

Poverty in Egypt: A Comprehensive Analysis

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Summary

Poverty is not only a monetary phenomenon. Important as it may be, the money-metric approach to poverty is a narrow lens through which to view such a complex and multidimensional phenomenon. The Multidimensional Poverty Index (MPI) reflects the experiences and multiple overlapping deprivations of the poor more directly. This chapter uses several rounds of the Demographic and Health Survey and the Household Expenditure, Consumption, and Income Survey to assess long-term poverty trends in Egypt using both approaches to determine the main challenges and priorities for remedial policy actions. For multidimensional poverty, the authors use the framework adopted in the second Arab Multidimensional Poverty Report, which presents a regionally tailored MPI more attuned to middle-income countries such as Egypt.

Between 2000 and 2022, the percentage of the population living in poverty and the absolute number of the poor have been increasing. In 2000, the poverty headcount rate was 16.7%. It increased to 19.6% in 2005. It increased further to 27.8% in 2015, 32.5% in 2018, and 33.95% in 2022, leaving 34 million persons below the national income poverty line. In line with these trends, extreme poverty has also risen from 2.9% in 2000 to 5.9% in 2022, equivalent to 6 million people.

Inflation was the main factor behind the increase in poverty throughout this period, especially from 2015 to 2018, with a significant rise in the cost of the basket of commodities consumed by the poorer deciles.

The distribution of the poor is quite uneven across regions; poverty is mainly concentrated in Upper Rural Egypt, with almost 42.8% of Egypt's poor living in the Upper Rural region. Poverty is often associated with lower education levels, poor housing conditions, limited access to basic services of water and sanitation, and/or large household size. Employment and decent work are important determinants of poverty in Egypt. Three-quarters of the poor wage workers are in informal employment; the share of waged informal work among the poor is higher by 26 percentage points compared to the non-poor. These associations are of particular value to policymakers entrusted with designing and targeting poverty alleviation strategies.

Unlike money-metric poverty, multidimensional poverty in Egypt decreased over the same period. From 2000 to 2021, Egypt significantly reduced the spread of multidimensional deprivation at national and regional levels and for most demographic groups. At the national level, the percentage of the multidimensionally poor population declined from 69.4% to 16.5%, and the intensity among the poor declined by 12.6 percentage points, reaching 25.5% in 2021. The severity of poverty has also decreased remarkably, from 42% to 1.4%. The multidimensional headcount poverty rate declined from 46% to 13.5% in urban areas and from 85.4% to 18.6% in rural areas.

The reduction in multidimensional poverty reflects successful policy interventions across various indicators, with the most notable improvements in communication, livelihood, sanitation, and school attendance. However, education remains a critical factor, as poverty rates, while decreasing across all educational levels, remain significantly higher among households with less educated heads. Larger family sizes consistently correlate with higher deprivation levels.

One of the main contributions of this paper is to examine the overlap in money-metric and multidimensional poverty. Nearly 56% of the population is not poor. Results also show that 20% of the population is income-poor but not multidimensionally poor, and only 10% are multidimensionally poor without being income-poor. On the other hand, 13% of the population is both multidimensionally and income-poor. It is this population group toward which public policies must be focused.

Egypt's current poverty reduction strategy, centered on cash transfers to the money-metric poor, requires revision. The authors recommend targeting those experiencing both income and multidimensional poverty whilst expanding coverage to include vulnerable and lower-middle-class populations. Given limited fiscal space, success requires structural reforms focused on economic transformation and decent work creation rather than isolated interventions.

