



Poverty Reduction Strategies in Egypt

The Role of Social Safety Nets

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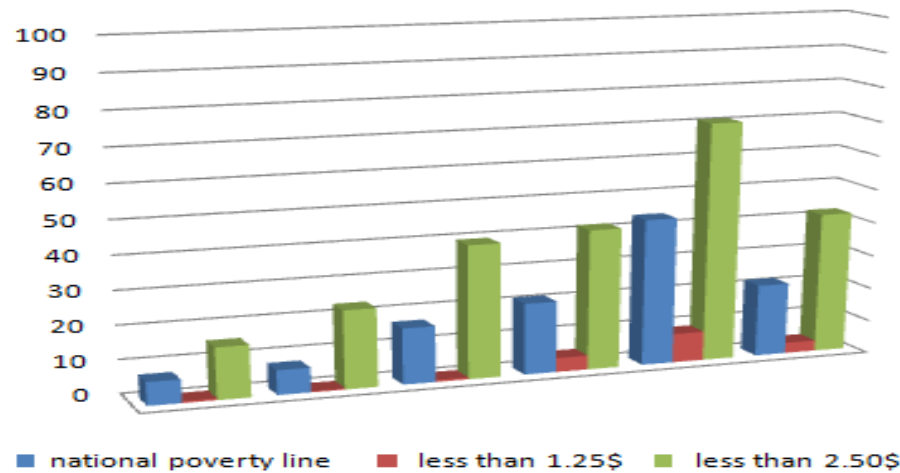
Background

- Egypt is a LMIC with GDP per capita of \$2079.
- Growth rate 5.3 percent in 2009/2010.
- Population of over 80 million with 57% rural.
- SAP since 1991.
- High poverty rates (21.6%).
- High unemployment rates (11.9%).
- Revolution on 25/01/2011.

Poverty Profile

- Poverty in Egypt is persistent with rate around 20 percent during the last two decades.
- In 2008/09 poverty rate estimated at 21.6 percent with 16 million of population living in poverty.
- Income poverty deepened and the poverty gap widened between 2000 and 2008. poverty gap increased from 3% in 2000 to 4.1% in 2008.
- High percentage of near poor estimated at 20 percent rising the total poor to 42.6 percent.

Poverty Profile, cont.



	Metropolitan	Lower Urban	Lower Rural	Upper Urban	Upper Rural	Total
national poverty line	6.9	7.3	16.7	21.3	43.7	21.6
less than 1.25\$	0.57	0.36	0.62	4.2	8.69	3.15
less than 2.50\$	15.32	23.26	39.63	41.71	70.85	41.94

Poverty Profile, cont.

- Poverty is a rural phenomenon with more than 75 percent of the poor living in rural Areas.
- About 20% of poor households are female headed.
- The poor are less educated with high illiteracy rate.
- The poor live in large Families with many dependents.
- Most head of poor households work as casual wage labor 42%, while only 22% have permanent work.

Main Pillars of Egypt Poverty Reduction Strategy

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

Government Actors

There is no unified government entity responsible for planning, coordinating and monitoring poverty alleviation programs.

- The Ministry of Planning and foreign cooperation draws the overall economic and social development plan .
- The Ministry of Solidarity and Social Justice provides several safety net programs (mainly cash transfers and food subsidies).
- Social Development Fund provides micro credit and finance community development programs.

Social Safety Nets in Egypt, *main objective*

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

1- Cash Transfers

- Cash Transfers Constitute small portion of total subsidies and accounting only for 0.1 percent of GDP.
- About 1.2 million families benefit from Cash transfer schemes. Most transfers are on monthly bases (social pension).
- Cash Transfers used to be allocated to unemployable poor: elderly, disable, prisoners and their families, widows, orphans, divorcees, and women reaching the age of 50 without ever being married.
- New Social Pension Law expands the benefits to the employable poor

Cash transfers, *cont.*

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

2- Food Subsidies

- Food subsidy system is a major component of Egypt's social safety net. It consists of two programs: **baladi bread**, available for all, and **ration cards** which provide card holders with fixed monthly quotas of basic foodstuffs: cooking oil, sugar, tea and rice.
- In response to the deteriorating living standards and the increasing world food prices, the GoE have expanded the coverage of ration cards. The number of beneficiaries have increased from 38.5 million in 2007 to 63 million in 2010 representing about 12 million households. The amount of rice card holders are entitled to was doubled.

Food Subsidies, *cont.*

- Ration cards provide vulnerable households with significant percentages of their consumption (60% of sugar, 73% of oil, 40% of rice).
- ***Food subsidies lifted 9 percent of Egyptians out of poverty in 2008/09.***

Baladi bread, the most important subsidized food, accounts for most of the poverty impact.

BUT

- ***The system is costly.*** The fiscal cost of food subsidies reached about 2 percent of gross domestic product (GDP) in 2008/09 (LE 21.1 billion, or US\$ 3.8 billion) after stabilizing at around 0.9 percent of GDP between fiscal year 1996/97 and 2000/01.
- ***System leakages are large.*** In 2008/09, LE 5.5 billion (28 percent) of food subsidies did not reach intended consumers, with baladi bread accounting for 68 percent of the leakage and cooking oil for 20 percent.

3- The Social Fund for Development (SFD)

- SFD was established in 1991 to protect and improve the status of the poor and unemployed during the period of transition.
- The mandate of SFD is to:
 - (i) reduce poverty by supporting community level initiatives,
 - (ii) increase employment opportunities, and
 - (iii) encourage small enterprise development.

The Social Fund for Development, *cont.*

- The SFD programs have positive effects in the expected direction: educational interventions have reduced illiteracy, health and potable water lowered HHs spending on health, Sanitation cut HHs spending on sanitation and lowered poverty, and road projects have reduced HH transportation costs by 20 percent. Microcredit is associated with higher HH expenditures in metropolitan areas and urban Upper Egypt, but not elsewhere.

The Social Fund for Development, *cont.*

- The fund support for microcredit is strongly pro-poor; the other programs have a more modest pro-poor orientation.

BUT

- Some programs are not cost effective. While road projects generate benefits that, by some estimates, exceed the costs, as do health and potable water interventions; this is less evident for interventions in education and sanitation.

4- Other Safety Net Programs

- ***The productive family program***, one of the oldest components of safety nets in Egypt, with one and a half families benefiting in 2008. It aims to raise household income as well as employment of the poor. Financial and non financial services, such as training and facilitation of marketing of products, are provided.
- Since the 1960s GoE initiated a welfare system that covered a broad range of basic goods and services including ***education, health care, transport, communication, and energy***. Social spending accounts for 10% of GDP in the 2001-2005 period.

4- Other Safety Net Programs, *cont.*

- Despite an increase in government spending on safety net programs, those in poverty remain underserved and out of reach of most non-food subsidy programs. With reference to;
- Education, there is direct relationship between vulnerability and the access to secondary education.
- Health care and medical subsidies, public spending is highly progressive, still there is under coverage of the poor.
- Energy, the well-off receive the largest energy benefit, but decreasing subsidies have a negative impact on living standards of the poor.

The Way Forward

- SSN system reforms are on progress This includes: better targeting mechanism, expanding the coverage, new automated system, social workers training plan, increasing benefits.
- There is a need to establish effective monitoring system.
- Human development and asset building programs are crucial in eradicating poverty and need to be revisited and expanded.

The Way Forward, *cont.*

National Level

- Promote more equitable and sustainable growth with broad productive base.
- Provide enabling environment for private sector investment.
- Improve pro-poor financial policies and provide innovative services to SMEs.
- Improve Coordination between Gov. entities and establish monitoring system.

Thank you

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