

Chapter Five

The Social and Human Impacts of Structural Adjustment on Egyptian Citizens

Introduction

One of the most essential elements for guaranteeing the success of a development policy is prioritizing the needs of the people that it attempts to help. The United Nations, in its 1994 *Human Development Report* (1994: 3), asserts the importance of achieving what the report calls “*Human Security*” for human beings around the world. It argues that concepts of security have, historically, focused upon external threats, not internal instability. Thus, any state that attempts to address security must focus upon achieving security in the daily lives of its citizens. Axworthy (1997: 184) further divides this notion of security into a concrete set of factors: “human security includes security against economic privation, an acceptable quality of life, and a guarantee of fundamental human rights” (As quoted in Thomas 2001: 6).

As the United Nations definition shifts the boundaries of security from global and state levels to more individualized ones; it asserts the vital importance of fulfilling the human needs of average citizens. These needs are divided into two essential groups: material sufficiency, which lies at the core of human security; and intangible factors, which form a qualitative whole. Therefore, human security is based in economic issues, which are related to achieving social equality as much as possible; and political issues, which are related to democratizing the daily life and behavior of people and political system, and to protecting the human dignity of average citizens.

According to Thomas (2001: 6), “material sufficiency is a necessity, but is not the sole condition by which human security must be measured. Human security, almost by definition, entails more than physical survival. For simplicity, she refers to these different aspects in terms of a quantitative/qualitative distinction, which broadly refers to income poverty and human poverty” (See also Fergany January 1998). The essential point of human security as a concept is that, while it asserts the necessity of satisfying the economic needs of the poor, it does not ignore the importance of supporting and encouraging the democratization process in society. This leads directly to questions about the nature of the relationship between the state and society, determining state capacity, state legitimacy, and state roles.

Even within international financial institutions such as the IMF, the World Bank and the United Nations, the recent trend is to focus on poverty as a multidimensional problem. In other words, there is more than one cause of poverty; to effectively address it, one must consider these interrelated factors. As Antonio Vigilante, UNDP resident representative and UN resident coordinator in Egypt, notes, “our concept of poverty goes beyond income... we follow a broader measure of human poverty which takes into consideration income and non-income dimensions: the latter include malnutrition, higher incidence of child mortality and morbidity, the adult illiteracy rate, the percentage of individuals with no access to health services or potable water and the percentage of children who are severely underweight” (As quoted in Shahine, 2 - 8 May 2002). Even pro-neoliberal institutions such as the World Bank note that poverty is not only the

outcome of insufficient income, but also derives from a lack of access to adequate health services and sanitation, a high degree of illiteracy, and deprivation of basic rights and security.

Ironically, while these institutions, mainly the IMF and the World Bank, have recently adopted this approach toward poverty, they have exerted continuous pressure on developing countries to adopt structural adjustment policies that have exacerbated the economic conditions of the poor in these countries. As mentioned before, the primary aim of applying these policies is to reduce the government's budget deficit by a combination of increased revenues and decreased expenditures. Decreasing social expenditures results in serious cutbacks in the most crucial public services for the most vulnerable groups, particularly in the areas of education and healthcare. Unfortunately, decreasing social expenditures reduces the level of human security of citizens, as they cannot afford the high prices of basic services. This weakens the confidence of citizens and increases their distrust in their governments.

For too long, citizens in the majority of developing countries have endured these insecure economic and political conditions, which have worsened since the application of structural adjustment policies. Sometimes people in developing countries can adapt their food intake and still address their nutritional needs. For example, instead of eating meat twice a week, they only eat it once a week, or even turn to beans, a much cheaper source of protein. Unfortunately, while they can change their eating habits and still fulfill their nutritional requirements, the same cannot be said of their need to reduce the amount of

food they consume. The vital question is how the poor can continue to meet their nutritional needs if they cannot cope with the mounting prices of food. Moreover, one wonders how can they afford to handle their educational and health needs when food becomes a luxury. The answer is that they cannot. With regard to health and education, the poor have faced two outcomes in developing countries: illiteracy and sickness. These two problems, accompanied by a high ratio of unemployment, work together to perpetuate the vicious triangle of poverty (see Figure 5-1).¹

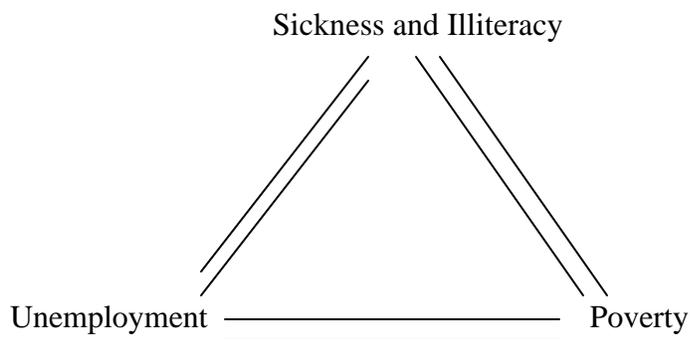


Figure 5-1: The Vicious Triangle of Poverty

Poverty and Unemployment

As mentioned in Chapter four, structural adjustment policies have been applied in two phases: macroeconomic stability and structural reform. The poor were most directly

¹ According to El-Laithy (1997: 160), there is a strong “correlation between poverty and infant mortality rate, children under 5 mortality and life expectancy. . . . All governorates in rural areas have higher illiteracy rates than in urban ones. In rural areas, it is about 1.75 times the rate in urban areas. Regional illiteracy and enrollment rates’ disparities show strong correlation between poverty incidence and low level of education developments in the disadvantaged areas.”

affected by the first phase, macroeconomic stability. Its focus on financial and monetary issues, such as GDP growth, savings ratios, investment, and exports, failed to account for the influence that these factors have on the poor. In general, macroeconomic stabilization includes a set of procedures; none of them takes into consideration the severe economic effects on the poor. These procedures include:

- 1- Reducing government expenditure, by making public-sector redundancies, freezing salaries, and making cuts in health, education and social welfare services;
- 2- The privatization of state-run industries, leading to massive lay-offs with no social security provision and the loss of [social] services to remote or poor areas;
- 3- Currency devaluation and export promotion, leading to the soaring cost of imports, land use changed to cash crops, and reliance on international commodity markets;
- 4- Raising interest rates to tackle inflation, putting small companies out of business;
- 5- Removal of price controls, leading to rapid price rises for basic goods and services. (quoted from Woodroffe and Ellis-Jones 2000; see also Abdel-Khalek 1992: 51-53).

All of these criteria and procedures fail to address the “human face” that Cornia et al. (1987) pointed out in their study. Although Egypt’s policy reforms over the last decade have accelerated economic growth, reduced inflation, improved the balance of payments, and achieved a substantial decline in the ratio of external debt to GDP, they have not reduced unemployment and poverty. Statistics on GDP growth and other national economic accounts indicators illustrate nothing about the nature of income distribution and social inequality. In addition, they do not measure the number of people

who live in poverty² (Singer 1994: 182-183; Pronak 1994: 221-231; Summers and Pritchett 1993: 385-388; Government of Egypt 1998: 16-17; The United States Embassy in Cairo 2001).

Unfortunately, virtually every change in the state budget has happened at the expense of the poor. The IMF alleged that the program in Egypt was aimed at increasing “the real annual GDP growth to 5 percent in the fiscal year 1997/1998, that this increase was expected to create roughly 400,000 new jobs a year, and that this would help bring down the rate of unemployment and raise living standards” (IMF 1996; IMF, November 5, 2001; Dillman Spring 200; Clark 2000: 160; The United States Embassy in Cairo, July 2001; Fergany January 1998). However, the unrealistic goals of the IMF plan raised false hopes among Egypt’s unemployed people.

From the very beginning, the IMF’s macroeconomic policies have done nothing to improve the living conditions of the poor – neither in Egypt nor in most other developing countries.³ Agénor contends that:

Programs of fiscal consolidation often take the form of cuts in real wages in the public sector (by freezing the nominal wage bill in a context of non-zero inflation) and laying off unskilled and/or redundant employees. Wage cuts and lay offs may raise directly the poverty rate, particularly in the absence of a safety net...or if they occur during periods of low activity. A cut in current transfers to low-income households reduces their

² Fergany argues that “the macroeconomic indicator most widely used to follow the standard of living is the *per capita* gross output. This is nothing but an *arithmetic* quantity, the result of dividing gross output by population size, devoid of any *real* meaning. Without going into technical details, it is accepted in development studies that gross output indicators, including per capita gross output, though important economic quantities, are inadequate measures of the standard of living or the level of social welfare” (Fergany 1998).

³ For more details about poverty around the world, see Agénor 2002: 4-5; Fergany 1998.

resources directly, whereas a reduction in subsidies on goods or services that are consumed by the poor lowers their purchasing power (Agénor 2002: 8-9).

The IMF plan promised that the poor would only suffer in the short-term because economic growth would trickle down to all sectors during the second phase. In reality, Egypt's structural adjustment policies have promoted social inequality and impoverishment over the long run (Bayat Winter 1997: online; see also Ward 1990).⁴ As Kheir-El-Din (1996: 1) points out, the very design of structural adjustment policies makes them dangerous to the poorest groups in society. Summers and Pritchett (1993: 387) argue that this is caused by the focus of the austerity measures upon short-term economic problems, not upon long-term solutions. Rather than institute policies that will lead to economic prosperity over time, structural adjustment implements band-aids that ultimately cause crushing recessions, which make it nearly impossible to achieve true economic prosperity.

For the majority of Egyptians – the middle class and the poor – wages are the major sources of income.⁵ These wages have been greatly affected by the application of structural adjustment policies that promoted inflated prices for necessary consumer goods

⁴ In addition to the Egyptian-Israeli peace treaty and the *Infitah* policy under Sadat, one of the main reasons of the revival of fundamentalist Islamic groups and the widespread survival of political Islam is the increase of poverty, particularly in Upper Egypt (Aoude 1994; McDermott 1989: 78-79).

⁵ For further information about the class structure in Middle Eastern countries, see Richards and Waterbury 1990: 38-39. For them, class alignments are fluid, class interests ill defined, and class consciousness often amorphous. In most cases, because of these distortions of the class structure in the Middle East, the current study finds that it is much easier to use interest groups as a concept to explain social structure in these countries, including Egypt.

and social services; wages have been unable to keep up with this inflation, leading to a massive reduction in actual buying power for most Egyptians. Additionally, subsidy cuts indirectly lead to an increase in unemployment. For example, the cutting of the “Graduates Program,” which guarantees state employment to university graduates, caused unemployment and underemployment in this segment of the population, leading to less spending power and greater poverty (Clark 2000: 162).

Wages, which the IMF argued would recover after the first phase, continued to drop; “in manufacturing, for instance, they fell by 40 percent between 1985 and 1995” (Kienle 1998: 233). El-Laithy (150: 1997) states that earnings, particularly those of government employees, have dropped since the beginning of the structural adjustment program.⁶ According to Mitchell, for 90 to 95 percent of Egyptians:

Real wages in the public industrial sector dropped by eight percent from 1990-91 [the first year of applying structural adjustment programs] to 1995-96. Other public sector wages remained steady, but could be maintained only because the salaries remain below a living wage. A schoolteacher or other educated public-sector employee takes home less than two dollars a day. One sign of the times is the reappearance of soup kitchens in Cairo, offering free food to the poor, which the national press interpreted as a welcome return to the kind of private benevolence among the wealthy not seen since the days of the monarchy (Mitchell 1999: online).

In addition, structural adjustment programs led to a high unemployment rate and massive layoffs. For the majority of the Egyptians, these jobs were the only source of their income; losing them, they had no source of income, and little chance of finding new

⁶ According to the World Bank (June 20, 2001: viii), “real hourly over the 1988-1998 period declined in almost every sector of the economy by an average of 3.6 percent and 1.3 percent per annum for males and

jobs. Because of high illiteracy and lack of job skills of Egypt's poor, they were "the first to lose their jobs and last to find new ones" (El-Laithy 1997: 150). The dramatic improvements at the macro-level did not work their way down to the level of ordinary households. In the wake of structural adjustments, Egypt's household living conditions plummeted. Incomes dropped dramatically while consumer product costs skyrocketed; malnutrition became more common, and economic growth was reduced to a crawl (Clark 2000: 161).

During the macroeconomic phase of structural adjustment, the Egyptian state has gradually abandoned its historical populist support for subordinate social classes, including the middle class, peasants, workers, and the urban poor.⁷ Social welfare policies and support programs, major components of the *etatist* system, have shrunk to unprecedented levels. As the following indicators demonstrate, data about social and economic issues, including poverty, are characterized by contradictions and disagreements between different scholars and institutions. Despite these contradictions, all the available data agree on one key point: Egyptians have suffered during the 1990s in general, and since the application of structural adjustment policies, it has seen an increase in the ratio of impoverished and unemployed citizens.

females respectively. Wages of better paid workers decreased which resulted in compression of the overall wage structure over the decade."

⁷ The application of structural adjustment programs has affected the lower classes in Arabic Countries. There are many studies exploring these negative effects (About Morocco and the new alliance between the state and the nouveaux riches, see Hermassi 1997; for information on Jordan, see Adams 2001; for information on Syria, see Hinnebusch August 1995, 1990).

The 2000/2001 *World Development Report* provides some indicators about poverty and income distribution in Egypt; these figures demonstrate the dominance of poverty and the wide gap between the haves and the have-nots. The *Report* shows that 23.3% of the rural population and 22.5% of the urban population live below the poverty line. Nationally, nearly one-quarter of the population lives below the poverty line (World Bank 2001: 280; see also Government of Egypt 1996: 25). These indicators display that the percentage of poverty is slightly lower in urban areas than in rural areas.⁸

Other sources give a bleaker portrayal of poverty in Egypt.⁹ According to the Egyptian Planning Institute, Egypt's poverty rate reached 48 percent of the total population in 1995-96. "Thirty-three percent of the population lives in absolute poverty. The same report notes that more than 17.5 percent of Egypt's total workers, 68 percent of whom are high-school and university graduates under 25 years of age, are unemployed" (The Year in Review 1998: 11, as quoted in Clark 2000: 161).

These trends sharply contradict the optimistic predictions of the government and other international institutions. According to Fergany, "the most recent estimate (1997) of the extent of poverty in the mid 1990s, based on the 1995/96 HIES, comes to 44%

⁸ The World Bank relied on two Household Income and Expenditure Surveys conducted by the Egyptian government during the 1990s. "The first one, conducted in 1990/91, was a large, nationally-representative survey conducted by the Egyptian Central Agency for Public Mobilization and Statistics (CAPMAS). It surveyed 14,232 households; 8,352 in urban areas, and 5,880 in rural areas" (Adams 2000: 23-24). The 1995/1996 survey conducted by the same agency, surveyed 14,805 households; 6,622 in urban areas, and 8,183 in rural areas.

⁹ As Fergany (January 1998: Online) notes, one of the major problems with the study of poverty is the tendency of researchers to focus upon the "poverty line method." "The danger of this focus is that it classifies poverty as a measure of wealth, not as an ongoing process. Consequently, the use of this method does not yield any solutions beyond manipulating the distribution of wealth."

corresponding to nearly 30 million Egyptians. This estimate is based on the poverty-line approach (anchored in the cost of a minimum basket of food commodities)¹⁰ and is, in our judgment, a gross underestimate” (Fergany 1998: online).¹¹ Between 1990 and 1996, the proportion of the poor has more than doubled (Fergany 1998: online). There was also a precipitous drop in real per capita consumption between 1990-91 and 1995-96 (Mitchell 1999: online).¹²

Structural adjustment policies thus appear to have widened the gap between Egypt’s rich and the poor. Perhaps this gap is most visible in lifestyle differences. “As poverty has become more widespread, luxurious housing complexes thrive next to the shanty housing of the poor; fancy cars drive side by side with dilapidated busses down over-crowded streets and new supermarkets stock French cheeses while children search the garbage for leftover food” (Farg 20 - 26 January 2000: online).¹³ In addition to the

¹⁰ Fergany estimates these results in regard to the cut-off point, “five hundred Egyptian Pounds for a family of five per month, which is hardly excessive under present day cost of living in Egypt” (Fergany 1998).

¹¹ “The cost of food basket per household member was calculated for 1995/96 at LE 702 in urban areas and LE 512 in rural areas, (LE 594 at the national level). Two poverty lines were set at LE 814 (lower poverty line) and LE 1098 (upper poverty line) per household member per year” (Government of Egypt 1996: 25). According to this Report, “the lower poverty line was derived by adding the non-food expenditure spent by the individual whose total expenditure equals the food-based poverty line. The upper poverty line was estimated as total expenditure per household member whose food expenditure equals food poverty line...Individuals with Expenditure above LE 1098 are considered ‘non-poor.’ Individuals whose expenditure is less than LE 814 but above LE 594 are deemed to be ‘poor’ while the individuals whose expenditure is below LE 594 are deemed to be core poor or ‘ultra poor’” (Government of Egypt 1996: 25).

¹² Datt et al. (2001: 230-232) conclude in their study about poverty in Egypt that “about 15.7 million persons or about 26.5 percent of the population are deemed to be poor in Egypt in 1997. Of these, 5.1million are considered to be extreme poor.”

¹³ “Poor Cairenes cope with these economic realities either by stretching their resources to meet their needs or by cutting down on their consumption. Thus, breadwinners are forced to work longer hours, while other family members--primarily women and children--must also work. Some resort to selling their personal

growing poverty rate and the widening gap between the rich and the poor, privatization has led to layoffs. As a result, 15 to 20% of the labor force (2.8 million) has been unemployed – twice the level of the mid-1970s (Lofgren 1995: 410).¹⁴ Given that Egypt's primary sources of employment, the government and foreign work, have been heavily hit by recent political events and structural adjustment policies, it is highly unlikely that they will be able to offset Egypt's catastrophic unemployment problem.

It seems that there are no reliable statistics about the rate of unemployment in Egypt, although Kienle (1998:233) states that “total unemployment seems to have risen from 8.6 percent in 1990 to at least 11.3 percent in 1995. Among high school graduates, it rose in the same period from 24 to 35 percent; among university graduates from 16 to 21 percent.” In a recent conference organized by the Egyptian Centre for Economic Studies (ECES) on “Employment and Unemployment in Egypt,” Prime Minister Atef Ebeid, “puts the country's unemployment at 1.6 million, approximately eight per cent of Egypt's 19-million strong workforce. Hani Tawfik, chairman and chief executive officer of International Investors, estimated unemployment to be no less than 6 million – the

belongings for cash, begging and even prostitution. They further decrease their expenditures by sharing living spaces with relatives, purchasing low-quality food and secondhand clothes which they may share with others within the household, limiting health and education expenses, and reducing daily meals to two or one. These practices are as common now in Cairo as in New Delhi, Manila or Rio de Janeiro” (Bayat, Winter1997: Online).

¹⁴ Mohieldin and Nasr demonstrate that “from 1989/90 to 1992/93, there was a decline in the number of employees by approximately 29 thousand workers [out of 1.3 million public enterprise employees, according to the authors]. Although this decrease is not large, (2.17%), it causes alarm as regard to the future of employment in Egypt, given the continued increase of labor force by more than 2% per annum accompanied with a hesitant progress of the private sector and its low profile in generating employment, despite various incentives currently provided to this sector” (Mohieldin and Nasr 1996: 56).

number of individuals who applied for 170,000 government jobs that were offered last year” (Wahish 24 - 30 January 2002: online). However, Tawfik’s figure might be questionable, as it does not differentiate between those who are unemployed, those who are underemployed, and those who are merely seeking the security of a government job. Egypt’s unemployment problem is exacerbated by the fact that its labor force is growing much faster than its population. While the former rate is 2.6 percent, the latter is 2.2 percent. Moreover, according to a study by Samir Radwan, ILO senior employment advisor (Shahine 14 - 20 March 2002: online), Egypt’s economy, which is growing sluggishly, cannot absorb the new entrants into the labor market. This problem becomes particularly pressing when one considers that these new entrants numbered over a half million in 2001.

Women’s presence in the workforce seems to have been especially affected. According to the 1999 *Human Development Report*, women constituted 15 percent of the labor force. This represents a significant drop from the statistics that the Central Authority for Mobilization and Statistics (CAPMAS) compiled in 1996. At that time, CAPMAS determined that women comprised 22 percent of the labor force from 1984 to 1994. Moreover, they discovered that women were the group most heavily hit by the 1988-1995 unemployment boom. In fact, women were four times more likely to lose their jobs during this period (Farag 11 - 17 May 2000: online).

Education and Health Trends

Since implementation of the IMF-mandated cuts in health and education, the poor have lost significant hidden government subsidies. Egypt's previous government subsidies for public education and health services effectively raised the real income of the poor (El-Laithy 1997: 160). Thus, one major impact of structural adjustment policies has been an effective reduction in the real living wages of the poor.

The main trend of the Egyptian government since the mid-1980s has been to move from offering free health and education services to the entire population to charging for these necessities. Even the World Bank has become alarmed at the underfunding of the healthcare system. In 1997:

Only 3.8 percent of GDP is spent on the health sector in Egypt, relative to 5.3 percent spent by comparable countries. With per capita health care spending in 1997 of \$48 in Egypt, versus \$115 for other lower-middle income economies, additional resources devoted to the formal health sector could potentially narrow the gap in health indicators. (World Bank 2001: 68)

The cuts in health subsidies have led directly to a deterioration in the level of health services, mainly affecting those who cannot afford the prices of the new and expensive private sector. Farag demonstrates that:

The Ministry of Health has reported that the provision of beds within hospitals per 1,000 citizens declined from 14.4 in 1979 to 11.64 in 1995. Anemia is widespread among the poor. Respiratory diseases such as pneumonia and bronchitis have emerged as major causes of death while chronic infections and parasitic diseases such as bilharzia are widespread among the poorest members of the population. Cholera, hepatitis and tetanus are all on the increase. (Farag 20 - 26 January 2000: online)

In addition, “the number of persons per bed-in hospitals and other health units provided by the government ... has increased to reach 843.91 persons per bed in 1991/92, compared to 795.37 in 1985/86” (El-Laithy 1997: 158). The main reason for this deterioration is the downsizing in state health service expenditures since 1991, the beginning of the application of structural adjustment policies. The government’s decision to abdicate its role as primary health care provider has made it possible for the private sector to achieve dominance in this sector. It has done so by establishing numerous private hospitals. Unfortunately, only members of Egypt’s upper classes can afford the high prices of these private health services.

The groups most deeply affected by this trend are children, women, the elderly, the severely impoverished and rural residents. As the Ministry of Health’s Medicare expenditures in relation to the state budget and the Gross Domestic Product (GDP) have shrunk, these sectors have become severely endangered. As the World Bank states, “6 percent of all children under the age of 5 years die; 25 percent of children under the age of 5 years old are physically stunted due to poor nutrition; and about 12 percent of children under 5 years are malnourished” (The World Bank 2001: 65). Two comparable demographic and health surveys in the 1990s help contextualize this trend. In 1992, a full quarter of Egyptian children were estimated to be stunted. Four years later, the proportion of stunted children rose to 30%. Thus, Egypt’s structural adjustment policies are not merely causing immediate economic crises, but are actually producing a long-term health crisis; it may take generations for Egypt to recover from this latter disaster.

Similarly, Clark notes that government spending on welfare programs:

As a percentage of GDP has also dropped from 5.3 percent in 1980-85 to 4.9 percent in 1989-94. For example, the number of new social units – government extension services that provide guidance in birth control, literacy programs, vocational training, cultural awareness, child welfare, and cooperative purchasing programs for raw materials and tools – built between 1988/89 and 1992/93 declined by 33.3 percent. This lack of social units particularly affects Egypt's rural areas. (Clark 2000: 162)

Fergany (January 1998: online) asks a vital question. He wonders if the ravages of Egypt's structural adjustment policies will render Egypt incapable of competing in the global economy. This question becomes particularly difficult when one considers how brutally structural adjustment, through its destruction of the health care system, has physically and intellectually decimated Egypt's populace. The deterioration of Egypt's health care system will clearly weaken its ability to compete in the international market; moreover, one can only imagine how the absence of a modern education system will handicap it in the years to come. As Vigilante (as quoted in Shahine, 2 - 8 May 2002) notes that Egypt's educational system, far from preparing its citizens to compete in a technology-driven age, cannot even provide its citizens with basic literacy. This abysmal school program effectively guarantees that Egypt will be serve more advanced societies in the years to come.

Health services are not the only welfare programs that were decimated during the 1990s; Egypt cut public education expenditures from 5.7% of the GNP in 1980 to 4.8% in 1997 (World Bank 2001: 284). As Farag (20 - 26 January 2000: online) demonstrates:

Expenditure on education as a proportion of total public expenditure declined from 15.3 per cent in 1966-67 to 10 per cent in 1994-96. There has also been an introduction of moderate fees in schools and free universities, ranging between LE20 to LE40 per year, i.e. five per cent of the basic annual salary of a low grade government employee. The deteriorating situation has been compounded by an increase in class sizes and by the now ubiquitous offering of private lessons to pupils in public schools.

Schools were crowded and teachers underpaid, so parents sought private lessons for their children in what became a parallel educational system (The Economist October 25, 1997). The development of this private school system served to accelerate the decline of public education, leading to reduced teacher salaries, over-enrollment, and a consequent fragmenting of the school day into separate shifts. Thus, public school children can expect packed classes, underpaid teachers, and a shorter school day. Because poorer students cannot afford private lessons, they are the group most severely affected by this trend (El-Laithy (1997: 162).

Like the private health-care system, the parallel private school system has become the dominant educational force for the majority of the middle class, which often cannot afford the cost of these new private schools. Furthermore, private lessons have become very common for both public and private school students. This has led to the emergence of new interest groups that support private education and push for the elimination of the public-education system. Concerned with the potential loss of educated workers, industry leaders have pushed the state to completely eliminate its public school system, reduce access to public universities, and augment Egypt's technical education programs.

They have even volunteered to help fund a private higher-education system (Kandil 1994: 266).

Again, the areas that have been most severely affected by the cuts in public education expenditures are in Upper Egypt. In general, rural areas have higher illiteracy rates than urban areas. El-Laithy illustrates that “in rural areas, [the illiteracy rate] is about 1.75 times the rate in urban areas. Regional illiteracy and enrollment rates’ disparities show strong correlation between poverty incidence and low level of education developments in the disadvantaged areas. High percentages of children from poor communities have no access to school or leave school very early. As a result, the correlation coefficient between poverty ... and [the] illiteracy rate is .62 in urban areas and .76 in rural ones” (El-Laithy 1997: 160). Moreover, with the increasing trend toward educational privatization, there is no solution in sight for this problem.