

studies

13 SEPTEMBER  
2019

# Assessment of Egypt's Cash Transfer Social Programs

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Egypt launched the so-called "economic reform program" in 2014, including removal of energy subsidies (in addition to flotation of the Egyptian pound and the introduction of a new VAT tax) within the framework of the government's \$12 billion loan agreement with the International Monetary Fund, which negatively affected the Egyptian people in general, and the poor and marginalized classes in particular.

This raised questions about the fate of the poor in Egypt and to what extent will their suffering increase. Removal of energy subsidies also led to an increase in transportation costs and was behind raising prices of most commodities, which escalated the suffering of the poor in Egypt.

In response to these questions, Egypt announced in 2015 Takaful (Solidarity) and Karama (Dignity), two cash transfer programs to support the poor under certain conditions. The two programs were launched with the support of a US\$400 million [World Bank](#) program. Also, the project is the first attempt by an Egyptian government to implement recommendations of many studies, switching to the conditional cash support system, which many economic analysts view as much better than the in-kind support or [commodity subsidies](#) which successive governments in Egypt adopted.

The number of beneficiaries of the Takaful program is estimated at 1,704,391 citizens, while the number of beneficiaries of the Karama program is 275,662 [citizens](#). In the same context, the Minister of the Parliament Affairs Omar Marwan announced that the two programs cost about [one billion pounds](#) per month.

But the question is: did the program succeed in achieving its main objectives, namely: alleviation of the negative effects of the recent harsh economic measures on the poor, and providing proper conditions to lift the poor out of their suffering?

Rising poverty rates and need for social support programs

Egypt has consistently experienced relatively high inflation rates, but since the beginning of the Arab Spring in 2011, the rise in consumer commodity prices have steadily accelerated. Between 2011 and

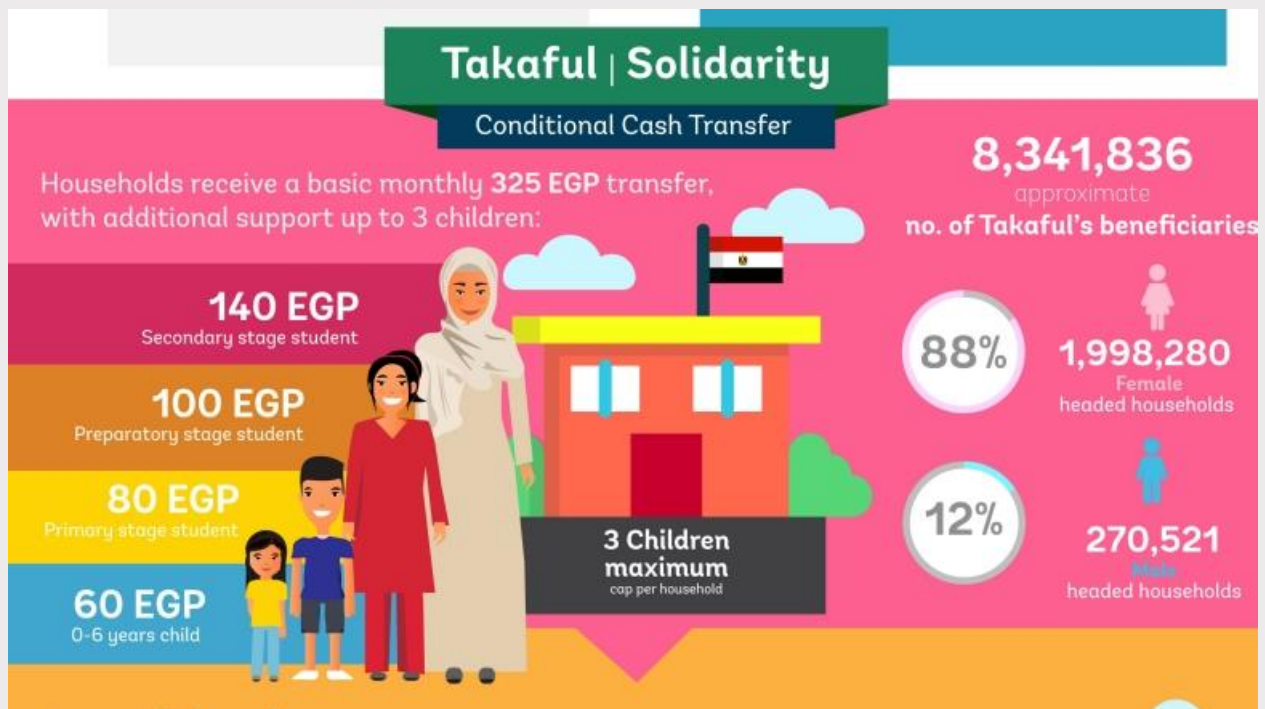
2015, the [inflation rate](#) approached 10% per annum, which is higher than the corresponding inflation rates in the Middle East and North Africa region in general, between 6% and 7% per annum.

The Egyptian government announced a plan to lift subsidies on energy materials in 2014 as a natural result for the increase in petroleum subsidies that reached LE 120 billion in the 2012/2013 budget and rose up to LE 130 billion in the 2013/2014 budget, which increased the state [budget deficit](#).

In coincidence with the government decision to remove energy subsidies, there was an increase in public and private transport prices, as well as the prices of basic materials. To avoid the negative effects of the subsidy-lifting plan, "the reform programs were coupled with efforts of scaling up social protection programs. Those programs aimed to mitigate the potential short-term, negative impacts of the reforms on the most poor and vulnerable segment of Egypt's population. The efforts included expanding social safety coverage and increasing the amounts on the food subsidy card," according to a report by the [World Bank](#). The government sought to channel subsidies directly to the poor rather than through public subsidies by announcing the Takaful and Karama programs, as a first attempt to implement conditional cash transfer programs in Egypt. Following are details about the two programs as follows:

### 1- Takaful Program:

The Takaful (Solidarity) program provides conditional family income support aimed at increasing food consumption, reducing poverty while encouraging families to keep children in school and providing them with needed health care. Along with ensuring vulnerable families receive basic nutrition, the goal is to build the 'human capital' of the next generation and give them a path out of poverty. The program is 'conditional', meaning that households receive a monthly transfer of 325 Egyptian Pounds (EGP) providing they are compliant with certain clearly defined requirements.



## Requirements to receive Takaful support

These [requirements](#) include all household children ages 6 to 18 having at least an 80% school attendance record, four visits per year to health clinics by mothers and children below the age of 6, maintaining child growth monitoring records, and attending nutrition awareness sessions.

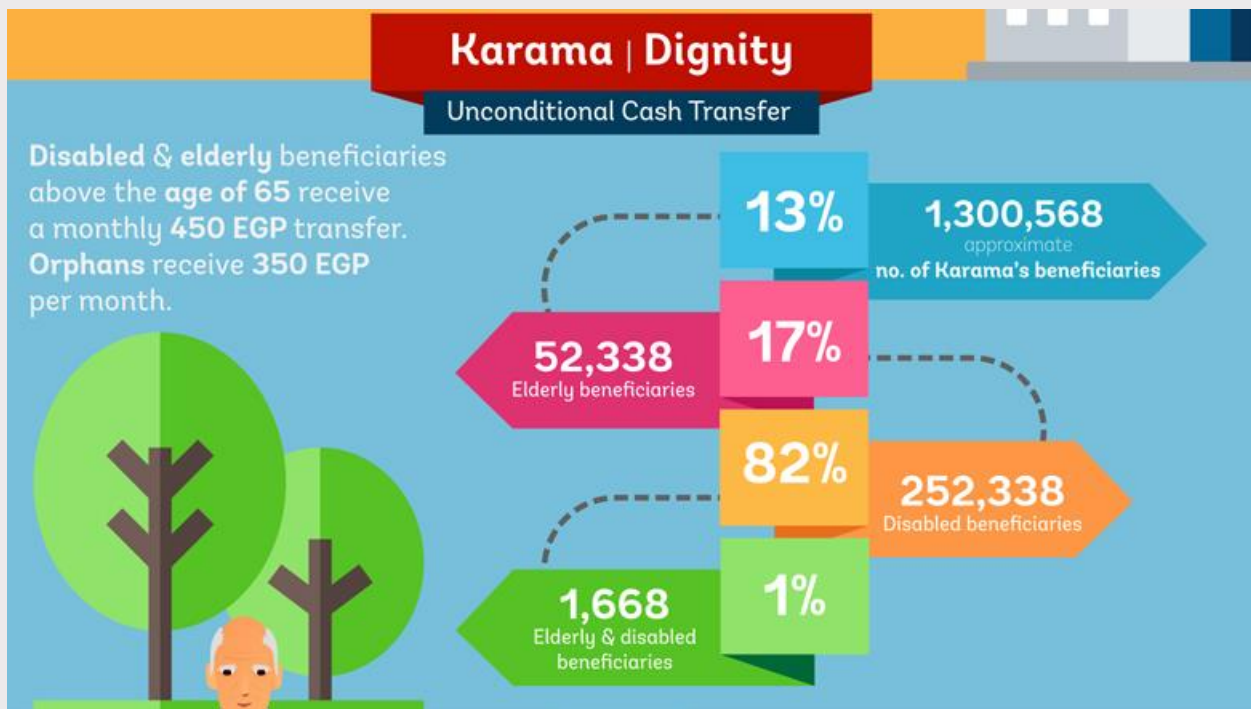
Households are given additional support for every 0-6 years old child (60 EGP) primary student (80 EGP), preparatory stage students (100 EGP) and Secondary stage students (140 EGP).

The program covers a maximum of 3 children per household and recertifies beneficiaries every 3 years. There are 1,962,785 households enrolled in Takaful (which amount to approximately 8,341,836 individuals or 87% of the program's total households).

## 2- Karama Program:

The Karama (Dignity) program aims to protect Egypt's poor elderly citizens above 65 years of age and citizens with severe disabilities and diseases as well as orphans.





These [vulnerable](#) citizens receive a monthly pension of 450 EGP with no conditions. The original pension amount was 350 EGP but recently got increased to 450 EGP to enable beneficiaries to cope with price hikes.

A new functional disability assessment model has been rolled out across Egypt, moving away from a purely medical approach to disability to a more rights-based model, to determine Karama eligibility.

Karama beneficiaries, have reached 306,016 households (which amount to approximately 1,300,568 individuals or 13% of the program's total households.) Out of Karama beneficiaries, 52,338 (17%) are elderly, 252,338 (82%) are disabled and 1,668(1%) are both elderly and disabled.

Some of the reasons for exclusion from the programs are listed on the ministry of social solidarity's official website, including: registering within the work force of the armed forces or the police or receiving a pension from those authorities, acquiring agricultural land larger than one feddan (acre), having an agricultural tractor or car of a post-Y2000 model, or possessing 3 or more cattle for the purpose of trade.

### Key remarks on the two programs:

1- The criteria for exclusion from joining the program included "having an agricultural tractor or car of a post-Y2000 model", removing some poor categories eligible for support because of owning an agricultural tractor or a car is not considered signs of being rich. For many households, a tractor, for example, may be the only source of income for the family; and poor households often buy a it through borrowing from banks.

2- Among the requirements for benefiting from the program is that families applying for joining from the "Takaful" program should have children under eighteen; so what about the poor families that do not receive any insurance pension and have no children, and what about the poor families when one of their children is doing his military service which may extend to three years?

3- The program mainly aims at alleviating the impact of the government's tough economic decisions on poor classes, but the Takaful program only provides LE 325 to poor families that meet its requirements, provided that the beneficiary does not receive any support or pension from any other party. However, the [Central Agency for Public Mobilization and Statistics](#) in its Household Income, Expenditure, and Consumption Survey, HIECS 2015 – before the flotation of the Egyptian pound and lifting subsidies – stated that the average poverty line in Egypt is 482 pounds per capita monthly, which means that the Takaful program will not be able to move the poor from extreme poverty to the lower poverty line.

4- The 325-pound cash transfer is equivalent to 18.5 dollars, only 6 dollars per day, while the international poverty line is 1.75 dollars per day.

Four years have passed since the Takaful program was launched: instead of taking such remarks into account, the government has decided to reduce the number of child beneficiaries to two, instead of three, starting from 2019, which reflects the lack of allocations for the program and the government's tendency to reduce costs.

5- The disparity in poverty rates between different governorates has not been taken into account.

6- The lack of seriousness of the Ministry of Social Solidarity in raising awareness of beneficiaries about the requirements for receiving assistance.

7- The poor funding of the cash transfer programs in general.

### EIPR assessment of cash transfer impact on the poor

In this context, a [report](#) by the Egyptian Initiative for Personal Rights (EIPR) assessing the impact of cash transfer support programs on the poor has stated that: "The social policies in Egypt in recent years have been closer to a liberal approach that encourages social benefits concentration on gains obtained from the labor market with less intervention by the State in redistribution of social gains ... The Egyptian social policies that have been adopted for decades, as well as their amendments seem incapable of providing basic social rights recognized by the Egyptian constitutions, given the structural flaws in those policies and the inadequacy of allocations."

### Conclusion

Although the objectives of the Takaful and Karama programs are good, the government has not so far been able to achieve them on the ground. The World Bank estimates that the poverty rate in Egypt is rising, not declining - or even alleviated - as the program was targeting. Both programs have been unable to reach the poor categories effectively, because of exclusion of large segments of them, either for not meeting the requirements for receiving the cash support, or because of the poor executive and bureaucratic performance, which resulted in increasing complaints from citizens, including those involved in the project<sup>1</sup>.

\*To read the full study in Arabic click [here](#)

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<sup>1</sup> The views expressed in this article are entirely those of the author's and do not necessarily reflect the views of EIPSS.