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Social Protection in Egypt: An Overview

**Sarah Mansour
Cairo University**

**Mazen Hassan
Cairo University**

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Sarah Mansour
Cairo University

Mazen Hassan
Cairo University

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Three Aims of the chapter



1. Introduce dilemmas, typically faced by low and low-middle income countries, with regard to social protection and indicate how Egypt has tackled these dilemmas in its recent history
2. Give a historical and analytical overview of social protection programmes in Egypt (1952 - today).
3. Conduct a simple test of the “effective targeting” assumption:
 - a) Takaful and Karama Programme (HIECS, 2017).
 - b) Urgent response programmes exclusively addressing informal workers (Original survey and focus group data).

I- Why care about social protection?

A political economy perspective



- Firstly, fighting poverty – relative or absolute – has consistently been looked at as one crucial measure – and even criterion – of progress, modernisation and economic success.
 - Globally, world agreed to put poverty alleviation as one of its famously known SDGs.
 - The poverty reduction pillar of social protection therefore is a central lens by which economies are assessed.
- Secondly, the second pillar of social protection, disparity reduction, speaks – at least theoretically – to the basic notions of justice and equality of opportunity.
 - Whereas economies are judged (at least partly) by their ability to continuously reduce absolute and relative poverty, societies are usually looked at from the perspective of how far they are just.

I- Why care about social protection?

A political economy perspective



- Thirdly, the four functions of social protection; preventive, protective, promotive and transformative (Loewe & Schüring 2021) help promote economic development and pro-poor economic growth.
 - By enabling low-income households to manage risks and shocks, the burden on the government is reduced which frees up resources for more productive purposes.

I- Why care about social protection?

A political economy perspective



- Fourthly – and perhaps the most important from a political economy perspective – social protection should also be looked at, from the perspective of regimes, as utility-maximizing – central to regime legitimacy and survival.
- Abundant evidence shows how relative socio-economic deprivation, the rolling back of safety nets, and rising poverty or inequality could fuel instability, trigger uprisings.
- Egypt did experience such episodes in its recent history.
 - Nasser's popularity and the legitimacy of the 1952 Free Officers' Movement was built upon massive land reform laws, free high school and university education, a massive social protection package.
 - The January 1977 protests – 'bread uprising' or intifadet al khobz – were a spontaneous popular response to President Sadat's decision to lift food and fuel subsidies.
 - The January 2011 uprising, the protestors themselves chose 'bread' and social justice to be two of their three-word chanted slogan (bread, freedom and social justice).

II- Three Dilemmas of Social Assistance Programmes



- The first dilemma is usually deciding on who needs such assistance - who are the poor?
 - The dilemma is that they are more than the capacity of the government's fiscal firepower.
 - Measuring poverty – effectively and objectively – has not been an easy task in Egypt.
 - An official political government admission that poor people do exist has taken some time to materialize (it was perhaps only in 2004/5 that the government published an explicit poverty alleviation policy).
 - The Egyptian government discourse has usually labelled them as 'people on limited income'.
 - Reasons:
 - Admission that poor people exist usually is an admission of policy failure.
 - Opens the controversial question of how many they are...any government would want such a percentage to be quite low and more importantly not rising during the lifetime of the incumbent government.

II- Three Dilemmas of Social Assistance Programmes



- The second dilemma is how to assist them? Policy design and implementation?
 - Difficult decisions need to be made on trade-offs like cash versus in-kind subsidies, conditional versus unconditional cash transfers, and what actually to subsidize – in addition to implementation difficulties of how to effectively target the poor.
 - After almost four decades of debating the issue, the subsidies system is still mainly commodity-based, albeit with a points-based system that gives beneficiaries some choice of which commodity to spend their 'points' on.
 - On non-conditional versus conditional, although one conditional-cash-transfer has been introduced in 2015 (Takaful programme), the largest share of the subsidies bill has remained non-conditional.

Three Dilemmas of Social Assistance Programmes

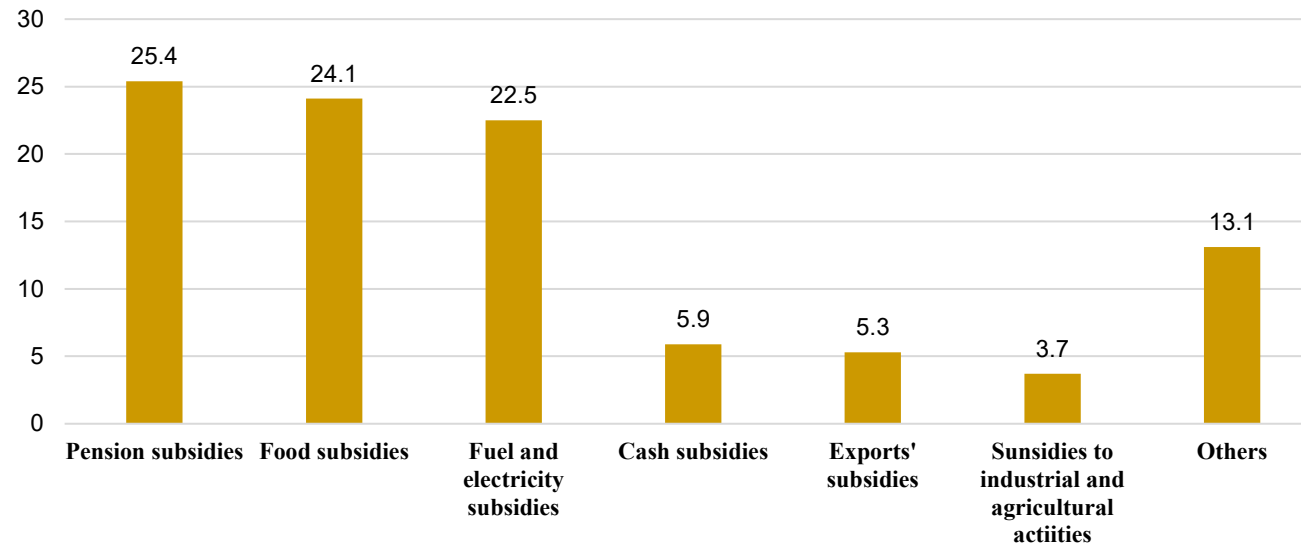


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- ❑ On what to subsidize and how much...Egypt has a long list, despite being trimmed against the backdrop of the 2016 IMF programme.
- ❑ As per the 2023/24 budget plan, 18% of public spending is directed to subsidies

Figure 1 - Breakdown of total spending on subsidies in the 2023/24 Egyptian Budget (%)

Source: Budget Statement, Ministry of Finance, 2023



Three Dilemmas of Social Assistance Programmes



- The third dilemma is one of Impact Evaluation ...asking whether the policies have been effective.
 - Consecutive Egyptian governments have hardly been effectively engaged with such an exercise.
 - Parliaments have been traditionally weak accountability tools and almost always lacking the needed data to evaluate individual government policies.
 - A similar story could also be said about media, civil society institutions and certainly also other regulatory government bodies themselves.
 - The main governmental auditing agency – the Central Auditing Authority – has usually been more pre-occupied with financial auditing, rather than policy assessment that measures social impact.

III- The Evolution of Social Protection in Egypt



- The Royal era: From independence till 1952.
 - First large scale policy: introduction of social insurance cards after World War II in 1945.
 - Scope and Official objective: all Egyptian citizens who suffered economically from the war
 - Historical accounts: only a fragment of the population due to lack of funds, discrepancy in implementation between urban and rural populations, and gender discrimination (Abu-Ismail et al, 2023).
 - The urban-rural discrepancy was significant because at that time around 73% of the population were working in the agricultural sector
 - A land reform bill was actually passed, followed by a minimum wage law for workers in the agricultural and industrial workers sectors. Nevertheless, these laws were never actually implemented

III- The Evolution of Social Protection in Egypt



- The 1950s: social justice as an objective of the revolution.
 - Land reform, as a redistributive policy, was a first target to address a visible income disparity in rural Egypt.
 - It had the added advantage of being able to quickly benefit a large segment of the population and hence would generate a needed political capital for the nascent regime.
 - The land reform of 1952/53 was only the first step among a subsequent, larger socialist policy chain in the 1950s and 1960s; tenancy reforms, writing off farmers' debts,...etc
 - Despite the several government efforts put in social protection policies, an acknowledgment remained that social injustice was still spread, rendering this to poor implementation of such policies

III- The Evolution of Social Protection in Egypt



■ The 1960s and 1970s.

- ❑ The 1960s was Egypt's socialist decade: adoption of socialism by government in discourse and action.
- ❑ The Egyptian economy was transformed to a centrally-controlled command economy.
- ❑ A massive wave of nationalization was rolled out.
- ❑ Government social protection policies expanded significantly and involved the introduction of non-monetary rights
- ❑ Prices of goods and services deemed as 'necessities' were fixed by the government.
- ❑ The 1967 military defeat however put a hold on the funds earmarked for these social programmes
- ❑ Egypt's successful crossing of the Suez Canal in the 1973 War, marked a huge shift in foreign policy and economic ideology.
- ❑ The toll the two wars of 1967 and 1973 had taken on the Egyptian economy was huge.
 - ❑ The government continued to provide safety nets for people on lower incomes
 - ❑ 'Sadat Pension' was introduced for citizens over 65 years of age and who receive no pension from any other source

III- The Evolution of Social Protection in Egypt



- 1990s up to 2010.
 - Another major milestone in Egypt's social protection programmes took place in the early 1990s against the backdrop of ERSAP.
 - However, these policies suffered from serious implementation deficiencies; not reaching those who were truly deserving of this kind of aid.
 - Moreover, budgetary constraints and a significant year on year growth in the country's population resulted in a significant decline in the quality of public services, including health care and education, opening the door for private providers for both services – which could only be afforded by people on middle and higher incomes.

III- The Evolution of Social Protection in Egypt



■ Post 2013.

- ❑ The current Egyptian constitution, passed in 2014, put more emphasis on social protection.
- ❑ Article 8 strongly addressed 'social solidarity' and stated that the state 'is committed to achieving social justice, providing the means to achieve social solidarity to ensure a decent life for all citizens.'
- ❑ Article 17 stated that the state is to 'provide social security services' to citizens who have no access to the social insurance system.
- ❑ Annual public spending figures on education (4% of the GDP) and healthcare (3% of the GDP).
- ❑ Egypt Vision 2030 included a separate pillar on social justice.
- ❑ Takaful and Karama introduced in 2015, covering five million households - the largest poverty-targeted cash transfer program in the MENA region.
- ❑ Haya Karima introduced in 2019 to provide a decent life to Egyptian citizens living in the poorest rural areas. Recognised by the UN as a noble practice towards realizing SDGs
- ❑ In 2018/19, the government launched a universal health insurance programme

IV- A Simple Test of Effective Targeting: Two Famous Social Assistance Programmes



1. Takaful and Karama Programme:

- ❑ By comparing the economic and income status of those who are covered by such a programme to the non-recipients.
- ❑ HIECS 2017 wave.
- ❑ Identified a question that traces usage and coverage of TKP:
 - A question asking respondents whether they are beneficiaries of takafol we karama.
- ❑ In parallel, the survey traced two income measurements; annual average per capita spending and poverty rate.

A Simple Test of Effective Targeting: Two Famous Social Assistance Programmes

- To assess whether TKP effectively targets the poorer segments, we compared both income measures among respondents covered by TKP versus those who are not.
- Table 2 shows the results: average annual per capita spending is lower among the recipients of takafol we karama by an average of L.E. 4,708 – which is fairly good news as far as effective targeting is concerned.

Table 2 - Comparing Average per capita annual income among those covered by social protection programmes and those not covered - HIECS 2017

	Recipients	Non-Recipients
Conditional cash transfers (<i>takafol we karama</i>)	9,442	14,150
Ration Cards	13,353	21,040
Bread subsidy	13,411	21,537
Covered by health insurance provided by the Government Health Insurance Agency	16,230	13,032
User of government hospitals	1,4615	14,030

A Simple Test of Effective Targeting: Two Famous Social Assistance Programmes

- We also ran logistic regression to see whether poverty and average per capita spending predicts coverage by takafol we karama.
- The good news is that both predictors were statistically significant when explaining coverage by TKP.

Table 4 – Logistic regression predicting factors affecting coverage in *takafol we karama* - HIECS 2017

	(1)	(2)
Poverty status	0.984*** (0.162)	
Educational level of the household head	-0.265*** (0.0390)	-0.264*** (0.0394)
Male household head	-0.331* (0.197)	-0.326* (0.195)
Age of the household head	-0.0322*** (0.00656)	-0.0247*** (0.00667)
Annual average per capita spending in household		-9.43e-05*** (1.87e-05)
Constant	-1.880*** (0.422)	-0.839** (0.412)
Observations	12,484	12,484

Standard errors in parentheses: *** p<0.01, ** p<0.05, * p<0.1

A Simple Test of Effective Targeting: Two Famous Social Assistance Programmes



2. Urgent Response Programmes.

- ❑ Rolled out by government between 2019 and 2023, targeting workers in the informal sector.
- ❑ The first such intervention was what the government called the L.E.500 monthly grant and then the L.E. 1000 monthly grant in its second phase.
 - Introduced as a direct cash payment to informal workers during the Covid pandemic.
- ❑ The second was the issuance of voluntary insurance policy – called aman or ‘safety’ – for those not covered by health insurance and the pension system.
 - That policy was first introduced in 2017 and then a second phase was announced in 2023
- ❑ Methodology: fieldwork we did in 2023 where we wanted to gauge how far the targeted segment were aware of such interventions, their utilization rate of these initiatives and their assessment of them.
- ❑ The fieldwork included interviewing around 1,000 informal workers from four governorates (Cairo, Giza, Qalyubia, and Alexandria).
- ❑ No random sampling was applied because of the lack of proper population statistic about this group.
- ❑ The fieldwork included focus groups as well as administering a brief questionnaire.

A Simple Test of Effective Targeting: Two Famous Social Assistance Programmes



- ❑ Findings: apart from the monthly grant during the Covid pandemic, respondents had quite limited knowledge of these interventions.
- ❑ Whereas 96% of the sample did hear about the Covid monthly grant, only 44% knew of the second phase of the monthly grant.
- ❑ As for the “Aman” insurance policy, only 13% knew of its first phase and only 7% of its second phase.
- ❑ Utilization rate for the “Aman” insurance policy was quite low among the sample (around 1%).



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Thank You