicament of income inequality seems to be unremitting, with varying perspectives and divergent solutions to this phenomenon across the literature. The discussion on this topic is ongoing. The left-leaning side of the argument strongly believes that income inequality is a social problem that is to be mitigated through the ‘welfare’ hand of the state. While the right-leaning side argues that too much of a focus on income inequality by policy makers and governments may deter nations from facing the real, more pressing issue – which is absolute poverty. The debate regularly strays into the conceptual ideas of equality of opportunity and equality of outcome, which have also been used by the researcher of this paper as a lens to look through. The research methodology entailed a mixed methods approach in order to explore how levels of income inequality relate to the economic growth of the country, the wellbeing of its citizens, and finally, how all of this relates to poverty levels. Results have shown that the relationship between these variables are rather blurred, and that a decrease in Gini levels does not necessarily warrant a cause for celebration. The sentiment of policy makers and policy influencers in Egypt was also rather clear, as they painted a vivid picture regarding the fact that income inequality is not the main focus of the government, rather the focus is on decreasing absolute poverty – albeit through a multidimensional lens. They further discussed anti-poverty programs that are currently being undertaken by the government of Egypt. The results of the empirical analysis showcased the urgent need to employ a number of additional tactics to drive down the persistently high poverty rates in Egypt, rather than dwell on the incomes of the wealthy. Recommendations of this research are to 1) establish a national committee that is tasked with reducing multidimensional poverty in Egypt; 2) supplement income poverty with a multidimensional poverty index; 3) define equality of opportunity and then champion it across the board; 4) support primary sectors in the Egyptian economy; 5) heavily engage the private sector; 6) foster a culture of entrepreneurship; and 7) augment the labor force via including women. What’s more, is that findings show that steering clear from the ideological debate may indeed be warranted, and a focus on the more pragmatic effort to drive down absolute poverty rates could be a point of reconciliation between both sides of the argument. Further research may be needed to explore

specific evidence-based anti-poverty programs that have proven to drive down multidimensional poverty, as well as how these programs can be contextualized in Egypt and scaled up if proven successful.

Annex

Figure 1 – Equality of Opportunity Vs Equality of Outcome



Source: Constructed by author – inspired by (Peterson, 2018).

Appendix

a. Interview Guide – Semi-structured Interview – Egyptian Ministry of Finance:

Introduction:

- Please tell us a bit about yourself, when you graduated, which faculty did you graduate from, where you worked after graduation, which fields you worked in, and for how long, all the way up until now.
- What is the mandate/objective of the sector you are currently working with in the Ministry of Finance?

Governmental Views on Income Inequality and Poverty:

- It is known that there is a high degree of poverty in Egypt, but do you think income inequality is prevalent in Egypt?
- When implementing policy to stimulate economic growth, what is the (projected) effect on income inequality?
- And what is the (projected) effect on poverty?
- When implementing policy to increase Egypt's tax base, what is the (projected) effect on income inequality?
- And what is the (projected) effect on poverty?
- How do you view income inequality as a phenomenon? (is it a social ill that should be a priority for government to address?)
- Do you believe poverty to be more of a priority to address by government, or income inequality?

View on Equality of Opportunity and Equality of Outcome:

- What do you think 'equality of opportunity' is for individuals?
- Is it desirable?
- What do you think 'equality of outcome' is for individuals?
- Is it desirable?

Current and Recommended Policies to Address the Priority:

- Can you please brief us on the current taxation policies in place that aim to address the priority that has been identified?
- What additional policies could be implemented in order to help address the priorities identified above?
- What is the overall objective of these policies? (more effective redistribution of wealth, more equal access to opportunities, etc...)

b. Interview Guide – Semi-structured Interview – Egyptian Ministry of Social Solidarity:

Introduction:

- Please tell us a bit about yourself, when you graduated, which faculty did you graduate from, where you worked after graduation, which fields you worked in, and for how long, all the way up until now.
- What is the mandate/objective of the sector you are currently working with in the Ministry of Social Solidarity?
- What are examples of some projects and programs you are working on?

Governmental Views on Income Inequality and Poverty:

- It is known that there is a high degree of poverty in Egypt, but do you think income inequality is prevalent in Egypt?
- When implementing policy to stimulate economic growth what is the (projected) effect on poverty?
- And what is the (projected) effect on income inequality?
- How do you view income inequality as a phenomenon? (is it a social ill that should be a priority for government to address?)
- Do you believe poverty to be more of a priority to address by government, or income inequality?

View on Equality of Opportunity and Equality of Outcome:

- What do you think 'equality of opportunity' is for individuals?
- Is it desirable?
- What do you think 'equality of outcome' is for individuals?
- Is it desirable?

Current and Recommended Policies to Address the Priority:

- Can you please brief us on the current policies that are in place and that aim to address the priority that has been identified?
- What additional policies could be implemented in order to help address the priorities identified above?
- What is the overall objective of these policies? (more effective redistribution of wealth, more equal access to opportunities, etc...)

c. Interview Guide – Semi-structured Interview – World Bank:

Introduction:

- Please tell us a bit about yourself, when you graduated, which faculty did you graduate from, where you worked after graduation, which fields you worked in, and for how long, all the way up until now.
- What is the mandate/objective of the sector you are currently working with in the World Bank?
- What are examples of some projects and programs you are working on?

Organizational Views on Income Inequality and Poverty:

- It is known that there is a high degree of poverty in Egypt, but do you think income inequality is prevalent in Egypt?
- When recommending and aiding in the implementation of policy to stimulate economic growth, what is the (projected) effect on poverty?
- And what is the (projected) effect on income inequality?
- How do you view income inequality as a phenomenon? (is it a social ill that should be a priority for government to address?)
- Do you believe poverty to be more of a priority to address by government, or income inequality?

View on Equality of Opportunity and Equality of Outcome:

- What do you think 'equality of opportunity' is for individuals?
- Is it desirable?
- What do you think 'equality of outcome' is for individuals?
- Is it desirable?

Current and Recommended Policies to Address the Priority:

- Can you please brief us on the current policies that are in place and that aim to address the priority that has been identified?
- What additional policies could be implemented in order to help address the priorities identified above?
- What is the overall objective of these policies? (more effective redistribution of wealth, more equal access to opportunities, etc...)

d. Interview Guide – Semi-structured Interview – Micro, Small and Medium Enterprise Development Agency:

Introduction:

- Please tell us a bit about yourself, when you graduated, which faculty did you graduate from, where you worked after graduation, which fields you worked in, and for how long, all the way up until now.
- What is the mandate/objective of the sector you are currently working with in MSMEDA?
- What are examples of some projects and programs you are working on?

Governmental Views on Income Inequality and Poverty:

- It is known that there is a high degree of poverty in Egypt, but do you think income inequality is prevalent in Egypt?
- When implementing policy to stimulate economic growth and reduce poverty, what is the (projected) effect on poverty?
- And what is the (projected) effect on income inequality?
- How do you view income inequality as a phenomenon? (is it a social ill that should be a priority for government to address?)
- Do you believe poverty to be more of a priority to address by government, or income inequality?

View on Equality of Opportunity and Equality of Outcome:

- What do you think 'equality of opportunity' is for individuals?
- Is it desirable?
- What do you think 'equality of outcome' is for individuals?
- Is it desirable?

Current and Recommended Policies to Address the Priority:

- Can you please brief us on the current policies that are in place and that aim to address the priority that has been identified?
- What additional policies could be implemented in order to help address the priorities identified above?
- What is the overall objective of these policies? (more effective redistribution of wealth, more equal access to opportunities, etc...)

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