In light of Egypt’s appearance before the UN Committee on Economic, Social and Cultural Rights in November 2013, this factsheet examines the enjoyment of economic, social and cultural rights in Egypt, particularly in the wake of the January 2011 revolution and the immense political upheaval and socio-economic instability the country has experienced since. This document has been produced by the Center for Economic and Social Rights (CESR), based in New York, and the Egyptian Center for Economic and Social Rights (ECESR), based in Cairo.

A severe economic and social crisis is gripping the country. Political turmoil has resulted in a steep drop in foreign investment and tourism, compounded by the enduring economic depression in Egypt’s Southern European export markets. In July 2013, the Egyptian pound was at its lowest since 2004 and Egypt’s foreign currency reserves had fallen below the ‘critical level’ set by the Central Bank of Egypt. The 2013 budget deficit reached an estimated 11.5% of GDP. With a quarter of the population living in poverty according to the latest official statistics, it is clear that the current economic crisis has compounded the more long-standing patterns of social deprivation which contributed to the fall of President Mubarak in 2011.

Worryingly, the question of how to address Egypt’s underlying economic problems has received scant consideration from any of the administrations since the transition. Instead, the state continues to allocate inadequate resources to key social sectors such as health, education and housing. Quick fix measures to redress the growing budget deficit and stabilize the Egyptian pound through international assistance have been prioritized. In order to attract such assistance, unpopular and potentially retrogressive proposals to reduce food and fuel subsidies and to increase regressive taxes (largely on goods and services) have been put forward—and in some cases enacted. Successive transitional administrations have continued to ignore the demands of the people for more equitable socio-economic reforms, designed and implemented in a participatory and transparent manner. Policy-making remains secretive; reliable state-produced data is unavailable and many relevant policy documents and plans are not publically released. Troublingly, critical voices from NGOs and civil society groups, unions and opposition parties continue to be repressed—at times violently.

This factsheet highlights the negative impact of the legacy of the Mubarak regime’s economic model—and the failure of successive administrations to reform it—on economic and social rights in the country. Though reliable data is lacking, unemployment and underemployment, particularly among young people, is growing, as is the informal sector, which is characterized by low wages, poor working conditions and a lack of social insurance. Further, the soaring cost of food and other basic commodities means that the majority of vulnerable households are unable to cover their monthly food expenditures, reducing the quality of their diets. Poor Egyptians are inadequately served by an inefficient and regressive system of welfare subsidies, while the availability, accessibility, affordability and quality of public services such as housing, healthcare and education are deteriorating as a result of two decades of deregulation, privatization and shrinking government expenditure.

Significant and broad-based economic reform is urgently needed to overcome the inequitable and unsustainable economic model pursued in recent decades. In line with the State party’s obligations under article 2(1) of the Covenant, progressive policies to mobilize domestic resources, including by reforming the tax system and capturing untapped flows lost to illicit activity, are needed to sustainably invest in economic and social rights, and to ensure that all human rights are safeguarded in Egypt’s fragile transition.

This factsheet complements the Joint Civil Society Submission delivered to the United Nations Committee on Economic, Social and Cultural Rights ahead of Egypt’s review at the 51st Session in November 2013.
Poverty has risen steadily over the past two decades and now affects over a quarter of the population. The national poverty rate (the percentage of the total population who fall below the national poverty line) has increased by nearly 50% in the last 15 years, from 16.7% (9.9 million people) in 1996 to 25.2% (21 million) in 2011 (CAPMAS, 2011). This suggests that economic growth, which was steady over the same period, has not resulted in an improvement in the lives of ordinary Egyptians. Moreover, in 2011, a further 23.7% of the population was just above the poverty line, putting another 18.9 million people at risk of poverty (WFP, 2013). It is therefore likely that the current political and economic instability in Egypt has pushed the national poverty rate up significantly since the latest figures were published in 2011.

There are vast regional differences in rates of poverty. Rural Upper Egypt continues to have the highest poverty rates in the country—the poverty rate among children was 45.3% in 2009, compared to 7.9% in urban Lower Egypt (UNICEF, 2010). The depth and severity of poverty in this region is pronounced; low educational attainment, low public investment in services such as education and health result in low capacity to generate income. At the same time, poverty in urban areas has escalated in recent years. These significant geographical variations call into question what is being done to ensure the equal enjoyment of all to the right to an adequate standard of living, without distinction as to their place of residence.

Despite steady growth in per capita GDP, people’s sense of well-being has plummeted. Low levels of popular satisfaction have been a key underpinning pressures for reform in the Arab region (Amin et al, 2012). In the lead up to the revolution in Egypt, opinion polls show that the share of those describing themselves as ‘thriving’ (a combination of current and future expectations of economic well-being) deteriorated remarkably, from 29% in 2005 to 12% in 2010 (Gallup 2011). Egypt also has high rates of ‘subjective poverty’. A third of respondents in the country’s second and middle income quintiles described themselves as ‘poor’ in a 2012 World Bank survey (World Bank 2013).
One in three young people are unemployed, almost three times the national unemployment rate. Egypt's intergenerational inequalities are among the starkest in the region, a factor that played a major role in the revolution. Joblessness among youth (which includes those no longer seeking work) is estimated to be 60% (Population Council, 2009). Unemployment among university graduates stands out as particularly high; in 2010 it was 18.9%, compared to 3% among those with only basic education (CAPMAS, 2013). Further, labor force participation rates for women in Egypt are extremely low, hovering between 20 and 25% in the last ten years, compared to a global average of 52%. (World Bank, 2012) The unemployment rate has escalated in the wake of recent economic instability; climbing from 11.9% in the first quarter of 2011, to 13.2% in the first quarter of 2013 (CAPMAS, 2013).

The shortage of decent work has pushed an increasing number of people, especially women, into the informal sector in precarious conditions. Self-employment, which the UNDP takes as a proxy for vulnerable employment, made up approximately 40% of the work force in 2007, with women increasingly falling into this category. This corresponds to the ILO’s calculation that 51.2% of non-agricultural employment in 2009 was informal (ILO, 2012). Stark intergenerational disparities are also apparent. In 2006 the highest levels of informality were among workers aged 15-24 (87.1%), compared to those aged 25-34 (61.4%) and 35-54 (43.5%) (CAPMAS, 2006). Similarly, in 2009 only 15.7% of young workers had signed a contract with their employers (SYPE, 2009). Labor informality also sets the stage for child labor, a bitter reality for almost 1.6 million children in Egypt (Population Council, 2009).

For much of the past decade, real wages in the private sector have stagnated. The Egyptian economy has become dualistic. While public sector wages have increased in line with rising living costs, average wages in an inadequately regulated private sector remain virtually the same as 10 years ago (CAPMAS, 2013). Minimum wages are an important policy instrument for social protection and a strong indicator of States’ efforts to ensure rights at work. Egypt has yet to establish an effective system to guarantee a fair minimum wage. Though the minimum wage was recently increased to 1,200 EGP, after strong lobbying from civil society groups, it only applies to government and public sector workers (Kholaf, 2013).

Instead of responding to workers’ demands, successive administrations have cracked down on protests, at times violently, and have restricted the right to strike. The Egyptian Center for Economic and Social Rights has documented numerous reports of arbitrary arrest and excessive use of force against those participating in strikes and protests. Sexual assault and other forms of violence against women protesters has been a feature of demonstrations in Egypt. However, the State party has persistently failed to prosecute perpetrators of these crimes.
Poverty is being exacerbated by the sharp rise in food prices. Consumer prices for food and beverages increased by 16.3% between January 2010 and September 2013, a steeper rate than the overall consumer price index. Prices for items such as vegetables and breads and cereals have also experienced particular spikes, 21.3% and 16.3% respectively (Egyptian Food Observatory, 2013). This is having a serious impact on household consumption. The percentage of vulnerable households reporting that their income does not cover their monthly expenditures increased from 78.9% in September 2011, to 88.9% in March 2013 (Egyptian Food Observatory, 2013). In Qalyubia, Matrouh and Cairo this figure is even higher: 100%, 98.7% and 98.1% respectively (Egyptian Food Observatory, 2013). Similarly, in a 2012 poll conducted for the World Bank, 44% of respondents reported they could not buy the food they needed, compared to 23% in 2010 (World Bank, 2012).

Increasing food insecurity is resulting in higher levels of malnutrition. The prevalence of food insecurity increased from 14% in 2009 to 17.2% (13.7 million people) in 2011, driven by declining household purchasing power (WFP, 2013). Food insecurity is highest in rural Upper Egypt, but is also becoming an increasing concern in urban areas. The rate of children under five suffering from stunting (an indicator of chronic malnutrition) increased from 23% in 2005 to 29% in 2008 (Ministry of Health and Population, 2009) and was estimated to be 31% in 2011 (CAPMAS, 2011), which is considered “high” by the WHO. Consumption of cheaper food items is the predominant coping strategy among poorer households, leading to an increasing overreliance on calorie-dense foods among poor households. This is to the detriment of nutritional content. The decreasing consumption of legumes, fruits, and dairy products as a result of Egypt’s current political and economic instability is likely to exacerbate malnutrition levels even further.

Reforms to food subsidies must protect the right to food of vulnerable groups. The government has traditionally kept food prices down through subsidies, which have accounted for 1-2% of GDP over the past decade. Two thirds of these subsidies come in the form of subsidized bread, available to all on a first-come-first-served basis. The remainder comes in the form of ration cards that allow households to buy set quotas of commodities. Concerns about the effectiveness of these subsidies have prompted calls for reform. For example, almost three quarters of households covered by the ration card system are not considered to be poor, while a fifth of the most vulnerable households are excluded (WFP, 2013). Nevertheless, the food subsidy system has a large impact on poverty. For example, it is estimated that in 2010/11 a further 9% of the population would have fallen below the poverty line had these subsidies not been in place (WFP, 2013). For this reason, any future reforms to the food subsidy system should safeguard the rights of groups most affected by Egypt’s current political and economic instability.
A pronounced shortage of affordable housing has led to a proliferation of informal settlements. Inadequate investment in low cost public housing and weak regulation of private developers has made the formal housing market inaccessible for many Egyptians. Estimates of the numbers of people living in informal settlements range from 12 – 20 million (up to a quarter of the population) (CAPMAS, 2013). These settlements suffer from a lack of facilities, amenities and proper infrastructure. Without security of tenure, their residents are extremely vulnerable to forced eviction. Inadequate legal safeguards give officials broad discretion to seize land for the “public interest”, without any legal obligation to consult with affected communities, as required by international human rights standards.

Rising costs have affected the affordability of healthcare. Egypt invests less than 5% of the total government budget in health; half the regional average and a third of its commitment under the Abuja Declaration. Low investment has led to a fragmented and geographically imbalanced health care system, with people increasingly turning to private care. Just over half of Egyptians have health insurance, compared to 99% in Tunisia, 98% in Iran and 83% in Jordan (Ministry of Health and Population, 2010). As a result, household spending reached 72% of total health spending in 2008/09, compared to a regional average of 45.4%; of this, 97.7% goes to direct out-of-pocket costs (Ministry of Health and Population, 2010). This makes healthcare unaffordable to many and contributes to stark disparities in access to essential health services. There are wide urban-rural disparities in skilled birth attendance, for example, a key intervention to prevent maternal death.

There are serious concerns about the quality of education in Egypt. Despite overall improvements in educational outcomes, less than 10% of schools meet national standards for quality education (UNICEF, 2012). The Global Competitiveness Report for 2013-2014 ranked Egypt last out of 148 countries in terms of the quality of primary education. Families have had to take on the added burden of paying for tutoring and private lessons, which account for 42% of household spending on education (CAPMAS, 11). Investment in teachers is one way to improve educational quality. Yet Egypt does not appear to be investing resources where these are most needed. For example, per capita spending on wages and compensation is lowest in governorates where the teacher-pupil ratio in primary schools is highest.
Egypt’s inefficient and regressive subsidy system crowds out more equitable interventions. In 2009 Egypt invested a significant proportion of GDP in fuel and food subsidies (6% and 2% respectively), which disproportionately benefit the already well-off. For example, in 2009 60% of fuel subsidies went to the richest quintile according to estimates (World Bank, 2012). By contrast, non-subsidy social protection schemes (e.g. cash transfers, microcredit, health benefits etc.) accounted for only 0.11%, a far lower proportion compared to other countries in the region (World Bank, 2012). Inadequate investment in non-subsidy schemes has led to low coverage, high leakage and limited benefit levels. Only 15% of the poorest income quintile benefits from non-subsidy schemes and they make up only 10% of beneficiaries’ income (World Bank, 2012). Despite the inefficiency of the country’s subsidy schemes, simply removing them would have significant impoverishing effects. Instead, the government should restructure its social protection framework to reach those that need it most.

Successive administrations have failed to address the comparatively low investment in social spending. Egypt’s investment in key social sectors is low compared to other countries in the region and has decreased in recent years; a trend that has not been reversed following the revolution (Ministry of Finance, 2013). Further, although social spending appears comparable to spending on defense and public order and safety, it is important to note that the military is largely exempt from publicly reporting its budget, estimated to be far higher than official figures for defense spending. The draft constitution also has articles guaranteeing the secrecy of the military budget.

Channels for meaningful participation in budgetary and economic policy-making are restricted. Egypt’s Open Budget Score, which calculates a country’s degree of budget transparency, dropped from 43 in 2010 to 13 in 2012, meaning that the budget documents it provides are ‘scant or none’ (Open Budget Partnership, 2013). This striking drop occurred due to the 2012 budget being passed by the Supreme Council for Armed Forces, in the absence of a legislature, and with little regard to transparency and citizen participation. The 2013/14 budget process has adopted a similar approach. The current administration has made amendments to the draft budget (prepared by the previous government) in secret and did not make budget documents available until almost four months after the beginning of the fiscal year (ECESR, 2013).
Egypt is failing to mobilize available resources to invest in key economic and social rights sectors. Egypt’s revenue-to-GDP ratio has remained considerably lower than comparable countries, a number of whom have increased their revenues over the last decade, and has fallen significantly in recent years (World Bank, 2013). Egypt’s estimated tax effort, defined as actual versus potential tax collection, was 0.72 in 2012, compared to 0.93 in Morocco, for example (IMF, 2013). This illustrates a long-standing concern that the government is not upholding its duties under the Covenant to maximize the resources available for human rights in equitable and efficient ways.

Egypt’s tax system places a disproportionate burden on low-income working families. A substantial amount of Egypt’s tax base comes from indirect taxes (largely sales tax), which tend to unfairly impact lower income households. Increasing indirect taxes has been a priority response of successive administrations to address the budget deficit. For example, sales tax exemptions on several essential commodities have recently been removed (ECESR, 2013). Replacing Egypt’s sales tax with a Value-Added Tax is also being considered. The VAT risks disproportionately burdening low-income people unless it exempts key basic necessities. Direct taxes, such as corporate and personal income tax, account for less of Egypt’s tax base. There is considerable scope for increasing revenue by distributing a fairer share of the tax burden to high-income earners. Currently, large income brackets mean that middle-income and high-income earners pay the same rate of personal income tax (ECESR, 2013). Capital gains are also virtually untaxed (amounting to 0.04% of revenue in 2012/13), effectively exempting a significant group of wealthy people (ECESR, 2013).

Combating illicit financial flows should be part of a human rights-centered alternative for reducing the budget deficit. According to estimates, Egyptian public coffers lost at least $57.3bn to illicit financial flows (capital that is illegally earned, transferred, or utilized through crime, corruption, or tax evasion) between 2000 and 2009 (GFI, 2011). This equates to over $6bn per year, equivalent to approximately one fifth of Egypt’s fiscal deficit in 2012, and $1.2 bn more than the loan Egypt has been discussing on and off with the IMF since May 2011. Part of these lost revenues relate to the estimated $132bn of stolen assets illegally transferred abroad during the Mubarak era (EIPR, 2013). Yet, a significant proportion result from cross-border tax evasion by wealthy individuals and corporations (GFI, 2011). While tax abuse has received a good deal of attention in Egypt and in Europe, there do not appear to be any concrete, cooperative policies to end this corrosive phenomenon.
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This series is intended to contribute to the ongoing work of UN and other intergovernmental human rights mechanisms to monitor governments’ compliance with their economic, social and cultural rights obligations. Drawing on the latest available socio-economic data, the country factsheets display, analyze and interpret, selected quantitative indicators in light of key dimensions of governments’ economic and social rights obligations. The factsheets are not meant to give a comprehensive picture, nor provide conclusive evidence, of a country’s compliance with these obligations. Rather, they flag some possible concerns which arise when statistics are analyzed and visualized graphically in light of international human rights standards.

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