



POLICY BRIEF # 1

A Pro-Poor Vision for Egypt's Development

Social public goods are the services and deliverables by which the state distributes assets such as health, education, social protection and citizenship rights. In other words they deliver 'capabilities' to citizens and their absence or shortfall leads to capability or human poverty. Thus, capability poverty can be overcome by ensuring equal access to quality services by the poorer half of Egypt's population. This is one of two key mechanisms that are proposed by the Egypt Human Development Report 2005. The Report also argues that poverty can be addressed without putting the breaks on economic growth. The second mechanism proposed by EHDR 2005 is, in fact, a number of growth engines that directly empower the poor as owners of projects and assets that will encourage upward and downward linkages in the national economy. The pro poor vision is for a welfare regime focused on the provision of quality public goods for all— such that non poor social groups are not penalized and will also benefit from an improved delivery of social services, a reliable system of utilities, infrastructure, security and justice.

I. A New Paradigm for Development

The vehicle for achieving the new vision for Egypt is empowerment. The EHDR 2005 vision adopts a new paradigm whereby the disadvantaged are not seen only as recipients of subsidies and aid transfers but as major participants in and beneficiaries of a new social contract between the Egyptian state and its citizens—a rearrangement that would build a momentum for change from the grassroots upwards to energize development across the society. The vision is for equitable and efficient service provision associated with a 'welfare' state, as envisaged by Egypt's constitution. Quality public goods are targeted to favor those disadvantaged citizens subject to poverty, poor health, low education, no access to credit for small income-generating projects or for decent housing.

For the implementation of the EHDR 2005 vision there are seven sectors where policies and programs are specifically identified as part of the action plan. As a consistency check, each sector must abide by seven rules in a pro poor development matrix (see Seven by Seven matrix in annex). This matrix or grid serves as a checklist by listing the common factors that anchor implementation for each sector within the overall conceptual framework of the EHDR vision.

The pro-poor vision for Egypt is built on five pillars that are biased to favor the poorer half of society: a new social contract, regional equity in implementing the MDGs, promoting equity for growth with employment, promoting cultural and behavioral change, and budget prioritization for poverty reduction.

1. A 'Social Contract' for a Revised Welfare State

The vision is primarily based on a new 'social contract' whereby the state encourages further political, social and economic participation from civil society: by extending and integrating institutions that promote democratic practices and are accountable; by raising the quality of public goods and their delivery; and by developing policies that encourage private sector participation in development without adverse distributional effects.

Political empowerment: An essential ingredient to success is political empowerment, for citizens — and especially the disenfranchised — to become aware not only of the rights but also the responsibilities of citizenship. This can only come about if the tools are available by which they can fulfill an active role in nation-building through local and administrative initiatives that involve all stakeholders, monitor, reward or punish performance and improve the accountability of public institutions and private enterprises.



Decentralization: By virtue of physical proximity to local communities and through a better understanding of local demands and needs, decentralized administrative bodies and NGOs, as well as civil society leaders are best suited to develop and implement programs aimed at increasing participation, enhancing capabilities and reducing poverty.

The media: The media — in conjunction with the appropriate national ministries and bodies — has a large role to play in democratic civil society participation, as an opinion leader and a disseminator of information. Under decentralization, it allows local communities to share opinions on problems, options and solutions and is a major tool in awareness-raising, for example, on health issues and contraception campaigns. Extended ICT facilities provide opportunities for distance learning in adult literacy and continued adult learning.

Provision of quality public goods: The proposed new social contract reinforces the legitimacy of the welfare state through the provision of higher quality public goods and services that are better targeted in favor of equity and efficiency. The vision focuses on five deliverables that address the constitutional right of individuals to equal opportunity as well as capability poverty. These are:

- Provision of *quality* education for all;
- Universal *health* insurance;
- State contributions to *social security* for new and young SME employees to encourage formalization and job creation for youth;
- An integrated package of *income transfers* and service access for families in extreme poverty; and
- The rapid introduction of *urban planning and sanitation measures* to reduce congestion, conserve scarce agricultural land and address the root causes of persistent endemic and chronic health conditions.

All of these deliverables dovetail with the pursuit of poverty reduction and achievement of the Millennium Development Goals, and address the social security of all lower income citizens.

2. Regional Equity and the MDGs

Although considered 'on track' with regard to the Millennium Development Goals, 25% to 30% of Egyptian households in rural areas still do not

have access to piped water in residence, and urban/rural as well as Lower/Upper Egypt differences in access to public sewage are striking (90-97% access in the urban governorates and urban Lower Egypt, 56% access in urban Upper Egypt, 35% access in rural Lower Egypt). The estimated level of infant mortality in rural Upper Egypt in 2015 (30/1000 live births) will remain higher than the national target expected to be attained. The national target for infant mortality in 2015 (25/1000 live births) has already been achieved since 2002 in Syria, Jordan, Tunisia, Sri Lanka, Thailand, Ecuador and Mexico.

Regional differences in poverty manifest themselves in the following: In all five main geographic regions in Egypt, less than 1% of the population spends less than US\$1 a day. On the other hand, the proportion spending less than US\$2 a day varies significantly from a low of 5% in metropolitan areas to a high of 50% in rural Upper Egypt. While less than 3% of the Egyptian population are identified as ultra poor (not able to obtain their basic food requirements even if they spend all their expenditures on food only) more than 7% of the population in rural Upper Egypt are identified as ultra poor. The percentage of those unable to obtain their daily caloric requirements in Upper Egypt is twice the prevailing level in Lower Egypt while the incidence does not exist in metropolitan areas.

Literacy: The relatively high rate of illiteracy in Egypt comes second to high population growth as a reason why Egypt still ranks low in the global HDR. Unfortunately, Egypt is one of nine countries with the highest illiteracy rates in the world, and explains why illiteracy has been a pressing development issues in Egypt over the last three decades. The strong positive correlation between illiteracy and poverty is indisputable. It puts enormous pressure on the country's resources and hinders the development effort. If fertility, poverty reduction and illiteracy eradication are placed at a high priority on the national agenda, a first task is to deal with illiterates in the age group 15-40 years with special attention given to females in Upper Egypt, a region that has 47.8% and 63.7% of the total number of Egypt's illiterates and poor respectively. Illiterates below 15 years of age need special programs to make them eligible to be enrolled in preparatory schools. Given that 45% of the poor are illiterates and that the probability of an illiterate person becoming poor is 24%, the conclusion is that targeting the illiterates should be universal in



order to break the poverty cycle from one generation to the next.

The welfare benefits of accelerating the decline in fertility: The difference between the rapid and the slow population growth scenarios over the decade 2005-2015 is as many as six million young children who will need school education and health care and will subsequently need employment, housing and related infrastructure. The target is to reduce the differential level in contraceptive use across urban and rural areas. Total fertility rates (TFR) of women aged 15-49 are declining, from 5.5 children/female in 1975-76 to 3.5/female in 1997-2000 and the rate of decline needs increased efforts for more rapid decline.

3. Equity for Growth with Employment

The fastest growing activities are private sector-driven engines of growth. These are export oriented manufacturing, SMEs in the traditional goods and tradable services (urban and rural), formal high-tech services including information, finance, transport, tourism and personal services. What is envisaged is a complete structural change of the economy that is reflected in the demand for labor across urban/rural and across sectors of economic activity including agriculture — the sector where the poorest segment of society lives. A rapid introduction of mechanization is — even if labor-saving — intended to raise labor productivity, real wages and incomes in the country-side.

EHDR 2005 proposes the reallocation of Egypt's budget resources to prioritize disadvantaged segments of the population. The financing of any increased investments necessary has been calculated within the framework of a modelling exercise whereby the shift proposed in priorities is consistent with accelerated economic growth averaging 7.3% over ten years.

The best case results of the vision's forecasting exercise are rapid growth in national savings - which climbs from a low of 20% GDP domestic savings in a low trend line which follows a 'business as usual' scenario to an impressive and sustainable 30% GDP in 2015, driven by government, business and household savings under the EHDR proposed 'best case' scenario. The major instruments that promote medium term consistency and finance are the activation of the credit market under the new 'social contract' (credit

and social insurance for the SME sector, health insurance and housing mortgages for low income groups). Another key result of the 'best case' scenario is that per capita income doubles over ten years, via increased education, training and productivity, retrenchment of government employment, as well as a successful decline in fertility and population growth.

4. Cultural and Behavioral Change

Implementation of the vision requires cultural and behavioral change such that the values of participation, entrepreneurship, innovation and transparency can prevail. This will require the creation and public dissemination of codes of conduct and accountability for public services, well-designed policies and programs for those basic public institutions that help shape values - schools and the media - the systematic public rewarding of independent thought, tolerance and social responsibility, and the promotion of gender equity.

New roles for all stakeholders, actors and players: The responsibility of all citizens in the new social contract entails overcoming apathy by providing a democratic and decentralized environment where choices become possible; accountability and transparency of transactions can be instilled through clear legal frameworks and citizen charters; pride in work is an outcome of a job well recognized and rewarded through market-based salary scales and incentives; the realignment of job descriptions in the public domain to match real needs will require retraining of available staff rather than creating new jobs; NGOs and a growing private sector will encourage commitment to corporate social responsibility; and the partnership with the state is energized as these sectors are given new legal rights, under which to operate.

Proposed reforms of the education and training systems, coupled with the spread of ICT and increased expenditure on research, are a necessary first step to overcome a widespread culture of mediocrity and conformity. Empowering the poor with information and technical knowledge through extension services will raise productivity in an estimated two thirds of Egypt's private sector economy and will allow for a successful economic take-off. The accent is on institutional reform to address:

- market and bureaucratic failure;
- identifying best practices, scaling up invest-

- ments in designated programs;
- capitalizing on the surplus of young graduates, and retraining them as
 - teachers and trainers, or in quality extension services;
 - rewarding private entrepreneurship through public recognition (competitions and prizes) streamlined bureaucratic processes, tax holidays for small-scale
 - activities, and reducing the cost of bankruptcy and failure.

Civil service reform: A revival of the ethics and values that promote honesty and integrity can only come about if the causes of laxity and corruption are addressed. The civil service must be perceived as providing, once more, an honourable professional occupation with a respectable salary scale and incentives system that reflect its status and decency, that is merit-based, and that discourages dishonesty. The vision visualizes a downscaling of bureaucratic staff, together with a reorientation of underutilized skills towards productive activities. It will necessitate a revision of the present structure of promotion based on seniority, to become a system that rewards discipline and hard work; it will require investments in retraining through savings from retrenchment, the articulation of rules and procedures that have clarity of purpose as well as efficient and dedicated service impact, guaranteed by service "charters" making clear to citizens the rights and service quality they can expect.

5. Budget Prioritization for Poverty Reduction

Implementing the new social contract will involve additional budget resources as well as some reallocation of existing budget lines within the functional classification of the budget. According to the best case scenario, budget revenues will increase so as to cover the required additional expenditure over the vision period, and budget balance is restored and maintained in the last years ending 2015.

Budget estimates for the new social contract: The finances required over the ten year vision amount to LE 181.8 billion at constant prices. More than half of the cost of the 54 proposed programs consists of loanable funds to provide credit for housing purchases, SME borrowers, sanitation and water. Outright grants total LE 47.1 billion and are dedicated to direct poverty reduction (LE 30.4 billion) with the bal-

ance allocated to the proposed contribution of the government to social security (LE 8.7 billion) to encourage SME employers to hire youth below the age of 30 years and to sanitation (LE 8.1 billion). The bulk of capacity building and human resource development expenditure is dedicated to education and training.

II. Integrated Package for Ultra-poor Families

One of the three major programs supported by the EHDR 2005 vision is based on targeting the poorest of poor families as successfully implemented by Chile. The key feature of Chile's *Solidario* is that it is an *integrated package* that is specific to ultra-poor families.

Research has shown that poverty, illiteracy/low educational attainment and poor health as well as family disintegration are features of the ultra poor. Observers have also noted that family poverty requires interventions at many levels to effectively impact all family members. Very poor families need more than a simple income subsidy. They need the sustained support of social services so as to be able to access these services effectively. Families also need supportive mediation to deal with non-responsive personnel in the functional services.

EHDR 2005 proposes a program for one million ultra-poor Egyptian families. The program is not conceptualized as a safety net but as a way to extend social rights to families living in dire conditions of poverty and to connect these families to the services that the state is in principle making available to them.

The program does not offer any new services and does not merely aim to subsidize the income of these families. It is based on a principle of mutual obligation and contractual commitment. In return for a monthly stipend, families are contractually obliged to adhere to the criteria listed in Box 1. If they fail to adhere to these criteria they drop out of the program. If they are successful in completing their contract they are connected with programs already made available though state and non-state bodies which offer credit, employment, or other income generating opportunities. By completing their contract families gain a priority access to these programs.

The key to the success of the program is the creation of a highly professional and independent cadre of social workers who are the real catalysts

**Box 1. Chile's Solidario Adapted for Egypt's Ultra Poor**

The Solidario program's aims are to engage the participation of families living in extreme poverty in a two-year process that enables them to access public social networks and better living conditions. These families, marginalized due to their extreme poverty, are given guaranteed subsidies and preferred access to social promotion programs through the Solidario Agreement. In turn, they commit to meeting a minimum of 53 conditions. 160,369 families have been contracted (up to February 2005) in 336 municipalities engaging the efforts of 2400 family support agents.

Solidario: provides support through counseling and subsidies through a contract which protects families for a two year period at the end of which they are given a certificate of completion when they have fulfilled the conditions. The program addresses seven dimensions that encompass 53 basic life capabilities. The intervention strategy is based on the premise that extreme poverty can be lifted by realizing achievements along these principles.

The dimensions, adapted to the case of Egypt are:

- **Formalization/registration:** register in the civil registry, have ID card, military service situation is up to date and clear, adults place papers of ancestors in order, disabled family members are registered, titles/deeds of ownership are in order, businesses are incorporated;
- **Work:** no child under 15 abandons studies to work, unemployed family members get benefits/or training, at least one family member has steady work and is covered by some form of insurance, women's work is recognized and compensated;
- **Income:** family has access to income to cover their nutritional needs (food basket), members entitled to pensions/benefits are getting them;
- **Health:** family is registered at primary Health Unit, pregnant women are receiving/or have received ante-natal care, children under six are vaccinated, and have health care, women over 35 have health examinations/tests, women who use contraception do so under medical supervision, elderly have needed medical care, members with chronic diseases have medical supervision and medications, members who have disability that can be rehabilitated are participating in a rehabilitation program, family members are informed about health and self care;
- **Education:** young children are in a pre-school program, children under 15 years attend an educational establishment, children in pre-school, basic, or middle school have the resources they need to progress (books, pencils, shoes, clothes), children over 12 can read and write, children with disabilities are incorporated in an educational program, there is a responsible adult for a child's education who is in contact with the school, adults know how to read and write;
- **Family dynamics:** The whereabouts of all family members is known, family members meet on a regular basis, if a child is in jail she/he are regularly visited, in case of violence victims are part of a counseling/rehabilitation program, marriages are registered, family knows about community resources and programs that are locally available, resources and workloads are equitably distributed in the family;
- **Housing:** family has housing, clean water, sanitation, adequate system of energy, adequate solid waste disposal, can count on at least two livable rooms, each family member has bed/bedding, family is not threatened by eviction, house is sealed and ventilated.

Source: Hania Sholkamy, Social Research Center, American University in Cairo.

for change. A substantial budget needs to be committed to screening, recruiting, training and supporting these agents of social development. Egypt has a large number of social workers and nearly all publicly administered services and programs have a social worker position. However, the profession of social work is state run and has become routinized and somewhat undermined. The program requires a new cadre of social workers who are self-starters and well-paid.

1. Can Solidario be Operational in Egypt?

Family selection: Developed countries measure economic condition of beneficiaries of social programs through a direct evaluation of the family's income (means test). Egypt has a good data base — thanks to successive surveys — that can help develop a composite index for ultra poverty using actual and proxy measures. Income is the weakest of these measures. Rather it is suggest-



ed that families are recruited on the basis of capability (or human development) not income poverty. In Chile, they evaluate the 'need' of families based on 13 variables grouped in four principal factors: housing, occupation, education and income/assets. The measure considers the 'family' as the unit of reference, defined as a group of individuals living together, recognized as a family group and that have some monetary income.

A tool that approximates the family's economic resources, using related variables, needs to be adjusted over time, since Egypt's economic evolution also implies evolution of those variables on the socioeconomic conditions of the families. For example in the past availability of TV was an indicator of wealth, but no longer. An effective targeting mechanism can be easily developed through the collaboration of various individuals and agencies who have been active in measuring and addressing poverty in Egypt. This program targets families and not individuals and therefore cannot use income alone to assess poverty.

Trained social agents: The great tradition of the professional social worker is an essential component to any effort to alleviate poverty. Social work is a highly specialized, ethically structured field with qualified professionals who are accredited and should be part of an independent professional body. Their work should not be confused with that of do-good communities and NGOs. In Egypt, social work has suffered from the perception that it is a low status profession. Currently, social workers and *raidat rifiyat* as well as other extension workers are seen as underpaid quasi-bureaucratic agents

An effective program such as the Chile *Solidario* requires that social workers become trusted and dynamic catalysts for change, able to create avenues by which people claim their rights. This new and unfamiliar leadership role for Egypt's social workers will require re-education as well as salaries that are commensurate with the responsibilities of the job, and which produce personnel who can organize and participate effectively in outreach and case management, and are not desk-oriented pencil pushers. They must be given a legal identity and the resources with which they can fulfill their obligations. These would include case finding, keeping centralized records, case management through the ability to discharge legal and administrative tasks, and the management of information on functional services.

An experimental design: An experimental design is suggested for the introduction of Chile *Solidario* to Egypt. Incorporating a research design to the program will enable the GOE to monitor and evaluate the program in a systematic manner. This will insure the quality of the program and the ability to track its impact and redirect its' trajectory to avoid waste in time and resources. This integrated package of services will "chase" the ultra-poor and make sure that families are not condemned to poverty from generation to generation. The onus will be on intensive cooperation between social worker and the family for a pro-active and assertive use of social services and public goods.