

Integrating Egypt Geographically

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Shifting focus of analysis from place to people

- How can policies help **people improve their well-being** regardless of where they choose to live?
- How can policies help **to improve connectivity**
 - between **rural and urban**
 - between economically **lagging and leading areas**
 - across borders

Geographic transformation in development

- *Higher Densities*

- No country has grown to high income without urbanizing, but rapid urbanization manifested in slums remains a challenge.

- *Shorter Distances*

- People moving closer to economic density or lowering transport costs

- *Fewer Divisions*

- Thinning borders and advantage of scale and trade specialization

Egypt's policy concerns at each geographic scale

- ***Local: Concentration of people in cities will outstrip concentration of economic mass***
 - 70% of people living in unplanned settlements in Greater Cairo and Alexandria
- ***National: Spatial disparities in living standards will widen as economic mass concentrates in leading governorates***
 - 64% of poor in remote and lagging areas of Upper Egypt
 - 53% in rural Upper Egypt
- ***International: Poor trapped in isolated countries that are not developing***
 - Problem of thick borders in MENA and also neighboring AFR

WDR 2009 Messages

- ***Growth will be unbalanced***
 - Trying to spread out **economic production** amounts to fighting the forces of economic growth
- ***Development can still be inclusive***
 - Persistent spatial disparities in **basic living standards** are neither desirable nor inevitable
- ***How to get both unbalanced growth and inclusive development?***
 - ***Economic integration***

Reshaping the policy debate in Egypt

Common institutions and connective infrastructure are the most potent instruments for economic integration

Complexity of challenge	Place type—local (L), national (N), and international (I) geographic scales	Policy priorities for economic integration		
		Institutions Spatially blind	Infrastructure Spatially connective	Interventions Spatially targeted
One-dimensional problem	L. Areas of incipient urbanization N. Nations with sparse lagging areas I. Regions close to world markets	●		
Two-dimensional challenge	L. Areas of intermediate urbanization N. Nations with dense lagging areas I. Regions distant from world markets	●	●	
Three-dimensional predicament	L. Areas of advanced urbanization that have within-city divisions N. Nations with dense lagging areas and domestic divisions I. Regions distant from markets with small economies	●	●	●



Policies in the last decades



Proceed with caution, informal settlements in Cairo

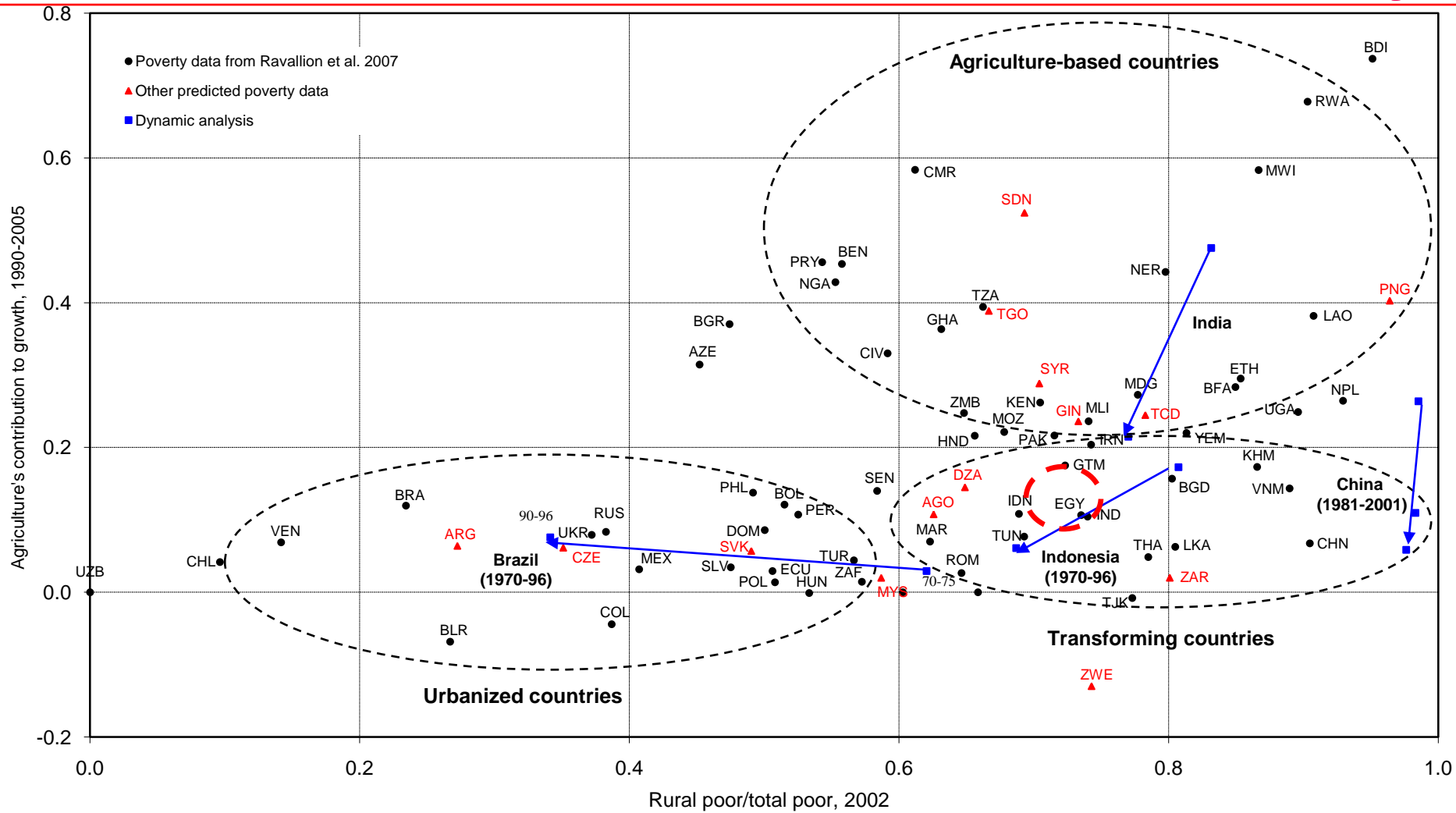


Go full speed ahead

POLICIES FOR INTEGRATING EGYPTIANS TO PROSPERITY

APPLICATION OF WDR TO EGYPT

Is Egypt really a transforming agriculture economy?



Source: World Development Report 2008

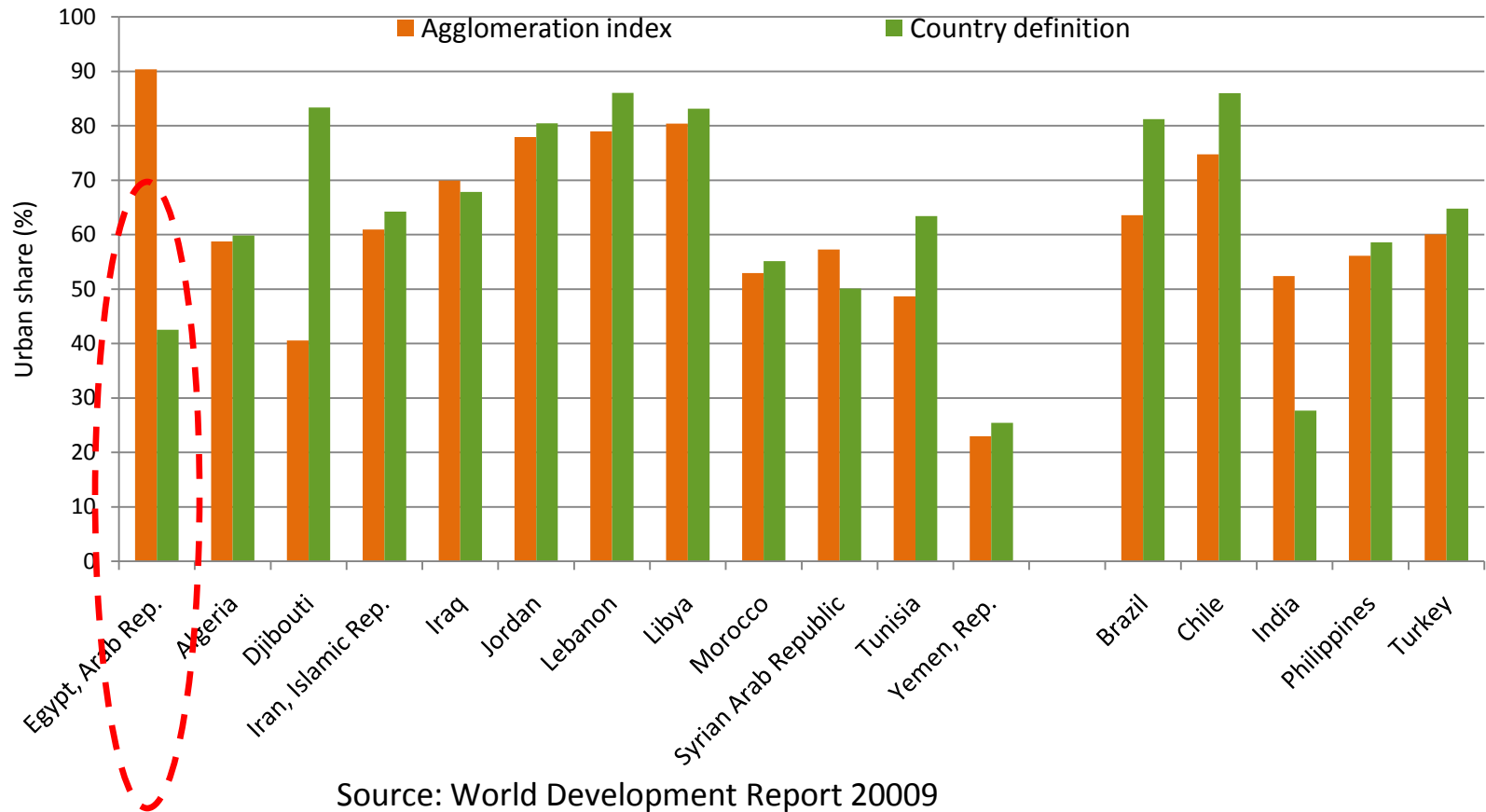
Rural-urban definition

- Cross-country comparisons are problematic
 - Country definition varies significantly across countries and not internationally comparable
- Egypt's rural and urban definition has not changed in the last 40 years
- Why?
 - Implications for service delivery
 - Political representation

WDR 2009 Agglomeration Index

- Methodology developed allow for cross-country comparisons, similar to a dollar –a-day for poverty
- Incorporates density and distance into formula
- Defined as population density (150 person per sq km) and access to a sizable market (100,000 people) within a reasonable travel time (60 mins by road).

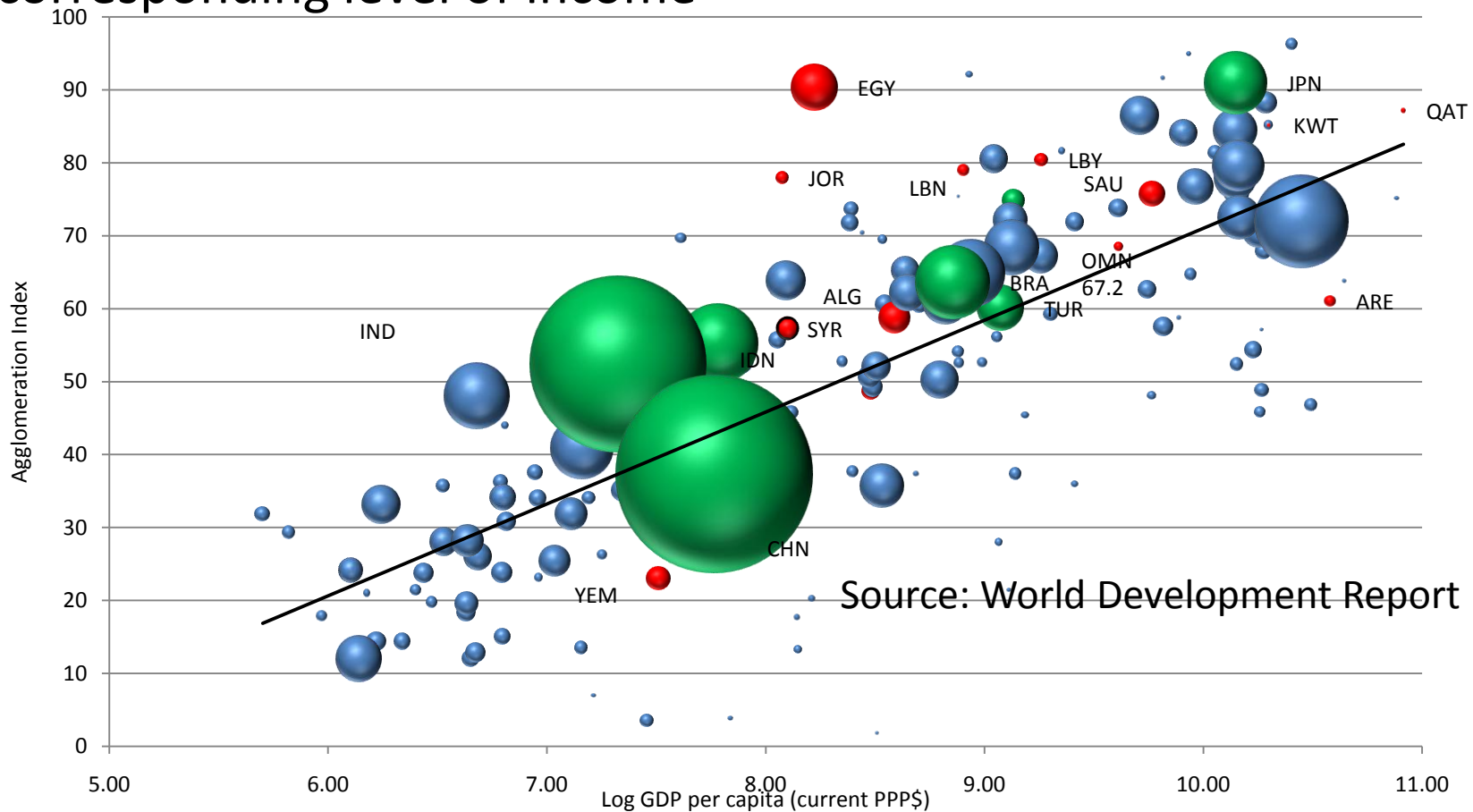
How urban is Egypt?



Implications: Is urban poverty underestimated and rural poverty overestimated?

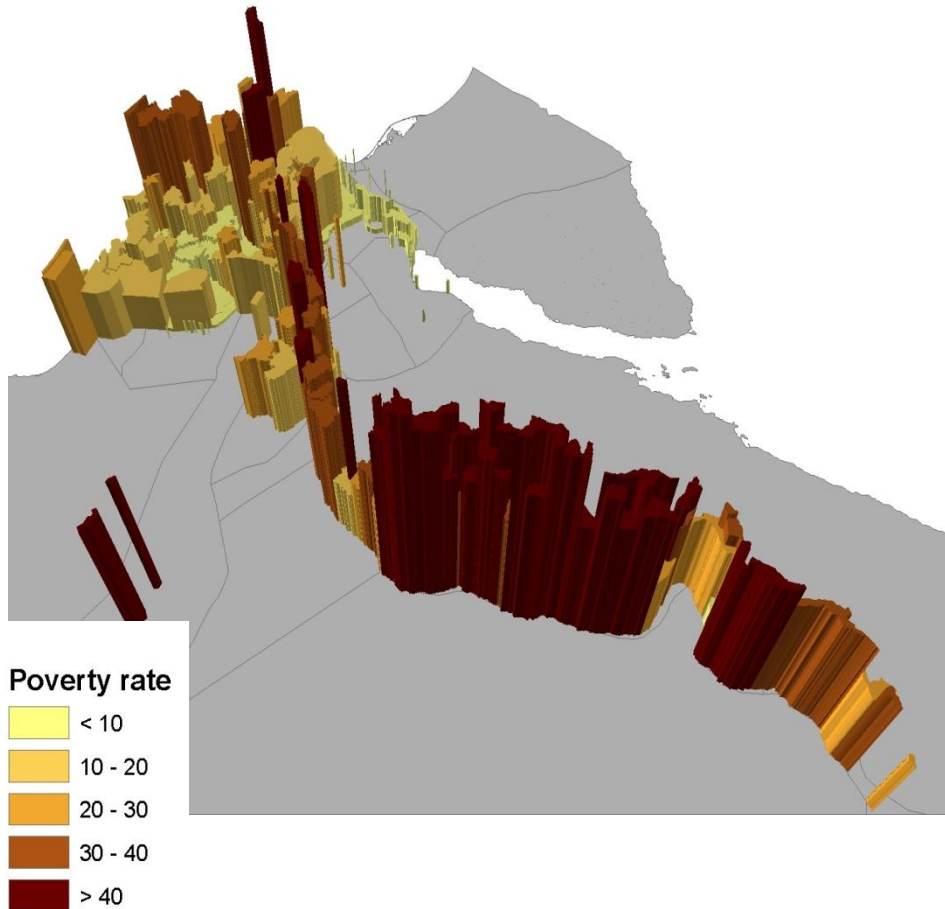
EGY is highly agglomerated, even compared to other MENA countries

The Worst of Both Worlds? High congestion costs without the corresponding level of Income

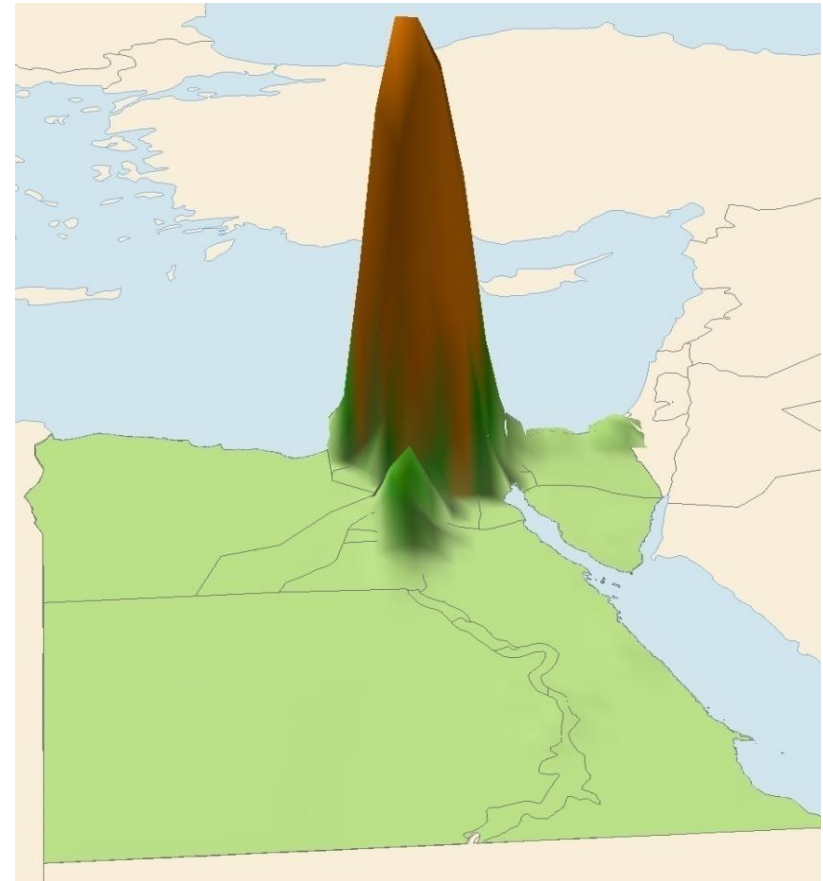


Source: World Development Report 2009

Economic density do not overlap with poverty density



Poverty mass (poor per sq km)

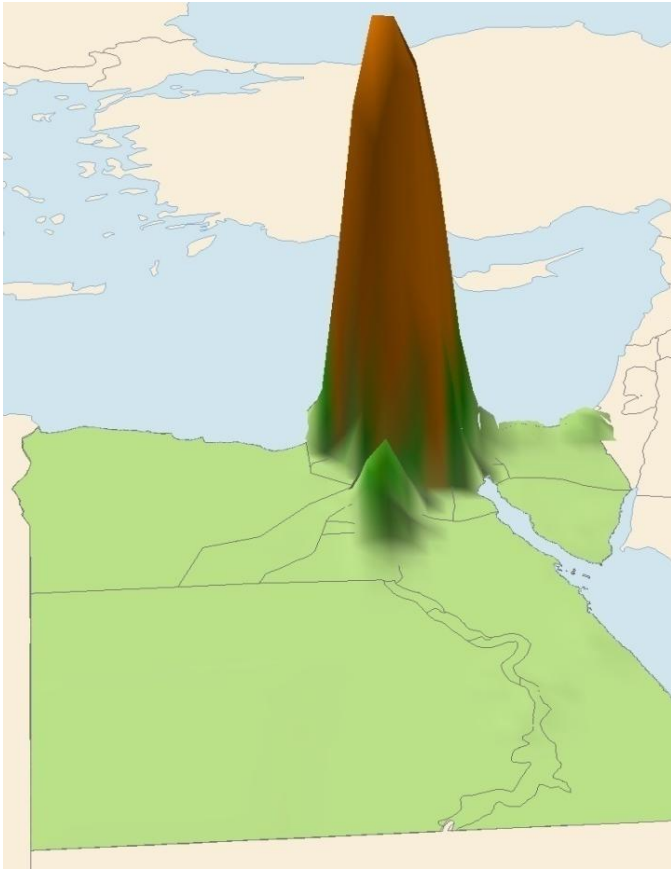


Economic mass (GDP per square km)

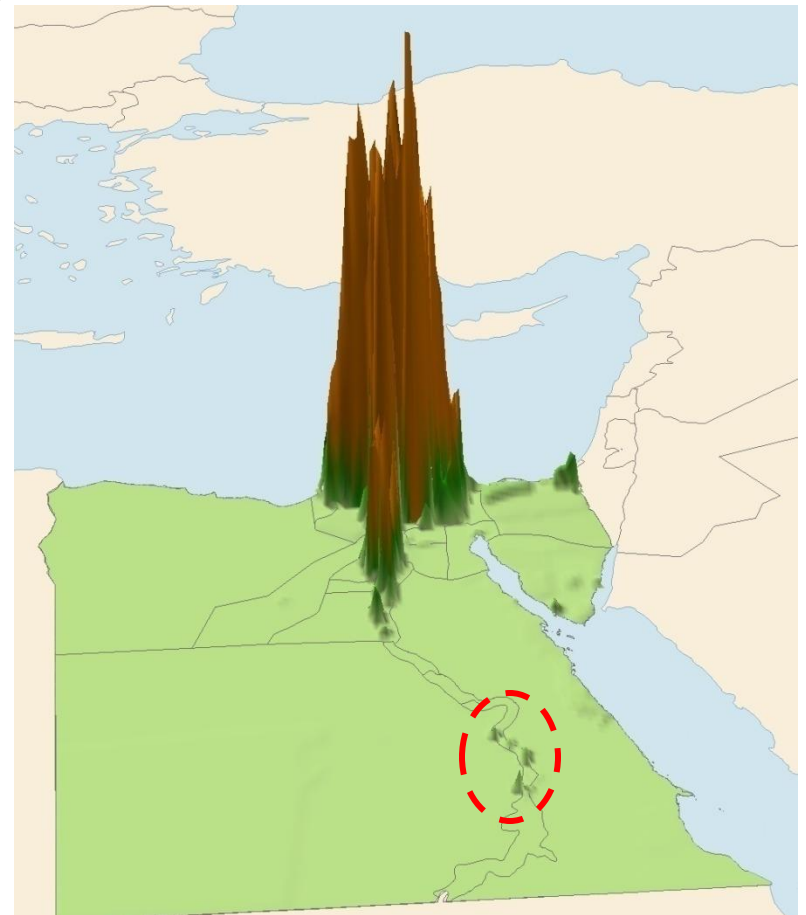
Source: Poverty data from World Bank (forthcoming), Poverty Assessment and GDP data in World Bank (2009) Upper Egypt: Pathways to Shared Growth

Egypt like elsewhere is not flat

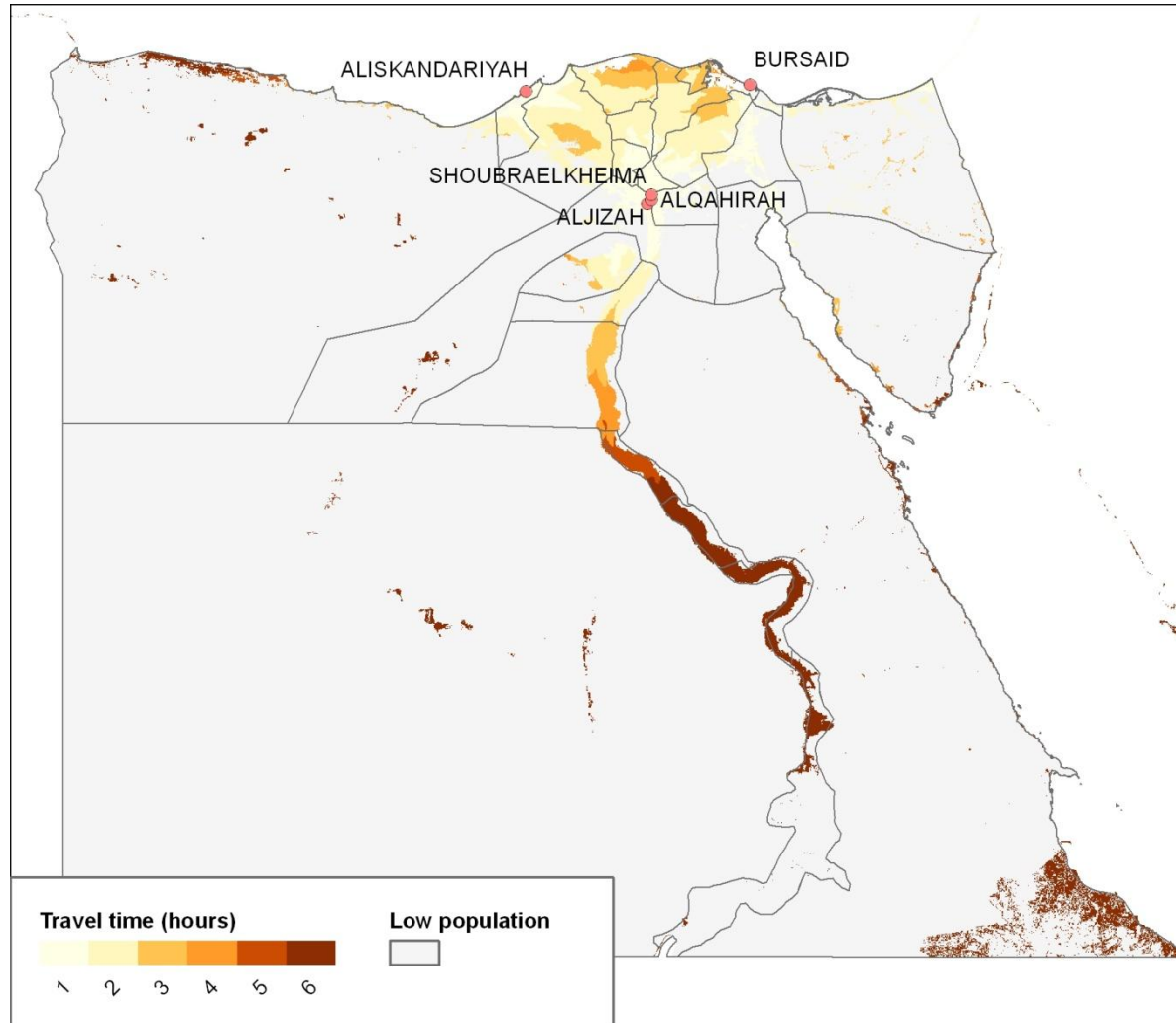
Excluding Cairo, continuum of secondary cities, small urban centers, and small towns emerge



Primacy of Cairo overwhelms everything. Cairo is not unique. Examples elsewhere: Mexico City, Mumbai, Phnom Penh, Colombo

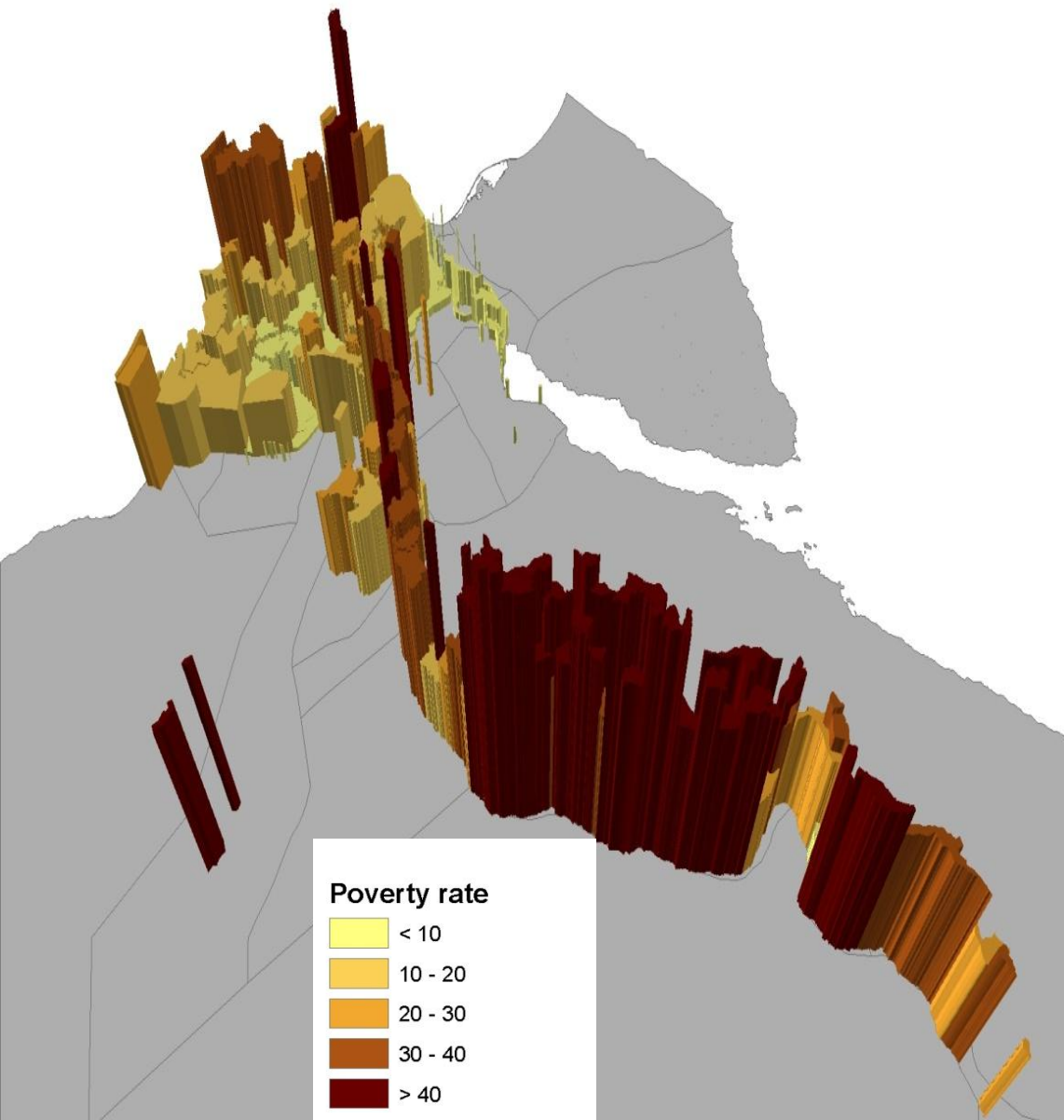


Upper Egypt is distant from economic density



Source: Kremer et al. (forthcoming) Nelson et al using roads data from Euro-Med database

*Upper Egypt,
particularly rural is
distant and high
poverty density*

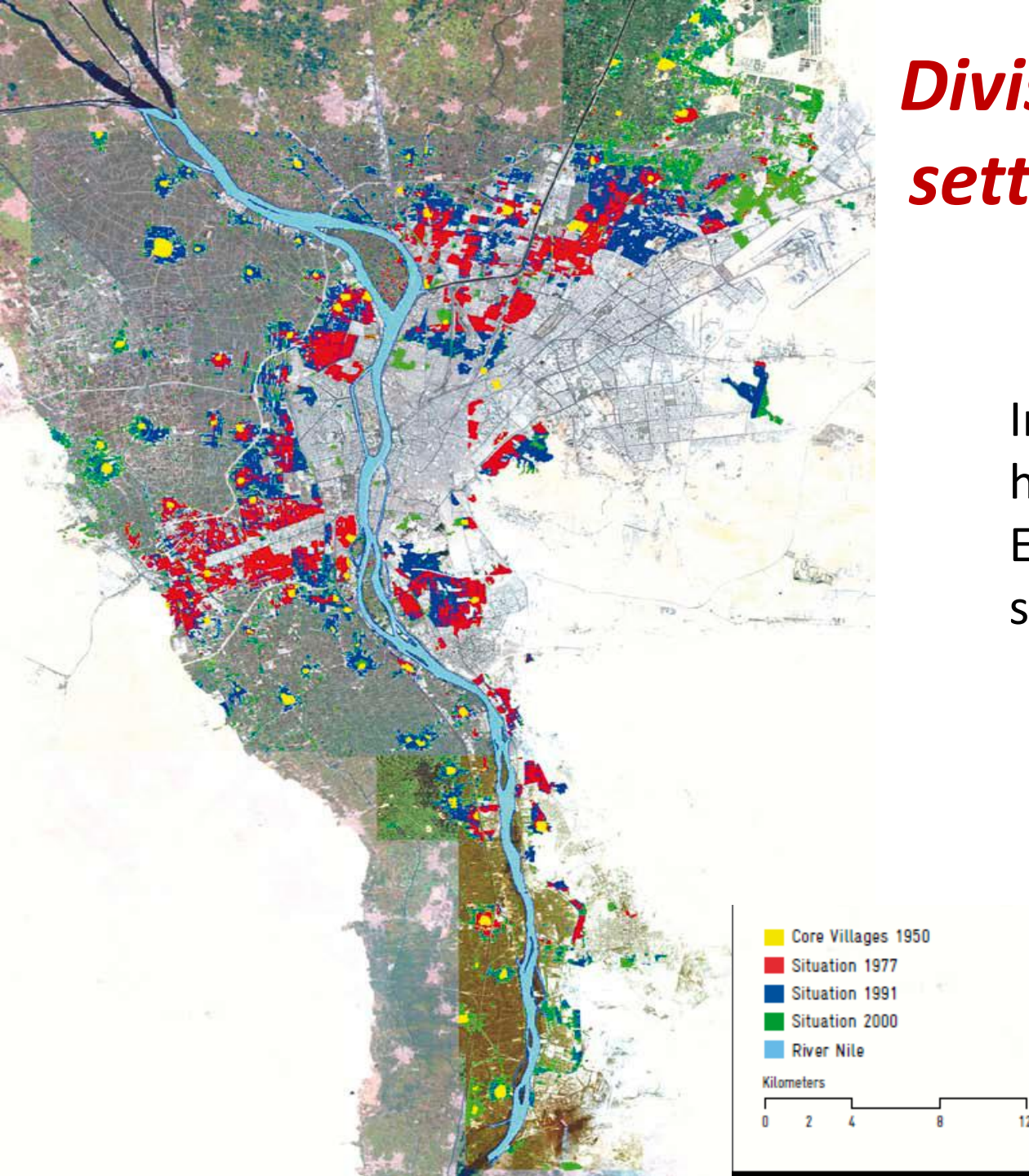


Height represents
poor people per
square km

Source: based on data from World Bank (forthcoming), Poverty Assessment

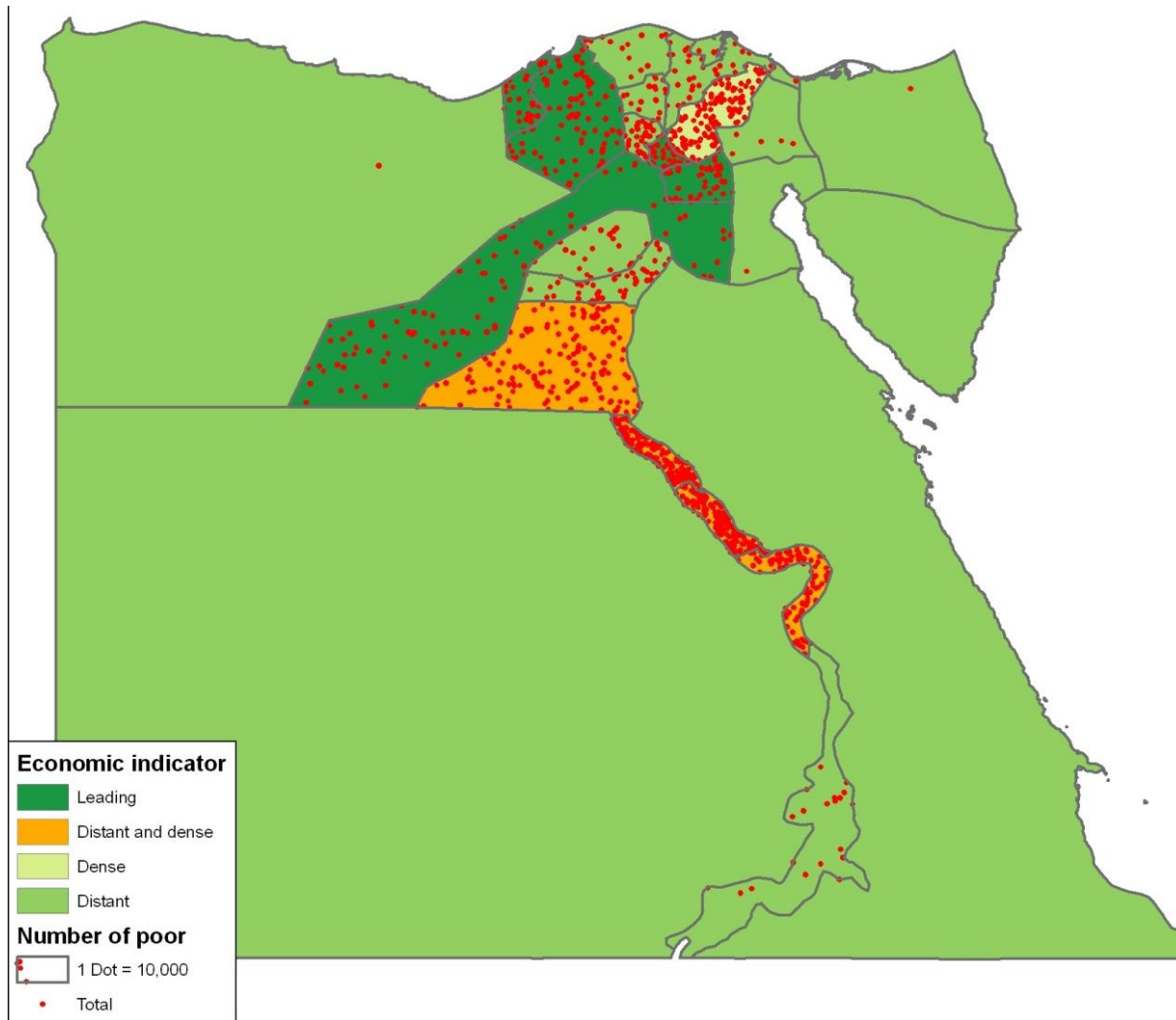
Division: Unplanned settlements in cities

Informal settlements have grown over time. Estimates vary by sources



Source: Kipper and Fischer (2009). *Cairo Informal Areas: Between Urban Challenges and Hidden Potentials*. GTZ

A proposed taxonomy of lagging areas



Leading and divided –
Greater Cairo and
Alexandria

Leading - Sharkia

Distant and high share
of poor. Minya, Sohag,
Assiut and Qena.

All else are distant and
poverty small and
dispersed.

Source: Poverty data from World Bank (forthcoming) Poverty Assessment

Policy Recommendation

First best policies, for all cases

**Spatially blind
“institutions”**

Portable assets

Labor mobility

Distant and misplaced density

**Spatially connective
“Infrastructure”**

Market access

Product mobility

Distant, misplaced densities and divided

**Spatially targeted
“Incentives”**

**Reduce startup and
operating costs**

Changing land use

***POLICIES FOR CONNECTING PEOPLE
TO PROSPERITY***

BASIC SERVICES EVERYWHERE

MDGs: pockets of unmet needs

Indicator	1990	Latest	2015 target	National status	Governorates that are not on track
Goal 1: Eradicate Extreme Poverty and Hunger					
Underweight children under 5 years of age (%)	10.4	6	5	On track	Aswan, Behera, Cairo, Fayoum, Giza, Kafr el Sheikh, New Valley, Qaloubiya, Sohag, Suez
Goal 2: Achieve Universal Primary Education					
Net enrollment in primary education 15-24 year olds	86	94	100	On track	Assiut, Fayoum, Gharbia, Kafr el-Sheikh, New Valley, Qena, Sohag
Goal 3: Promote Gender Equality and Empower Women					
<i>Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and in all levels no later than 2015</i>					
Girls to boys in primary education (%)	77	108	100	Exceeded	Aswan, Beni Suef, Matruh, Minya, New Valley, North Sinai, Qena, Sohag
Goal 4: Reduce child Mortality					
Under-five mortality rate per 1000 live births	61.5	27.9	20.5	On track	Assiut, Aswan, Beni Suef, Cairo**, Luxor, New Valley, North Sinai, Minya, Qena, Sohag
Goal 5: Improve Maternal Health					
Births attended by skilled health personnel (%)	40.7	64.6	80	On track	Assiut, Beni Suef, Fayoum, Minya, North Sinai, Sohag

Source: UNDP, MDG reports and DHS

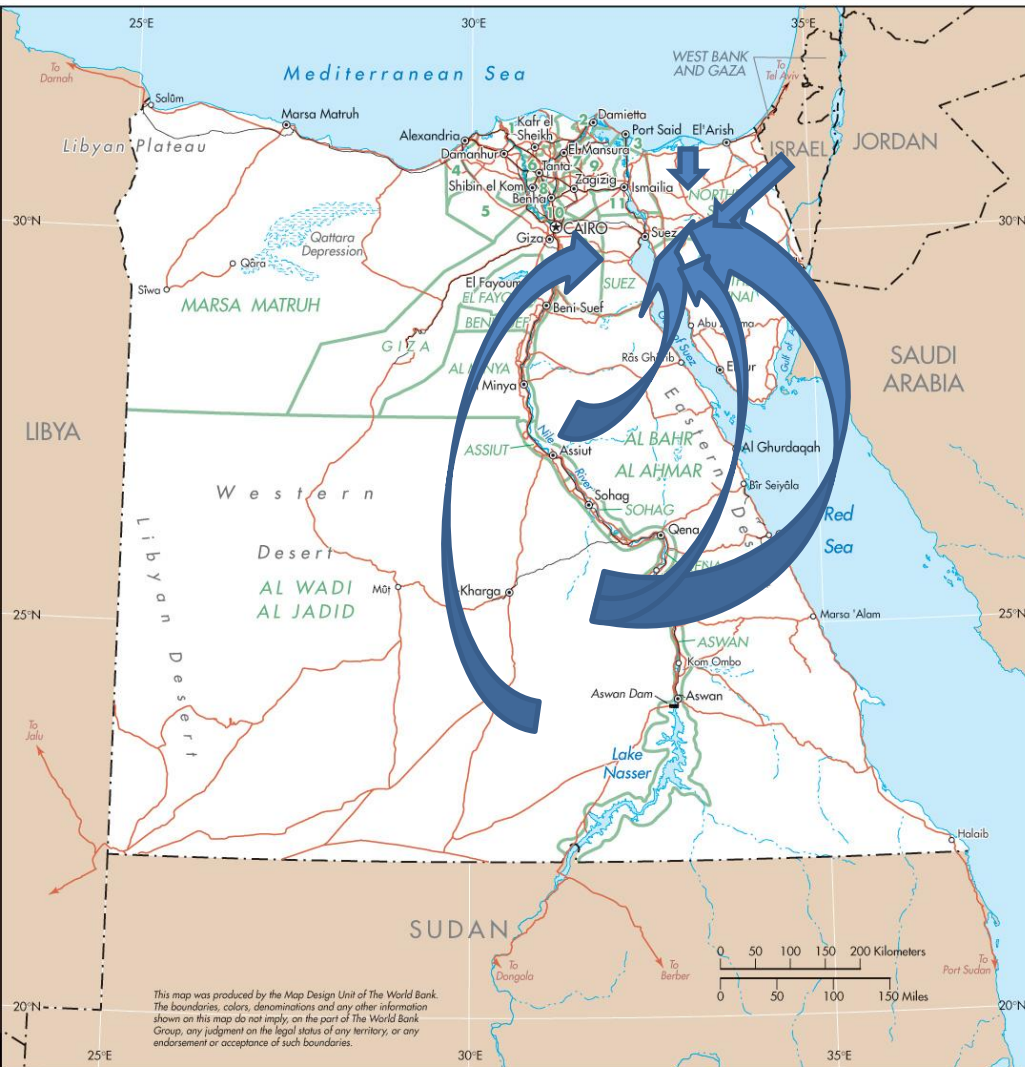


ARAB REPUBLIC OF EGYPT

- SELECTED CITIES AND TOWNS
- ⊙ GOVERNORATE CAPITALS
- ⊕ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- GOVERNORATE BOUNDARIES
- - - INTERNATIONAL BOUNDARIES

GOVERNORATES IN NILE DELTA:

- | | |
|------------------|-------------|
| 1 KAFR EL SHEIKH | 7 DAGAHLIYA |
| 2 DAMIETTA | 8 MENOUFIYA |
| 3 PORT SAID | 9 SHARGIYAH |
| 4 ALEXANDRIA | 10 QALILIYA |
| 5 BEHEIRA | 11 ISMAILIA |
| 6 GHARBIYA | 12 CAIRO |



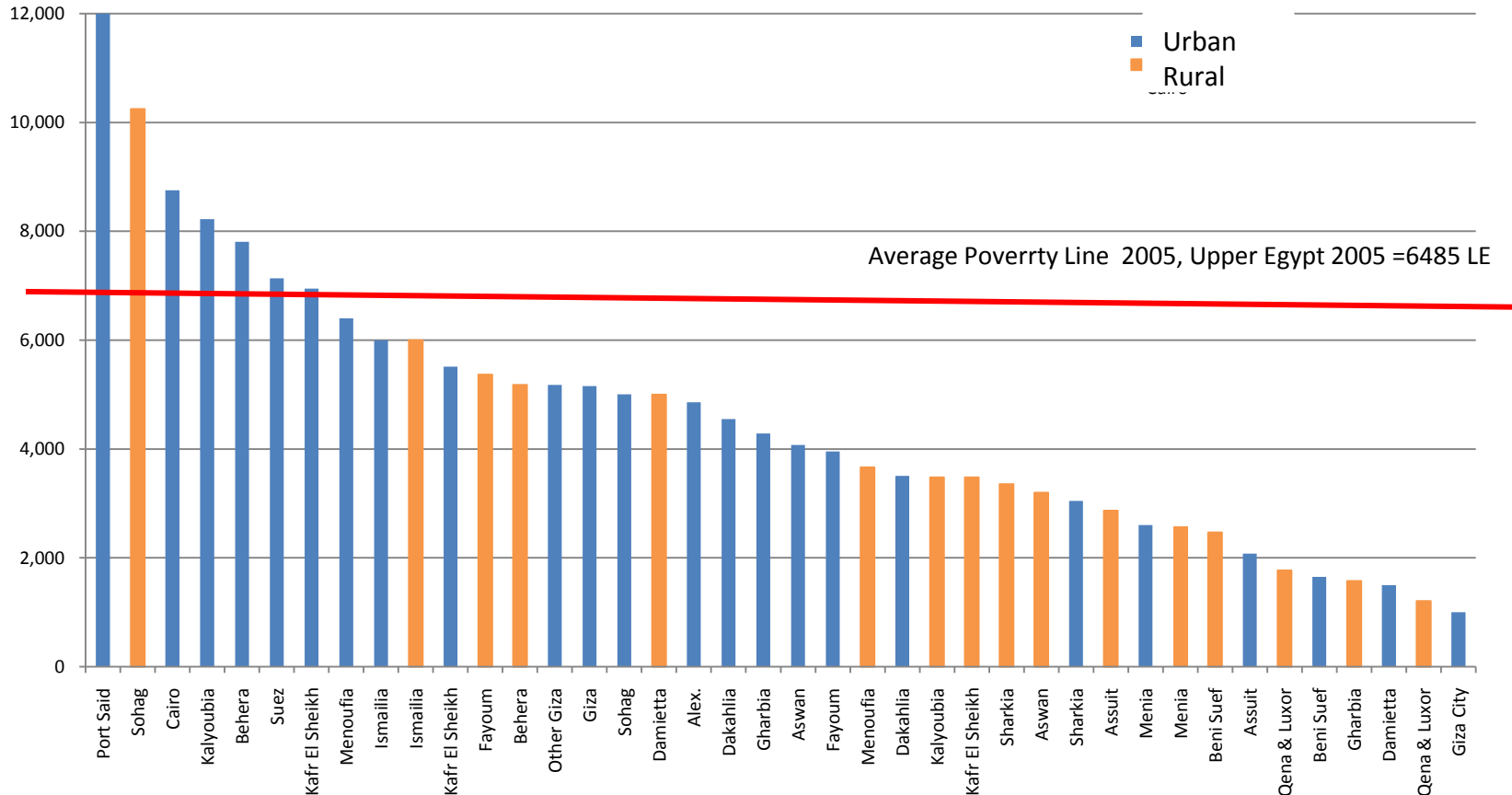
Improving fluidity of labor

- Net migration to Greater Cairo from both far and near.
- 40 million moved at least once in their lifetime.

Source: Labor Market Panel Survey 2006.

Remittances from abroad contribute to poverty reduction

Remittances per average household per year (LE)

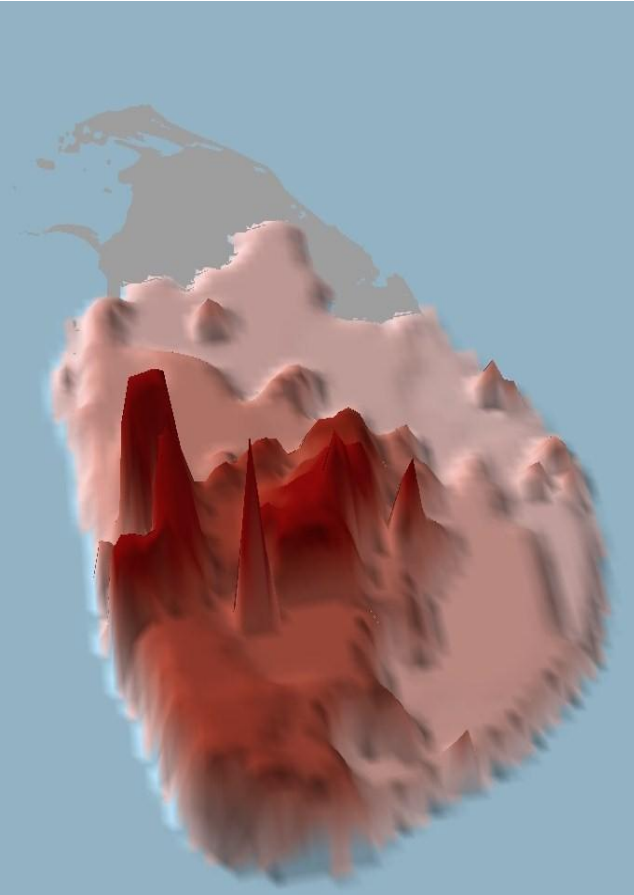


Source: Staff estimates based on Labor Market Panel Survey 2006, and World Bank Poverty Assessment 2007

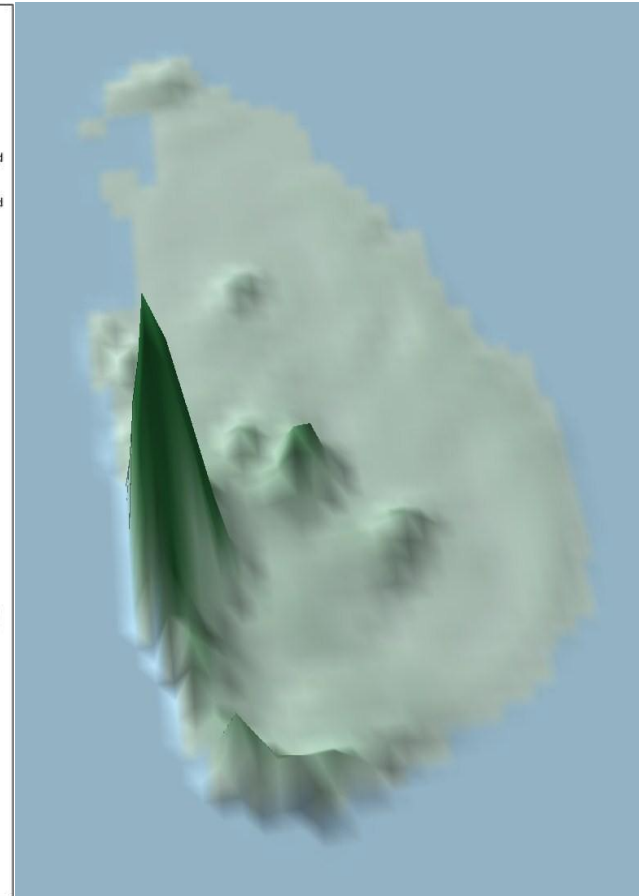
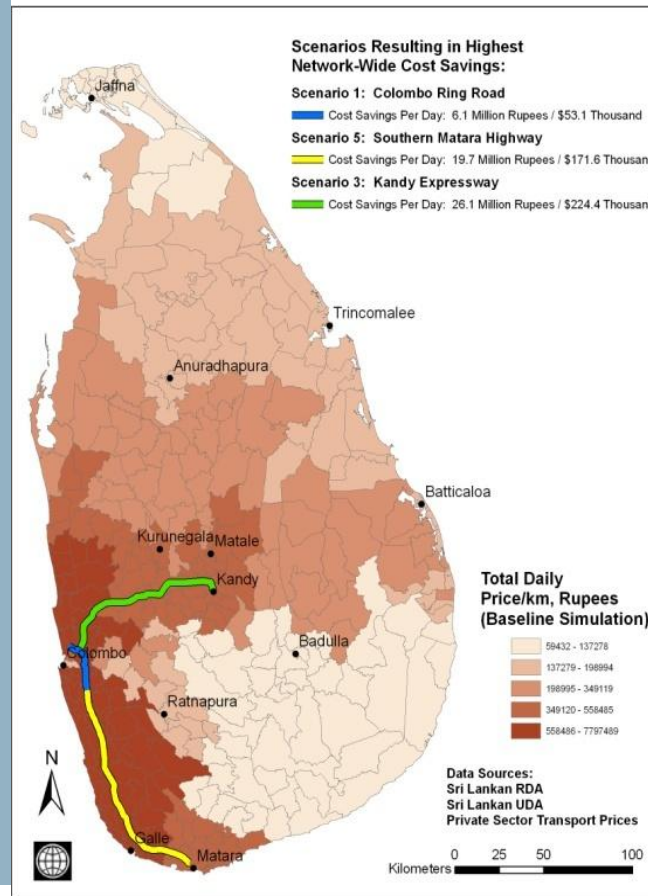
INFRASTRUCTURE TO CONNECT LAGGING AND LEADING AREAS

LOWERING TRANSPORT COSTS TO FACILITATE
INTER-REGIONAL TRADE

Strategic transport improvements that connect “mountains of poor people” to “mountains of prosperity” generate highest returns



Poverty mass



Economic mass

World Bank (forthcoming). *Connecting Sri Lankans to Prosperity*.

Transport costs: Lessons from international experience

- Transport costs depend on infrastructure access and quality, but also on
 - Size of transport market and competition among transport providers
 - Congestion costs

***TARGETED INCENTIVES:
DIVISIONS IN UNPLANNED SETTLEMENTS***

LET MARKETS PICK THE PLACE, POLICIES SET THE PACE

Economic zones in Egypt

Proliferation of decrees , zones and incentives, and lack of coordination and assessment of what worked and what hasn't

Source: FIAS *Prefeasibility Study for the Establishment of a Model Industrial Estates Program in Alexandria*



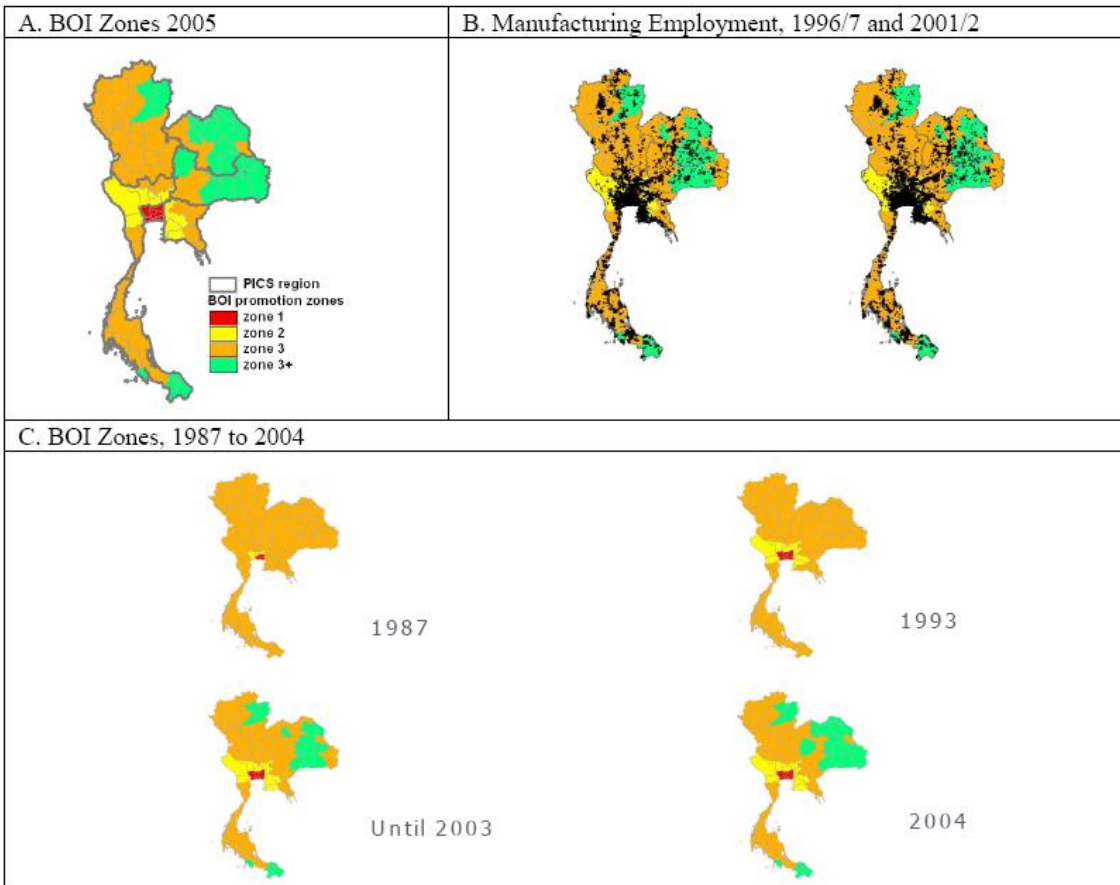
Description of zones

	Inland Industrial Zones	New City Industrial Zones	Free Zones	SEZs
Purpose	Urban zoning to reduce congestion	Integrated into new cities to decentralize development	Trade and export development	Larger-scale, integrated development
Administrative Authority	Governorates	NUCA	GAFI	SEZ Authority
Date Initiated	1982	1970s	1970s	2002
Number of Zones	41	15	10	1
Total Land Designated (ha)	10,381	16,666	N/A	9,000
Total Land Allocated (ha)	3,133	11,806	N/A	N/A

Source: FIAS *Prefeasibility Study for the Establishment of a Model Industrial Estates Program in Alexandria*

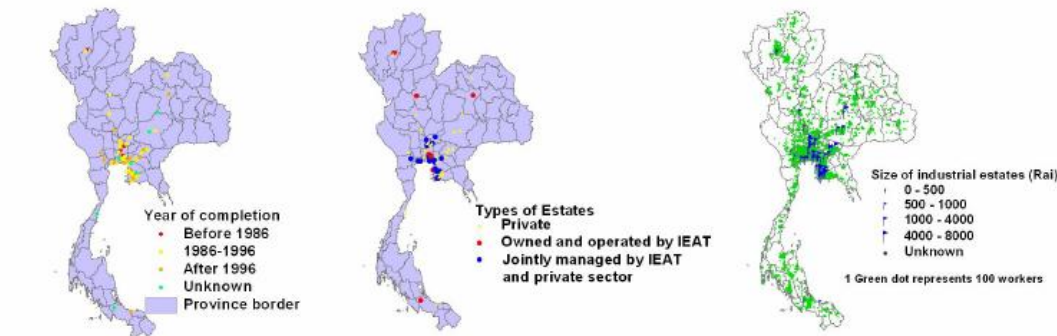
Lessons from international experience

- May have led to large fiscal costs, without much generation of jobs or growth.
- Efforts to spread growth using targeted incentives have had limited success.



Thailand: Effects of zoning policy and industrial estates

Failed to induce widespread industrialization beyond Bangkok and the Center.



Source: World Bank. *Thailand Northeast Economic Development Report*

An instrument per dimension

Economic distance

- Institutions
 - Fluid labor markets
 - (Labor Mobility)

Economic distance and misplaced population densities

- Institutions
- Infrastructure
 - Fluid product markets
 - (Trading goods)

Economic distance and internal divisions

- Institutions
- Incentives
 - Fluid land markets
 - (Changing land use)