MECHANISMS OF IMPOVERISHMENT OF THE RURAL POOR IN CONTEMPORARY EGYPT

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ABSTRACT

Prevailing poverty and culminating social crises in Egypt are the final products of development failure in the last 50 years, first in the context of state control and then the restructuring of uncontrolled capitalism. This bad mixture has ended up with less accumulation of all forms of capital assets and an uneven access to those assets, which resulted in deprivation of the absolute majority and hence less opportunities, less freedom and low level of well being.

The market-led strategies and policies, adopted gradually since 1974, and reached a peak in the early 1990s, have drastically affected both urban and rural poor. The majority of the population is politically and socially excluded. However, most of the poor live in rural areas and are engaged in agriculture. The access to land and water is vital for sustainable livelihood in rural communities. This basic human right has been seriously threatened by redistributing the land, and consequently the water, in favor of the big landlords.

Now, it became very obvious that the poor are excluded from active participation in political and social institutions and are deprived from any share in the decision-making process.

The costs of the market-oriented reform package on rural population were tremendous. These included growing unemployment, falling real wages, higher prices for basic goods and services and loss of economic and social security.

There are justified speculations that the ultimate goal of this impoverishment strategy is to push down many small farmers into a status of laborers or push them out of agriculture and perhaps the rural areas altogether.

This paper tries to examine the main mechanisms of impoverishment of the rural poor that took palace in the last 30 years. Particular emphasis will be given to the new land tenancy law of 1992, and the progressive privatization of the management of water resources and the attempts to transfer the burden of water management to the poor farmers without even asking the legitimate question: are they able to pay?
INTRODUCTION

Poverty in Egypt represents a serious social, economic and political problem. In spite, or perhaps because, of the economic liberalization and structural adjustment policies that aim (as claimed) at sustainable economic growth and increased employment, poverty remains a widespread phenomenon that increases over time. A recent review of the best available current statistical studies on poverty (Assaad and Rouchdy, 1998) concluded that at least one quarter of Egypt’s population is poor by any standard and another quarter lives on the margins of poverty. The same review observed, however, that few signs that poverty alleviation ranks among the top concerns on the broad national agenda as evidenced by its absence as a question for everyday discussion by the country’s political and intellectual leadership, or in the press and the mass media.

Poverty in Egypt is widespread everywhere. However, “some animals are more equal than others.” So, poverty is more concentrated in Upper Egypt than in Lower Egypt, in rural areas than in urban ones, among women than men. Therefore, small farmers households living in rural areas in Upper Egypt, particularly female members, are having the greatest level of deprivation.

Like everywhere else, poverty in Egypt is man-made. Prevailing poverty and culminating social crises in Egypt are the final products of development failure in the last 50 years, first in the context of state control and then the restructuring of uncontrolled capitalism. This bad mixture has ended up with less accumulation of all forms of capital assets and an uneven access to those assets, which resulted in deprivation of the absolute majority and hence less opportunities, less freedom and low level of well being.

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Now, it became very obvious that the poor are excluded from active participation in political and social institutions and are deprived from any share in the decision-making process. The costs of the market-oriented reform package on rural population were tremendous. These included growing unemployment, falling real wages, higher prices for basic goods and services and loss of economic and social security. The consequences are terrifying. The social and economic sustainability of the country are seriously threatened and the nation’s security in the future is doubtful.

On The Meaning of Poverty

Poverty should be defined, particularly if the aim is to eradicate it, in terms of less freedom and less capabilities. Poverty is about the freedoms the poor do not have, as Prof. Amartya Sen nicely put it. In his book, Development as Freedom (1999), he talks about several distinct types of freedom: economic entitlements, political rights, social opportunities, transparency guarantees, and protective security. So, poverty is not about material deprivation, but it is mainly about entitlements of all people in a well-being.
If poverty eradication is “development freedom” as Sin rightly argues, then it is not enough to talk about poverty reduction, as most international and national institutions propose.

When poverty is defined as deprivation of all kinds of capital assets: material, financial, human and social, only then it is possible to uncover the processes of producing and re-producing poverty and hence to find the right strategies and policies for poverty eradication.

Unfortunately, most poverty research, and to a greater extent, poverty measurements are stressing the definitions based on the income / expenditure or poverty line. This approach is not covering all dimensions of poverty and more importantly it does not deal with the mechanisms that reproduce poverty, and, therefore, fails to offer sound measures enough for poverty eradication. This approach can only suggest some measures for poverty reduction through safety nets. It should be noted that this safety is for the rich and powerful, not for the poor or for the society. It is worth remembering that certain levels of poverty offer advantages to the rich, and it is, therefore, convenient to treat them as normal without questioning their own role in generating poverty.

No doubt that poverty eradication in Egypt and in many other developing countries, will be a long term and difficult task, but the alternative of spreading and intensifying poverty, is certainly a disaster that should be avoided, whatever the costs might be.

The first step to formulate a sound workable strategy for poverty eradication, is to reconsider the current circumstances and admit that they offer the good soil for poverty seeds to germinate and flourish.

The second step is the existence of political will to change the current circumstances for the sake of poverty eradication and sustainable development. When the will is there, then, we should have the capacity to induce the required reforms. This asks for a very comprehensive approach and consistent attacks on all fronts of the political economy of the country. Otherwise, all generations of the programmes and institutions for poverty reduction will remain as instruments for spreading and intensifying poverty.

Mechanisms for Generating Poverty

Understanding and identifying the causes and mechanisms for generating poverty are pre-requisites for formulating an effective strategy for poverty eradication. Prevailing poverty in Egypt, for example, is the final product of the development failure in the last 50 years. First, in the context of state control, and then, in the restructuring of uncontrolled capitalism. This bad mixture has ended up by less accumulation of all forms of capital: material, financial, human and social, and more importantly, an uneven access to those assets, which resulted in deprivation of the majority and hence less opportunities, less freedom and low level of well being.

The monopoly of the state contributed to a slow economic growth through inefficiency and distorted prices for goods and services. The structural adjustment that followed contributed to spreading poverty further. Reducing public expenditures resulted in the deterioration of services and infrastructure. Privatization, on the other hand, did not improve the efficiency, but brought about higher prices. It is only a private monopoly substituted state monopoly. This brought about uncontrolled inflation, unemployment and less real wages, and finally the spread of poverty.
It should be noted here, that with the kind of structural adjustment implemented now in Egypt, the opportunities for poverty eradication are almost nil. In the framework of uncontrolled capitalism, the private sector is considered the engine of all economic activities and the capital is favored above labor. Those who own the capital are the minority, but the labor is the main source of income for the absolute majority. This ends up, especially with the prevailing stagnation, with widespread unemployment and less and less human capabilities.

The free markets are closed on the face of the poor (less access to information, unfair competition, bureaucratic procedures, corruption, and less ability to avoid risks). On top of that, institutional reforms are not in the agenda of structural adjustment. Institutional reform is in conflict with the interests of the ruling minority that owns the capital assets. Their wealth accumulates often by purchasing public enterprises. The income and power mal-distribution grows on itself and makes waves after waves of stagnation and ever growing gap between the rich and the poor. In all societies, the deprivation of all kinds of capital and the growing inequalities are the main direct causes of poverty.

Deprivation of quality education and health are the first steps to poverty. Education and health are equal to work opportunity. This is vital for the poor who earn their living from their labor. When the social safety nets are weak, the poor families cannot afford the high costs of private education and health care.

On the other hand, the poor have no access to credit, particularly subsidized formal credits. They have to bear higher costs to get informal credit, which in turn intensifies their poverty.

On the other hand, the rich investors enjoy many advantages, e.g., exemption from paying taxes, obtaining the land and infrastructure at very low prices, and full freedom to fire laborers and send their huge earnings abroad. Their political and social ties allow them to get information at the right time to enter the markets and make profits.

The majority of the poor are politically and socially weak and excluded. Most of them live in rural areas and are engaged in agriculture. The access to land and water is vital for sustainable livelihood in rural communities. This basic human right is threatened by redistributing the land, and therefore, the water in favor of the big landlords. Finally, the poor are excluded from active participation in political and social institutions and any chance to affect the decision-making process. This represents the extreme deprivation, which promotes the main reasons behind poverty. In fact, it deprives the poor from their ability to escape the poverty trap and from their basic right in full citizenship. This is the issue here.

Let me now examine the details of some of the intended mechanisms for impoverishment of the poor, particularly in rural Egypt.

**Distribution of Land Holdings**

The agrarian reforms implemented in 1950s and 1960s allowed a maximum land holding of 100 and then 50 feddans and distributed what exceeds that limit to landless families. However, these reforms did not significantly correct the already very skewed distribution of land holdings. Even after the full implementation of the land reform acts, more than 50% of all agricultural land was still in the hands of less than 7% of all farmers. In 1990, more than 70% of holdings were less than one feddan
(Table 1). A significant proportion of the agricultural work force, which totaled 4.3 million workers still remains without any land at all.

Table (1) Distribution of Land Holdings in Egypt in 1990

<table>
<thead>
<tr>
<th>Holding category</th>
<th>No. of holders (1000)</th>
<th>% of total holders</th>
<th>Area held (1000 feddan)</th>
<th>% of total area</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; one feddan</td>
<td>2696</td>
<td>69.2</td>
<td>1060</td>
<td>18.2</td>
</tr>
<tr>
<td>1 -</td>
<td>501</td>
<td>12.9</td>
<td>658</td>
<td>11.3</td>
</tr>
<tr>
<td>2 -</td>
<td>266</td>
<td>6.8</td>
<td>603</td>
<td>10.3</td>
</tr>
<tr>
<td>3 -</td>
<td>163</td>
<td>4.2</td>
<td>530</td>
<td>9.1</td>
</tr>
<tr>
<td>4 -</td>
<td>107</td>
<td>2.7</td>
<td>434</td>
<td>7.4</td>
</tr>
<tr>
<td>5 -</td>
<td>89</td>
<td>2.3</td>
<td>565</td>
<td>9.7</td>
</tr>
<tr>
<td>10-</td>
<td>44</td>
<td>1.1</td>
<td>571</td>
<td>9.7</td>
</tr>
<tr>
<td>20-</td>
<td>21</td>
<td>0.5</td>
<td>534</td>
<td>9.2</td>
</tr>
<tr>
<td>50-</td>
<td>7</td>
<td>0.2</td>
<td>376</td>
<td>6.5</td>
</tr>
<tr>
<td>&gt; 100</td>
<td>2</td>
<td>0.1</td>
<td>498</td>
<td>8.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3896</strong></td>
<td><strong>100.0</strong></td>
<td><strong>5829</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

One feddan = 4200 m$^2$

Source. (CAPMAS, 1992) Statistical Year Book

After the implementation of the counter-reform in 1997, the situation has been made much worse. The number of landless was much higher and the big landlords got back more land.

Nevertheless, the effect of Nasir’s agrarian reforms was mainly the regulation of agricultural wages and land rents. Rent contracts were fixed on a permanent basis and at annual rate of seven times the land tax. The permanent rent contracts were even inheritable and allowed their holders profit from the services of the agricultural cooperatives and subsidized credits and inputs. Above all, the tenants were secured and felt that the land was theirs and were willing to invest in conserving it.

This era was ended with the invasion of Structural Adjustment Programs (SAPs) and adopting the free market economies. In 1992, the Egyptian parliament passed a new law governing owners-tenants relations. The law allowed a 5 year transition period during which the rent of the land was increased three folds to be 22 times the land tax. As from 1997, land owners regained full control over their property. They became completely free to cultivate the land themselves or leave it barren or let it to anyone who is willing to pay the rent demanded.

In less than 15 years, the average rent has been changing as follows:

- Before 1992 EGP 200/feddan/year
- 1992-1997 EGP 600/feddan/year
- After 1997 EGP 3000-4000/feddan/year

Although the data available so far on the numbers of affected small farmers are neither accurate nor consistent, the number of tenants families who had to give the land back to the owners were estimated to range between 3 million to 5 million.

The counter land reform of the 1990s intended to fully liberalization of agricultural sector and encourage a trend toward land concentration due to many small tenants abandoning their plots since they cannot afford the new rent. It deprives the small poor farmers the only material asset left to them and turns them to agricultural workers struggling to sell their working power against very low and unfair price.
Moreover, land tenure new arrangements, encouraged farmers to neglect investing in land conservation, trying to maximize their returns in the short run at expense of the long run sustainability of the resources. Furthermore, with the uncertainty about future access to agricultural land, farmers lost access to credit as well (El-Gaafarawi, 1998). For more details about this big policy shift and its consequences, see the comprehensive collection of papers edited by Hopkins and Westergaad (1998). See also Bush (1995); Mitchel (1995); Fletcher (1996); and Saad (1998).

**Water Demand Management Through Pricing of Irrigation Water**

With the diminishing opportunities to increase water supply, far grater emphasis is given to demand management. This approach included several direct measures such as regulations, technology, pricing, shifting cropping patterns, marketing incentives and public education. While water demand management is the only alternative when increasing supply is not possible, some approaches in the demand management need to be treated with caution. Water Pricing is one of the principle tools for managing demand. Its devastating effects on the poor farmers are predictable.

In the context of economic liberalization and adopting the market mechanisms, irrigation water pricing, which was previously a taboo, is discussed now openly and even practiced in Egyptian agriculture without due considerations of the socio-economic impacts on the small poor farmers who are representing more than 80% of all farmers.

These policy trends were clearly expressed by the Minister of Water Resources and Irrigation in a recent paper (Abuzeid, 2001) on “Water Pricing in Irrigated Agriculture”. The Minister starts by saying “Access to water is viewed as a basic human right, a social necessity and a critical environmental resource”. Very soon, however, he gives several statements against what was just said, statements like the following:

> “Water service charges are potentially important and useful, as they are expected to contribute to the recovery of costs from beneficiaries, which will relieve the government of a financial burden and provide revenues to support the operation and maintenance of the water supply system”.

> “If water charge for the sustainability of services are not sufficient to induce the desired level of water conservation, it will be necessary to impose an additional component of water pricing assigned specifically to the water users”.

Although the Minister states that “in many cases, irrigation rates do not have a significant impact on irrigation efficiencies because they represent such a small proportion of total production costs” it seems that the Minister’s solution for low irrigation efficiencies, is to increase the irrigation water charges to represent a considerable proportion of total production costs, when he suggests that “The costs to be considered involve many categories, including design, construction, operation, maintenance and the cost of revenue collection”.

The Minister continues saying “for any water pricing policy to succeed, it must be acceptable to the water users”, However, in practice, the Ministry did not try to question weather its pricing policy is acceptable to water users or not, let alone the most important question of weather the poor farmers can afford to pay any extra cost for irrigation water or not.
Shrinking Wages and Explosion of Inputs Prices

The distribution of land leaves many villagers with no resources beside their work. Because of growing mechanization and shortage of work opportunities, the rural capitalists are reaping greater benefits by paying lower wages to their workers. In the absence of a set of minimum wage and a system of patronage, policing and surveillance in rural Egypt that prevent the “poor folks” from protesting or organizing to change their conditions, the poor wage earners are exploited without any mercy (Mitchill, 1998).

This apply also to the small farmers who cultivate too small plots to absorb the family working force. This combined with the huge jump in the land rent and the removal of government subsidies on credit, fertilizers and all other inputs and services, left the small farmers highly vulnerable and extremely impoverished.

For example, as an outcome of the deregulation of the fertilizer sector and withdrawal of state subsidies, the price of chemical fertilizers rose by between 350 percent and 667 percent in a short period of only 6 years (1987-1993).

<table>
<thead>
<tr>
<th>Type</th>
<th>Price in 1987</th>
<th>Price in 1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urea</td>
<td>149</td>
<td>505</td>
</tr>
<tr>
<td>Ammonia</td>
<td>58</td>
<td>301</td>
</tr>
<tr>
<td>Gypsum</td>
<td>48</td>
<td>250</td>
</tr>
<tr>
<td>Potassium</td>
<td>57</td>
<td>380</td>
</tr>
<tr>
<td>Superphosphate</td>
<td>75</td>
<td>400</td>
</tr>
</tbody>
</table>

Source: Abou Mandour (1996)

Very similar trends apply to the prices of all other agricultural inputs, i.e. seeds, pesticides, and of course the land rent. There has been only one input which did not witness any increase in its price, that is the agricultural work. In the contrary, the real wages for agricultural works dropped 60% between 1985 and 1991, according to Abou Mandour (1996).

To cope with this stressful situation, the poor have adopted strategies that promote impoverishment from which it is rather difficult, or perhaps impossible, to recover.

Deteriorated Standards of Living and Retarded Human Development

Official data, based on a series of Household Income and Expenders Surveys (HIESs) covering a relatively long time period (1958-1995) trace the poverty in Egypt over the last three decades. Examining these data reveals that between 1991 and 1996 one can see that the real income has declined, on average, by 14% in the cities and 20% in the countryside. Real household expenditure, on the other hand, declined substantially by 20% in urban areas and almost 25% in rural areas (Firgany, 1997).

Moreover, in the same period real per capita expenditure on food was estimated to have declined by 13% in rural areas and 8% in the cities. This reduction is mainly attributed to the reduction in real wages and the subsidies to food commodities. This leads to the conclusion that the quantities of food stuffs consumed per person must have decreased considerably in the last years. This is a most serious sign of deterioration of the standard of living in the country in short time of about five years since the implementation of SAPs.

One serious consequence of poverty is that it aborts the potential for development in a country that is rich only in human resources.
The details in HIESs reveal a frustrating stories. In 1992, a full quarter of Egyptian children were estimated to be stunted. Stunting (low height for age), ascribed to chronic inadequate food intake, is serious because it is hardly reversible. Its deleterious effect produce physical impairment, preclude development of mental faculties and curtail learning abilities.

Stunted children in 1996 rose to 30% and they were 40% in rural Upper Egypt. After analyzing these phenomena, Fargany asks, “Would such Egyptian, weak of body and mind, constitute the basis of Egypt’s” competitiveness in the fierce global markets of tomorrow? (Fergany, 1998).

Fargany, in the same paper analyzing poverty and unemployment in Egypt, discuss, the deterioration of human capital of the poor. For example, exclusion from basic education is strongly selective of the poor households, especially girls. Reasons for the poor exclusion, include the institution of “cost recovery” for government services in SAPs, and the rising cost of education because of inflation in general and education-related costs such as private tutoring. In addition, quality of education is low and deteriorating. The output of education mismatches the labor market. The poor quality education hits the poor in particular for the rich could afford expensive private schools and private lessons.

Concerning health, it is understood that to be in good health is tantamount to being able to work. This is especially so in case of the poor who often engage in physically demanding activities. Since earning, i.e. income from work, represent the mainstay of livelihood of the vast majority of the poor, sickness can compound poverty through deprivation from income. Sickness is thus a major road into poverty, no matter how defined.

There are many indications that poor households are increasingly unable to afford the cost of health care. With stronger privatization of services, and increasing poverty, the affordability of health care by the poor is diminishing.

A glance on the official figures reported on the Egypt Human Development Reports, will clearly reveal several symptoms and indices of the impoverishment of the majority of Egyptian people in urban as well as rural areas.

<table>
<thead>
<tr>
<th>Table (2) Profile of Human Deprivation in Egypt in the 1990s.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index and year</td>
</tr>
<tr>
<td>Population without access to Piped Water (1995)</td>
</tr>
<tr>
<td>Population without access to Sanitation (1995)</td>
</tr>
<tr>
<td>Infant mortality rate (per 1000 live births) (1991)</td>
</tr>
<tr>
<td>Children dying before age 5 (1993)</td>
</tr>
<tr>
<td>Malnourished children under 5 (1995)</td>
</tr>
<tr>
<td>Children not in basic or secondary school (1994)</td>
</tr>
<tr>
<td>Illiterates (10+) (1996)</td>
</tr>
<tr>
<td>Unemployed persons (15+) (1995)</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Poor persons</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Ultra poor</td>
</tr>
<tr>
<td>Total Population (1994)</td>
</tr>
</tbody>
</table>

Source: INPE (1996)
While these figures are certainly underestimated, they did not show the huge disparities between the rich and the poor and between Lower Egypt and Upper Egypt. However, they are tilling part of the story.

**Coping with Poverty and Impoverishment**

It is needless to say, that the majority of rural population, particularly the landless, the small farmers and the women, are living and working almost all the time, under stress. They often face the reduction in yields, the high production costs, and political, economic and social exclusion, by adopting several coping strategies. Among others, the following were documented in many studies (see Push, 1998 and Kishk, 1994):

- Producing large families
- Diversifying income sources
- Spending less, eating less and saving less
- Using more family work (children and wife)
- Taking the children out of school (starting by girls then boys)
- Migrating temporarily to urban centers or abroad
- Borrowing and borrowing again to pay previous dept or just to eat
- Selling assets, starting with small animals, then big animals, and finally pieces of their tiny land.
- When there is nothing left they can only sell themselves, both body and soul. Begging, theft, small crimes and prostitutions are observed everywhere. Recently, there have been reported cases of people selling parts of their bodies or selling one of their children or killing somebody for just few pounds or committing suicide.

It is obvious that all coping strategies of the poor are destructive ones, if not terminating them, they will deprive them from their current and future productive assets (education, health and even land) and therefore tend to keep them caught in the poverty trap.

Observing and carefully analyzing what is happening in Egypt, Bush in 1998 suggested that the challenge of economic reform is now threatening the ability of small landholders to continue their conditions of rural existence, and that unless this is recognized, there will be impoverishment and political mobilization to an extent not previously experienced in rural Egypt.

However, in the spheres of IFI, the Government of Egypt, and Egyptian private sector, what is happening to the small farmers or even the whole middle class of Egyptians is not recognized and the process of impoverishment is accelerating. To many observers, these changes will bring about a greater polarization between the rich and the poor in rural areas (and indeed all over the country) as the rich will use their political influence and social skills to dominate the situation, and especially to acquire additional rights over land (and water and other resources) at the expense of small farmers. If they are successful in doing this (there are evidences that they are very successful), then the logic suggests that many small farmers will be pushed down into a status of laborers or pushed out of agriculture and perhaps the rural areas altogether (Hobkins and Westergaard, 1998). It seems that the ruling minority finds it easier and more convenient to eliminate the poor instead of eradicating poverty.

Now in 2005, we can clearly see that these are not just speculations. There is every evidence to show that this is the intention. It seems that the ruling powers did not
care of what happens to the poor, or even to themselves and to the whole country. When the collapse happens, they should be only sure that their plains are waiting for them to leave immediately and forever to enjoy their accumulated wealth somewhere else.

In the last twenty years or so, there has been alarming, very clear culmination of violence in Egyptian society. All forms of violence: official violence against people that is usually met with people’s violence against each other and against the symbols of authority, and vice versa. Agrarian counter reforms have played an obvious role in creating this violence, (Toth, 1998).

The alarming sings of violence, crimes and all sorts of corruption, has been solely faced by police force. The ruling powers turned deaf ears and blind eyes to the people. They can only see and listen to their stupid never satisfied greed’s.

Conclusions and Recommendations

It was clearly shown that the costs of the market-oriented reform package on the poor and particularly on rural population were tremendous. These included growing unemployment, falling real wages, higher prices for basic goods and services and loss of economic and social security.

People in the streets, researchers, activists and thinkers have been repeatedly saying all what should be said. What I can say now that growing polarization of the Egyptian society is extremely dangerous. The ruling powers should listen to the voices of the poor or there will be no future.

The Egyptian poet Salah Abd El Sabour once said:

“The country in which poverty is relaxing like a snake in the sand, has no future”

“The country in which woman has to take off her clothes in order to eat, has no future”
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