

Chapter 3

Social protection:

Towards a more inclusive and empowering social contract in Egypt





Recent years have witnessed a fundamental shift in the orientation of social protection from a relief approach, characterized by only helping the most vulnerable groups in society, to a human rights approach. The human rights approach considers social protection an integral part of the right to development, which is one of the most important rights, according to the Declaration on the Right to Development issued by the United Nations General Assembly in 1986. Social protection is considered a right that must be guaranteed to all human beings throughout their lives. The social protection platform launched by the International Labour Organization (ILO) in 2012 under Resolution No. 202 was a clear expression of this shift in the orientation of social protection. With this new direction, it became logical to consider social protection as a path to achieving social justice and sustainable development. An ILO report on social protection from 2017 described social protection as a right, and defined it as a set of policies and programmes designed to reduce or prevent poverty and vulnerability through all the stages of a person's life. It therefore includes advantages and benefits provided to children and families, maternity protection, unemployment benefits, work injury benefits, disability benefits, as well as universal public health care for all.¹ Social protection therefore intersects with all areas of public policy.

Social protection programmes are divided into two main types: programmes that are based on financial contributions from beneficiaries, such as social and health insurance, and those that are not. The latter group includes programmes that target the most vulnerable groups in society, including all forms of social assistance, partially undertaken as a state responsibility and partially by society through social solidarity. Taking into account the human rights perspective, which considers social protection a way to achieve social justice, the importance of the empowerment component in social protection programmes

becomes clear, as empowerment is a key element in achieving equity and social justice. One of the key foundations of empowerment is qualifying the most vulnerable groups to enter the labour market through active labour market programmes and seeking to include them within social protection based on contributions. Active labour market programmes are one of the intermediate links that can transfer beneficiaries from the category of social assistance programmes, which are not based on contributions, to contribution-based social protection programmes (specifically social and health insurance), through the role they play in empowering the most vulnerable groups and helping them escape the cycle of poverty.

Social protection as a right is one of the foundations of the social contract between the citizen and the State. It is public and universal in nature and has a clear developmental dimension, enabling individuals to develop productive capabilities and engage in the labour market. By contrast, social safety nets are not public and universal, but rather are targeted at the most vulnerable groups in society, and they often do not have a tangible and sustainable development impact. In addition, in certain cultural contexts, the relationship between the provider of social assistance and the recipient may become a beneficial one; recipients may be satisfied with receiving assistance and be reluctant to change their circumstances, becoming a drain on the resources allocated to social assistance without a significant developmental return.² This does not mean social safety nets' importance should be underestimated or that they should be abandoned, but rather that they should exist within the framework of a protection system with a holistic nature. These systems should be based on a human rights perspective, seek to empower people, be consistent with the Sustainable Development Goals (SDGs) and represent an essential stepping stone for achieving social justice.

This shift in considering social protection to be a public right aligns with the 2019 UNDP Human Development Report, *Beyond Income, Beyond Averages, Beyond Today - Inequalities in Human Development in the 21st Century*, which highlights the need to promote enhanced capabilities, including access to quality health and education services and the effective use of technology, leading to human empowerment.³

The role of social protection nets and programmes has been particularly salient in light of the outbreak of COVID-19 and its resulting impacts, and these programmes have shown they are able to enhance people's ability to cope with shocks. There has also been much discussion about the extent to which countries are able, through existing or new social protection packages, to enhance people's capability to face the negative effects of the pandemic on life as a whole, whether with regard to health systems, the state of the economy and work, or other affected areas. The release of the United Nations report *We are all in this Together: Human Rights and COVID-19 Response and Recovery* is an indication of the required methodology in dealing with the pandemic, and the priorities that should be set out, based on a human rights perspective. At the beginning of the report, it was noted that human rights are key in shaping the pandemic response, both in terms of the public health emergency and the broader impact on people's lives and livelihoods, and therefore the basis should be to ensure proper health care for everyone and to preserve human dignity. Responses to the pandemic must also focus on dealing with basic questions, the most important of which are, who is suffering most; why; and what can be done about it?⁴

3.1 General framework for social protection in Egypt

3.1.1 Social protection: An integrated human rights and development approach

The radical change in the perspective on social protection in Egypt stems from three main sources: the 2014 Constitution, the SDGs, and the Sustainable Development Strategy: Egypt Vision 2030. The Constitution includes many articles related to social protection issues from a broad and integrated perspective, both for social protection issues and for the target groups. Article 8 stipulates that "society is based on social solidarity. The State commits to achieving social justice, providing the means to achieve social solidarity to ensure a decent life for all citizens, in the manner organized by law." Article 9 focuses on the State's obligation to ensure equal opportunities for citizens without discrimination. In addition, both Articles 8 and 9 provide a holistic framework for social protection in connection with the goal of achieving social justice. Attention to basic services as an entry point to improve the lives of citizens is highlighted in Articles 18 and 19, which are related to health and education. Article 17 deals clearly with social insurance, social security, and the provision of a pension for casual employment. Article 11 addresses issues of equality between men and women, with reference to providing care and protection for mothers and children, female breadwinners, elderly women, and for the most vulnerable women.⁵

The SDGs deal with the issue of social protection via a number of approaches. Goal 1 aims to end poverty in all its forms everywhere, and its third target is to design and implement social protection systems suitable for all, achieving substantial coverage for the poor and the vulnerable. Goal 2, on eliminating hunger, deals with issues of food security and nutrition. Goal 3, on health, deals with ensuring universal health coverage. Goal 8, on

promoting sustainable and inclusive economic growth, addresses full and productive employment, and particularly decent work that is protected through social and universal health insurance. Finally, Goal 10 relates to reducing inequality within and among countries, and its fourth target focuses on the need to adopt financial and social protection policies that achieve equality.

Egypt's Sustainable Development Strategy: Egypt Vision 2030 also includes many goals related to social protection, including "improving the quality of life and standard of living of the Egyptian citizens," by providing an integrated system for social protection. The strategy adopts a holistic approach in dealing with social protection, seeking to develop an integrated and universal system for social protection that achieves standards of equity and justice, is inclusive and consistent with the SDGs, and that aims to improve the quality of life of all citizens without discrimination. It is based on universal social and health insurance programmes, social safety nets (cash and in-kind assistance), and labour market programmes. It aims to secure human capital and enhance its ability to face crises, manage risks, and resist shocks. It also aims to provide for the basic needs of poor groups, improve their standard of living through social assistance programmes, and address the multidimensional causes of poverty. Protection policies are therefore driven by a human rights perspective on the basis of citizenship, with the aim of reducing forms of inequality within society, whether in terms of gender, geographical region, age or disability. The national strategy also stresses capacity building as an essential component of providing social protection; this is achieved through a focus on education, health and skills acquisition to create income-generating employment opportunities.

The Constitution and the Sustainable Development Strategy: Egypt Vision 2030 provide the basis for dealing with the issue of social

protection from a holistic perspective, the ultimate end of which is to achieve social justice by moving from protection to justice through empowerment, and to expand citizens' choices by enhancing their capabilities and enabling them to access assets and resources.

The functions of social protection vary to include the following:⁶

- The protective function, which aims to relieve deprivation through the provision of cash and in-kind support to those in need, and comes close to the idea of relief.
- The preventive function, which protects individuals from falling into deprivation through the expansion of social insurance nets, saving systems and funds.
- The promotive function, which enhances capabilities and empowerment, leading to income generation. This includes public works programmes and other active market work programmes.
- The transformative function, which enables societal progress towards equity, inclusion and empowerment.

3.1.2 Social protection in Egypt: Transformations on the path to social reform

Egypt has a long-standing history of extensive social protection nets, including both contribution-based programmes such as social and health insurance, which date back to the 1960s, and those not based on contributions, such as food subsidy programmes, which also date back many decades.

Social safety nets in Egypt are not limited to state efforts; NGOs in Egypt have a long history of providing aid and support to the poor, as do Islamic and Christian religious institutions. This is in addition to informal networks, which illustrate the strength of social capital in Egyptian society. These mechanisms include rotating saving and credit associations

and mutual aid, whether between neighbours or coworkers. The private sector also plays an important role in this regard through corporate social responsibility efforts directed at supporting health, education and other sectors that enhance social protection in a broad sense. In addition, many private companies have established affiliated NGOs for the purpose of institutionalizing social responsibility initiatives and facilitating the ability to build partnerships, both with the relevant state institutions and with specialized NGOs. It is also worth noting that, within the framework of social safety net development policies, government policies support Egyptian society efforts to combat hunger through the Egyptian Food Bank, an NGO that provides food aid and whose goal is to end hunger in Egypt. In 2019, the Egyptian Food Bank assisted about 3.5 million families through its monthly and seasonal feeding programmes, as well as providing nearly 3 million school meals to 24 schools.

Egyptian contribution-based social protection systems have faced many challenges over the past decades, including limited coverage and financial sustainability problems. One effect has been that many health insurance contributors rely instead on their personal spending in health care,⁷ as outlined in Chapter 1 of this Report.

The limited developmental returns of the multiple social protection nets prompted a review of their institutional status, functions, resources, and management style in recent years. In the wake of the implementation of national economic and social reform programme, starting in 2016, there has been a profound transformation in the philosophy of social protection. One of the most important pillars of this transformation was the implementation of legislative reform to create the basis for an inclusive social protection scheme, the ultimate goal of which is empowerment. The features of this transformation are as follows:

- The legislative reforms included the issuance of a new Social Insurance and Pensions Law (*Law No. 148 of 2019*) and the Comprehensive Health Insurance Law (*Law No. 2 of 2018*). With regard to social assistance, there is a move towards unifying legislation on cash transfers for the most vulnerable groups in one law, and a draft law on this topic is currently under discussion.
- Legislative reform was not the only step; in fact, it was preceded by a change in the set of principles upon which the social protection system is based. The principles of inclusion, coverage, equity and governance were the governing principles of both the philosophy of the Comprehensive Health Insurance Law and the Social Insurance and Pensions Law.
- The philosophy behind social safety nets, both those administered by the Ministry of Social Solidarity and the Ministry of Supply and Internal Trade, was transformed via a number of changes. First, the accuracy of targeting was improved so that cash and in-kind transfers do not go to those who are not entitled to them. Second, empowerment was considered an essential component of the programmes provided by the Ministry of Social Solidarity, so there was a necessity to link cash transfers with economic and social empowerment programmes. Third, there would be a focus on the most vulnerable social groups and the poorest geographical areas, thus contributing to achieving equity. Fourth, the right to entitlement is to be reviewed periodically to ensure equity in the distribution of social assistance. Lastly, work was done to link cash transfers and active labour market programmes through partnerships with relevant entities, both governmental and non-governmental, in order to advance the empowerment process and establish a partnership between government, civil society, and the private sector.

- An expansion in the scope of social protection by taking into account public policies for the most vulnerable groups, including those related to health, education, housing, and employment. Among the most prominent examples of such programmes are the Healthcare Programme for Vulnerable Groups, the Informal Settlements and Unsafe Areas Development Programme, and the Health and Social Care Programme for Irregular Employment. This has led to the integration of social protection into the public policy-making process, and this transformation has provided an opportunity for a close link between economic and social policy-making.

These transformations at the national level are largely consistent with the radical shift in the philosophy of social protection in international development discourse in recent years, towards viewing it as a right of an inclusive nature, as in Egypt's national development strategy. These transformations represent a qualitative shift in the functions of social protection from a protective function of a relief nature to a preventive and promotive function.

3.2 Social protection programmes in Egypt

Egypt's social protection ecosystem is complex and diverse, though it can be divided into two main types of programmes. The first includes social protection systems and programmes that are not based on beneficiaries' financial contributions but fall under state care and protection. These include social safety nets, such as social security pensions and the *Takaful and Karama* programme, as well as complementary programmes such as *Forsa* "Opportunity", *Hayah Karima* and others. Also included in this section are in-kind support such as ration cards, subsidized bread

cards, and the school feeding programme. The second type includes social protection systems and programmes that depend on beneficiaries' financial contributions, such as social and health insurance.

Egypt's insurance schemes have been characterized by poor integration of their components, as each component was regulated by an exaggerated number of laws which reduced effective performance, despite high rates of spending. It was necessary therefore to carry out major reforms to this system, particularly the legislative reforms mentioned above. The legal review process is still underway within the framework of other social protection programmes, including social security pensions and the *Takaful and Karama* Programme, with plans to introduce a unified law on cash transfers.

A number of ministries formulate and implement social protection policies and programmes in Egypt, specifically Ministry of Social Solidarity, Ministry of Supply and Internal Trade, Ministry of Health and Population, Ministry of Planning and Economic Development, Ministry of Education and Technical Education, and Ministry of Manpower, as well as the Micro, Small and Medium Enterprises Development Agency. Other state institutions also play a role in social protection, including the National Council for Childhood and Motherhood, the National Council for Disability Affairs, and the National Council for Women. There are also non-governmental actors involved, including Islamic and Christian institutions that channel zakat donations and charity to the poor, as well as NGOs such as the Egyptian Food Bank, Misr El-Kheir, Orman Association, and others, which play a broader care role by supplying the poor with food, clothing, and other basics. The private sector also finances part of these care services through corporate social responsibility. Finally, informal social protection nets also play a role.

3.2.1 Non-contribution-based social protection systems

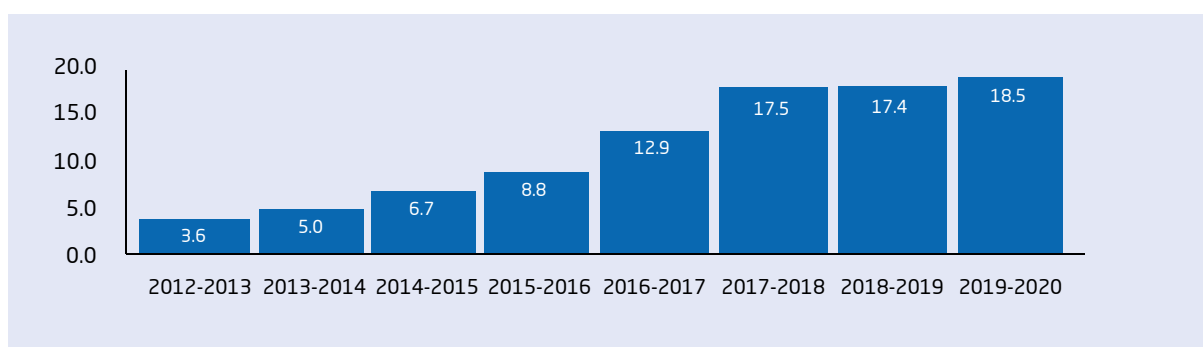
Social protection systems, that are not based on financial contributions, include social safety nets and social assistance provided to the most vulnerable groups, economic empowerment programmes, and emergency relief assistance, and may be targeted at a region, a particular crisis or a family.

Social safety nets

There are many forms of social protection provided by the Ministry of Social Solidarity, including social assistance, which takes the form of monthly pensions (such as the social security pension and the *Takaful and Karama* monthly payment) and which are directed to the most vulnerable families. There are also

monthly or annual benefits for children, in order to ensure their continuity of education, as well as benefits for persons with disabilities and other vulnerable groups. The number of beneficiaries of all forms of cash support reached 3.8 million families in 2020, according to a statement of the Minister of Social Solidarity to the House of Representatives in February 2021. This was after 1.7 million beneficiaries of the social security pension were transferred to the *Takaful and Karama* programme. Figure 3.1 shows the development of spending on cash support programmes over the period from fiscal year 2012/2013 to fiscal year 2019/2020. Notably, the years from 2012 onwards saw successive growth in spending on cash support programmes, from EGP 3.6 billion to EGP 18.5 billion.

Figure 3.1 Cash support programmes (*Takaful and Karama* programme and social security pension), 2012/2013 to 2019/2020 (EGP billion)



Source: Ministry of Finance website (www.mof.gov.eg).

Social security pension

The Social Security Law (*Law No. 137 of 2010*) regulates the conditions for entitlement to a social security pension, replacing an older Social Security Law (*Law No. 30 of 1977*). The 2010 law stipulates the right of poor individuals and families to receive social security assistance. The status of the individual and the family is determined through field research based on a number of targeting indicators, including income, education, number of family members, work, housing status, health status (elderly or persons with disabilities) and social status (*i.e.* orphans, widows, and divorced women). These social security services are

diverse and range from recurrent pensions to emergency help, as shown in box 3.1

The Ministry of Social Solidarity's philosophy of working to empower target groups is reflected in the Social Security Law outlined above. The law stipulates that Social Solidarity Directorates shall assist all beneficiary individuals and families to engage in work via training or the provision of a grant to set up a small business, while they remain eligible for the security benefits. Social Security Directorates will also provide assistance in obtaining small business loans to set up their businesses and in obtaining necessary tools and machines.

Box 3.1 Services of the social security system in Egypt

- The monthly security assistance, which is disbursed to poor families according to the study of the economic and social status of the family. The value of this assistance varies according to the number of family members, as it starts from EGP 323 per person up to EGP 450 per month for four family members.
- Exceptional assistance; assistance that is disbursed once a year to families benefiting from the Social Security Law. It is earmarked for education expenses and its value varies from one stage of education to another. For example, it is EGP 100 for a child enrolled in kindergarten or nursery school, and up to EGP 300 for a student in the intermediate education stage, provided that the value of the assistance during the year does not exceed EGP 500. Extraordinary assistance also includes funeral expenses, maternity expenses and urgent emergencies.
- Child pension, a pension issued up to the age of 18 and in specific cases for children who are orphaned or of unknown parentage, children of a breadwinning or divorced mother if the mother marries or dies, children of legal detainees or imprisoned men or women for a period of no less than one month.
- The monthly scholarship offered to the children of the beneficiaries of security assistance, at a sum of EGP 40 per person, and a maximum of EGP 200 for five individuals during the academic year.
- Social security employment projects to help engage beneficiaries in the labour market.
- Compensations, which are very diverse, and deal with disasters that befall citizens, whether individual or collective, such as desertification and others.

Source: Ministry of Social Solidarity

Highlighting the seriousness of the empowerment approach, the law stipulates that all social security assistance should be suspended if the beneficiary refuses three times to join one of the trainings, or to engage in work by any of the aforementioned means, without an acceptable excuse. Benefits will also be suspended upon verification of an earning capacity of at least twice the value of the assistance.

In order to control targeting and ensure verification, the law stipulates that the Ministry of Social Solidarity should establish a central database of all beneficiaries and the kinds of assistance they receive. The data must be updated by linking it to the databases of the National Authority for Social Insurance, the Civil Status Authority and other relevant authorities. The governmental and non-governmental entities accredited by the Ministry of Social Solidarity must, upon request, inform the Regional or Central Information Centre in one of its directorates on what aid they disburse or have disbursed in cash or in-kind to any individual or family.⁸

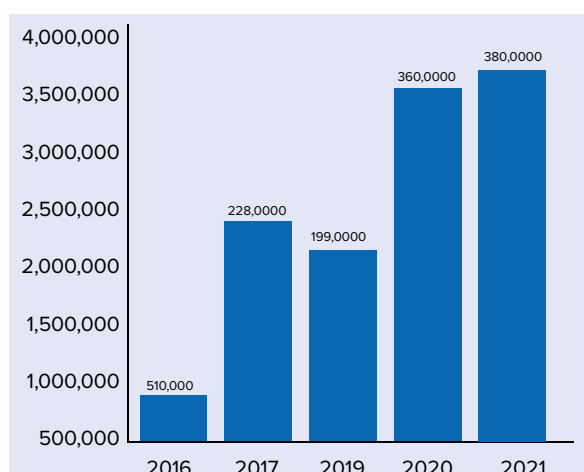
Despite this new orientation, as expressed in the Social Security Law, effective implementation has not been achieved for a number of reasons, perhaps the most important of which is the absence of economic empowerment initiatives that encourage beneficiaries to engage, and at the same time, oblige those in charge of implementing the law to enforce it. The process of rethinking issues of conditionality and empowerment led to attempts to reform and modernize the social assistance system, beginning with the initiation of the *Takaful and Karama* programme in 2015.

***Takaful and Karama* “Solidarity and Dignity”**

In 2015, as part of wider attempts to achieve major economic and social reforms, Egypt began implementing an expanded social protection programme, *Takaful and Karama*. This programme was assigned to the Ministry of Social Solidarity and was initially co-financed by both the state budget and the World Bank. It is now fully funded by the general state budget. The *Takaful* element was designed as a conditional cash transfer programme to provide income to poor families with children under 18 years old. The value of cash trans-

fers to each family was initially EGP 325 per month, with an increase depending on the number of children and their level of education. The amount per child according to their educational stage was as follows: EGP 140 for those at the secondary level, EGP 100 for children at the lower secondary stage, EGP 80 for those at the primary stage, and EGP 60 for children between 5 and 6 years old. Initially three children per family were eligible, but this was reduced to a maximum of two children from January 2019 in order to provide an opportunity for coverage of more families, and to reduce the rate of population growth. The conditionality of the benefit is based on children's school attendance and on periodic health follow-up visits for the children, as well as for expectant mothers at primary health care units. In its first year, *Takaful and Karama* targeted 510,000 beneficiaries, rising to 2,280,000 in 2017, which represented a significant leap forward. Through evaluation of the programme, a need to verify the accuracy of targeting emerged. All data were reviewed and a number of mechanisms were used to exclude those who were not entitled. As a result, the number of beneficiaries in 2019 was 1,990,000. After the beneficiaries of the social security pension were transferred to the *Takaful and Karama* programme, the total number of beneficiaries of all cash support programmes reached 3.8 million families in 2021.

Figure 3.2 Number of beneficiaries of the *Takaful and Karama* programme, 2016-2020

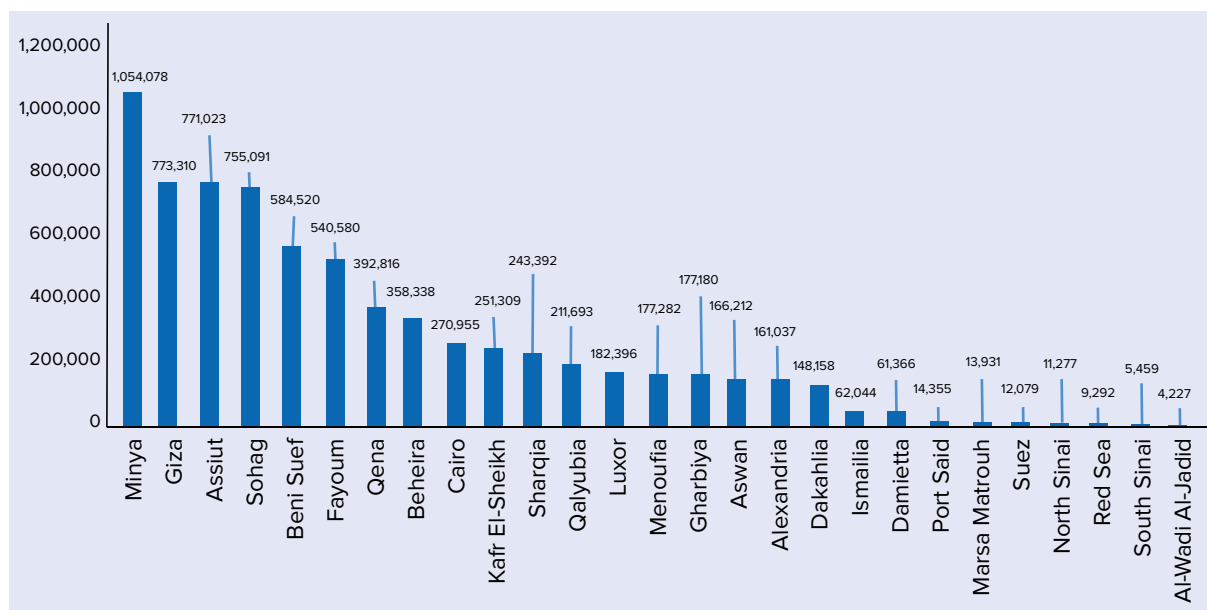


Source: Ministry of Social Solidarity website (multiple years).

Takaful is one of the programmes that targets mainly women, and nearly 90 percent of its beneficiaries are women. The idea behind this approach is that delivering cash transfers to women leads to greater spending on nutrition, as has been demonstrated by other experiences around the world, including in Latin America and Southeast Asia, as well as in Egypt itself.⁹

A number of targeting methodologies have been applied by the *Takaful and Karama* programme, including direct targeting of poor families and categorical targeting of women via *Takaful*, and the elderly and people with disabilities via the *Karama* section. At the beginning of its implementation, *Takaful and Karama* also focused on the poorest governorates in Upper Egypt, but it is now applied in all governorates. Despite the conditionality of the *Takaful* element, it was not fully and comprehensively implemented until the beginning of 2020. It is notable that the *Takaful* element continuously reviews the eligibility of its cash support beneficiaries. To do so, it relies on community accountability committees, which include leaders from local communities and NGOs. Cash support is suspended immediately in the event of a beneficiary's non-entitlement. The *Karama* section of the programme was designed as an unconditional cash transfer programme for the elderly poor (over 65 years old) and people with severe disabilities. The amount of aid ranges from EGP 350 to 450 per month for each beneficiary, depending on his or her status. *Takaful and Karama* now covers all 27 governorates, but still focuses more on the governorates of Upper Egypt, which are the poorest in the country, as evidenced by the analysis of regional imbalances in Chapter 2.

Figure 3.3 Number of beneficiaries of the *Takaful and Karama* programme, by governorate



Source: Ministry of Social Solidarity website (multiple years).

An independent international body conducted an evaluation study of the *Takaful and Karama* programme and its effects,¹⁰ with results presented in box 3.2.

With regard to the management of the programme, a ministerial committee for social justice was formed under the chairmanship of the Prime Minister and with the membership of ministers from all areas of the government. The Ministry of Social Solidarity assumed the overall responsibility, for implementing the programme via its directorates and local units in the governorates. Memoranda of understanding have been signed with the Ministry of Education and Technical Education and the Ministry of Health and Population to monitor the application of criteria in health and education sectors and the availability of necessary services.

Conditional cash transfers have been adopted in many regions of the world, including in many Arab countries. The absence of conditionality in regular social assistance has led to an inability to break the cycle of poverty and avoid transmitting poverty from generation to generation. This is the main reason behind the spread of cash transfer programmes that are conditional on children's school at-

tendance and health follow-ups. The aim of this type of programme is to work on building human capital, which would allow recipients to break the cycle of poverty. Despite the importance of this transformation, its realization depends on the state of basic services in the community, especially those related to health and education. The lack of availability of these services, and their low quality, prevent conditionality from achieving its main goal of building human capital.

Cash transfer programmes in Egypt, like their global counterparts, face three main challenges. The first challenge is the inadequacy of cash transfers to meet the needs of its beneficiaries. The second is the quality of services provided, especially the services for women, children and people with disabilities. However, strictly linking these programmes to enhancing human capabilities will lead to lifting many target groups out of poverty, and thus provide an opportunity to target others and improve the quality of services provided. The third challenge is the difficulty in assessing the impact of this type of programme on building human capital in the short term, given that these effects require a longer period to take effect.

Box 3.2 Results of an independent evaluation study of *Takaful and Karama* programme

- A total of 45% of *Takaful* beneficiaries are from the poorest quintile of the population, and 22% are from the second poorest quintile of the population.
- *Takaful*, according to the evaluation results, increased the family consumption from 7.3% to 8.4% as compared to the non-beneficiaries. Also, *Takaful* transfers represented an average of 23% of the family's monthly expenditure.
- Poverty has diminished according to the three lines, whether \$1.90 for each person per day, the \$1.25 extreme poverty line, or the national poverty line. *Takaful* programme has reduced poverty for those below the first poverty line (\$1.90) by 11% and 8% for those living below the national poverty line. An increase in the beneficiaries' consumption of food, especially fruit and meat, was also observed.
- The programme had a positive effect on the nutritional status of children under two years old, in terms of weight gain compared to height, which is a short-term indicator for assessing the nutritional status of children.
- There was no clear impact of the *Takaful* programme on women's ability to make decisions regarding family matters, especially as the percentage of female beneficiaries is 90%, and most are from Lower Egypt and have education below the primary level.
- As a result of the non-application of conditionality, it was not clear that the programme had any effect on school enrolment and attendance, as well as with regard to receiving health services, especially those related to prenatal and postnatal care. More spending on school supplies and student transportation has been observed for families with at least one child at the primary or secondary level.
- Cash transfers represented 28% of the spending of the beneficiary families of *Karama* programme.

Source: IFPRI (2018).

Developing the *Takaful and Karama* programme therefore requires work on a number of major issues, as outlined below.

- The aforementioned evaluation of the programme showed that the transfers had a positive impact on the nutrition of children. Due to this success, expansion of the programme was required, with more scrutiny directed to the targeting process, specifically targeting families suffering from extreme poverty (4.5 percent of the population). In the context of an ongoing debate regarding whether cash transfers achieve nutrition-related goals, especially in light of the high prices of food commodities, an alternative is to have cash transfers accompanied by food vouchers, especially for extremely poor groups. The justification for considering
- this kind of proposal as a complementary intervention can be found in the findings of a multidimensional poverty report by the United Nations Children's Fund (UNICEF), which indicated that approximately 30 percent of children in Egypt suffer from multidimensional poverty and 21 percent suffer from stunting, an indicator of malnutrition.¹¹ Considering subsidizing *Takaful* with other packages of services that have a positive impact on children's nutrition, such as food vouchers, may be beneficial for groups suffering from extreme poverty.
- There should be serious application of conditionality within the *Takaful* programme, including on children's school attendance and health care, while working to expand the scope of this conditionality

to include empowering women by eradicating illiteracy, and then applying labour market programmes for all recipients, at all levels of education. This requires offering technical support as a step towards women's empowerment.

- The quality of basic services should be improved, especially those related to health and education, in order to ensure the fulfilment of conditionality and the achievement of its goal, which is to build human capital.
- The accountability and verification committees set up by the Ministry of Social Solidarity, in cooperation with NGOs and community leaders, were successful in identifying lapses in implementation of the criteria. This experience is worth developing to identify what prevents the criteria from being applied. The role of these committees could be expanded to take on roles that go beyond verification, to help implement conditionality and raise awareness of the importance of economic empowerment and labour market engagement, as well as the cultural change targeted by the *Waii* "Awareness" programme). The capacities of these committees would need to be enhanced, especially given that the Ministry provides many economic empowerment programmes that rely heavily on local community figures for implementation.
- The legal framework regulating all cash transfers, including the social security pension and *Takaful and Karama*, as well as all transfers to other groups (children, persons with disabilities and others) should be unified. Unifying the legal framework will allow a broader view of the work of the social safety net system as a whole. The legislation should also pave the way for the establishment of an empowerment path. Efforts to eliminate the fragmentation of the social safety net system have already seen an important step forward, namely the inclusion of both

social security pensions and *Takaful and Karama* benefits in one cash support programme. Geographical targeting is also being used, as shown in Figure 3.3 above on the distribution of *Takaful and Karama* beneficiaries among the governorates.

It is evident that all forms of social assistance are concerned with the family as a whole, with more care and financial allocations for children, persons with disabilities, female heads of families, and the elderly. The orientation towards integrating all types of assistance is also evident through the draft law under discussion regarding unified cash support. There are also multiple targeting methods, based on income, group, or location, which ensures greater coverage, and there are reviews of the beneficiaries' entitlement every three years. This protective system is also linked to both the universal health insurance system and the food subsidy system.

Economic and social empowerment programmes

Although there had been an interest in empowerment among Egyptian policymakers since the issuance of the Social Security Law, it was not realized until the *Takaful and Karama* programme was put in place. There is now an awareness that continuing to work with traditional systems will only result in a greater influx of the poor into social safety nets, regardless of their entitlement, which increases the financial burden on the public purse in an irreducible way over time. To tackle this, the Ministry of Social Solidarity has begun to work on the component of economic empowerment through a set of programmes aimed at providing job opportunities and qualifying the poor to engage in the labour market. These programmes, such as *Forsa* and *Mastoura* "Satisfied Needs", fall within the framework of active labour market programmes, which are an essential component of the social protection package of any society.

The Ministry has also designed a programme, *Sakan Karim*, "Decent Housing" with two

goals: improving living conditions, housing and infrastructure in poor areas, and providing job opportunities for young people and small contractors in these areas, which brings it closer to public works programme.

The issue of social protection is challenging, as the continuation of assistance to the poor has created a state of dependency that does not foster engagement in empowerment programmes. To tackle this, time limits should be put in place for social assistance programmes, and an obligation to engage in economic empowerment programmes should be established. It has also become clear to the Ministry of Social Solidarity that there are cultural obstacles that must be dealt with. It is not enough to focus on economic and social empowerment. The values and culture of the most vulnerable groups and the poorest regions must be addressed. The Waai programme was launched to address this, aiming to foster change in the mental and intellectual system of citizens.

Finally, Nasser Social Bank, which is affiliated with the Ministry of Social Solidarity, plays an important role in financing economic empowerment projects. It has the most projects in this field in terms of capital value, with a total of EGP 280 million, and an average value per loan of up to EGP 20,000. Other lending initiatives include Poverty Reduction Project loans with a funding of EGP 81 million and a value per loan of up to EGP 5,000; Rural Women's Development Project loans with a capital of EGP 56 million pounds and a value per loan of up to EGP 5,000; loans for productive families with capital of up to EGP 50 million; and projects for Mothers of Community School Children, with a capital of EGP 25 million.¹²

***Forsa* “Opportunity” Programme**

The *Forsa* programme aims to complement existing conditional cash transfer programmes and other assistance programmes by assisting the most vulnerable groups in finding suit-

able job opportunities. The purpose of the programme is to increase the income of the targeted families so they are less reliant on social assistance. *Forsa*'s main objective is to create an integrated system to support individuals and families with low incomes, and to integrate the largest number of them into successful and productive economic activities. It does so by promoting the spirit of work and production and the move from dependency to economic independence. In order to make the experiment successful, work is underway to provide a supportive environment for micro enterprises and income-generating projects and value chains, as well as to develop models of sustainable development partnerships.

Forsa targets able-bodied family members aged 15 to 55, including both those who are beneficiaries of the *Takaful and Karama* programme or the social security pension, and those who were rejected by *Takaful and Karama*. It also aims to provide 30,000 job opportunities in eight governorates of Upper Egypt, and 50,000 soft loans to generate job opportunities for female breadwinners, in partnership with Nasser Social Bank, and with EGP 250 million in funding from the *Tahya Misr* state fund. It will also provide 10,000 job opportunities in industrial zones, in coordination with investors' associations, and aims to develop the capacities of 20,000 young people via apprenticeships and craft skills. The first phase of the programme, from January 2020 to December 2022, targets 50,000 beneficiaries.

On the logistical level of programme management, 1,000 social units and 150 zakat committees at Nasser Social Bank will be equipped to work as one service office, and to receive training and employment requests. The institutional and human capacities of the Ministry will also be developed at both the central and local levels, to manage lending and economic empowerment programmes and coordinate the efforts of partners.¹³

Mastoura “Satisfied Needs” microfinance programme

Mastoura is a microfinance programme for women, launched by Nasser Social Bank in cooperation with the *Tahya Misr* state fund. It provides livestock production loans, industrial loans, commercial loans, service loans and home project loans, provided that these projects comply with environmental and health requirements. The target groups are varied, including women with monthly incomes such as the social security pension, *Takaful and Karama* benefits, or alimony disbursements from bank branches, as well as women who applied for *Takaful and Karama* benefits but were rejected, able-bodied women with no income, low-income working women, and the children of women entitled to support.¹⁴ By early February 2020, Nasser Social Bank had financed nearly 19,216 *Mastoura* loan projects at a cost of EGP 320 million.¹⁵

Hayah Karima “Decent Life” initiative

The *Hayah Karima* initiative aims to expand the umbrella of comprehensive social protection by focusing on meeting the needs of Egyptians in the poorest villages. The initiative also aims to achieve the goal of geographical justice by addressing regional disparities that affect rural areas such as Upper Egypt. This initiative represents a model for partnership between ministries, relevant government institutions, private sector and civil society. The ministries and government institutions involved include Ministry of Social Solidarity, Ministry of Planning and Economic Development, Ministry of Manpower, Ministry of Local Development, and Ministry of Finance, in addition to the Micro, Small and Medium Enterprises Development Agency (MSMEDA) and other government institutions. A number of NGOs, the banking sector, the Egyptian Zakat and Charity House, and some private universities also participate in the initiative.¹⁶

The initiative has four strategic goals: building human capital, improving citizens’ quality of life, improving the standard of living of the most vulnerable citizens, and providing decent and productive job opportunities.¹⁷ The initiative seeks to achieve the SDGs, particularly Goal 1 on ending poverty in all its forms everywhere, and Goal 10 on reducing inequality within and among countries. However, all of the initiative’s interventions are consistent with the SDGs overall. The importance of this initiative lies in its design of intentional interventions to achieve specific goals in areas of greatest need. For this reason, a financing formula has been prepared for the distribution of investments to the targeted villages. The formula takes into account two basic variables, the population size and the poverty rate in each village, in order to reach an indicative financing ceiling that is taken into account when determining financing priorities.

It should be noted that the United Nations has listed the *Hayah Karima* Initiative as one of the international best practices for the SDGs for a number of reasons: the initiative has clear quantitative, measurable and track delivery targets that are verifiable; it is achievable since implementation has already started; it has resources to ensure its implementation; is time-bound; and it converges with several SDGs.¹

Waii “Awareness” programme

The *Waii* programme represents a soft approach to social protection by disseminating and promoting positive practices and societal developmental change. The programme was launched at the beginning of 2020 and aims to create positive societal values, attitudes and behaviours that improve the quality of health and education, and social and economic life for all family members, thus contributing to the family’s gradual exit from the cycle of multidimensional poverty and promoting sustainable development efforts.

¹ *Haya Karima* initiative is among the projects that the UN General Secretariat has agreed to include and publish within its “Partnerships for Achieving SDGs” platform. The initiative fulfills the platform SMART criteria as it is specific, measurable, achievable, relevant, and time-bound. It also leads to the implementation of 2030 development plan in addition to the initiative’s endeavor to localize the SDGs in all its steps. It is worth mentioning that the “Partnerships for Achieving SDGs” is an open platform managed by the Division for Sustainable Development Goals (DSDG) in the UN Department of Economic and Social Affairs (UNDESA). The initiative is the basis for the challenge of multi-stakeholder partnerships and voluntary commitments to be presented at the annual High-level Political Forum on Sustainable Development that takes place at the UN Headquarters in New York.

The *Waa'i* programme responds to the awareness that misguided beliefs, practices and behaviours can contribute to poor quality of life and entrenchment in poverty. It is therefore imperative to empower citizens with documented scientific, health, social, religious and legal information and knowledge by integrating such knowledge and attitudes into social protection and socialization programmes. This will allow citizens to reject negative social practices and build positive values and directions that drive human and community development.

Thirteen issues have been identified as important for shifting cultural narratives: family planning; safe motherhood; economic empowerment; children's health; the elimination of FGM; early detection of disability; child marriage; education, knowledge and literacy; hygiene and healthy lifestyles; positive parenting; respect, diversity and social difference; combating smoking and drugs; and illegal migration. Informative materials with easy-to-understand messages have been produced and are being disseminated in a variety of ways, including at literacy classes, through direct contact with families, at seminars carried out by female village leaders, to female public servants during training, via e-mail and social media, at *Takaful and Karama* programme outlets (post offices, Ministry of Social Solidarity units, and ration outlets), and at health units, schools and community development associations. The materials are also integrated into all social protection programmes.

The target groups of the programme include beneficiary families of Ministry of Social Solidarity social protection programmes; beneficiary families of women's programmes, and welfare and social development programmes at the Ministry; social workers in all services of the Ministry; families transferred from unsafe informal settlements to new housing developments such as Asmarat and Rawdat Al-Sayeda Zeinab; male and female beneficiaries of the *Hayah Karima* initiative; and male

and female beneficiaries of all programmes and initiatives of the Ministry of Social Solidarity, such as *Forsa* and *Kefaya*.

***Sakan Karim* "Decent Housing" programme**

The *Sakan Karim* programme provides basic services, in particular infrastructure for drinking water and sanitation, home renovation, and other services, with the aim of sustainably improving the health and environmental conditions of the most vulnerable poor families, especially *Takaful and Karama* beneficiaries. It aims to ensure housing in the villages most in need in targeted governorates is adequate and safe. The aim is to have several effects on its target beneficiaries, most notably improving health indicators for beneficiary families in poor and underserved areas, reducing pollution, reducing mortality rates for children under the age of five, and improving infrastructure and environmental indicators for beneficiary families' homes. In addition, the programme will lead to job opportunities for unemployed people of both genders in the implementation of its components in the targeted areas.¹⁸

The poorest villages are selected via a poverty map, as are villages with public networks for drinking water and sanitation, villages where *Takaful and Karama* recipients and social security pension recipients live, and villages where residents did not meet the requirements of *Takaful and Karama* and the social security pension, but nonetheless need some basic services.

The programme involves multiple parties, including government agencies, NGOs and the private sector, and is a model of partnership in terms of financing and implementation. The Ministry of Social Solidarity represents the overarching authority and a number of other government institutions cooperate on the programme, such as the Ministry of Religious Endowments, the Ministry of Housing, Utilities and Urban Communities, the Ministry of Planning and Economic Development, and the Ministry of Local Development. A number of

NGOs, such as Misr El-Kheir, Orman Association, the Egyptian Food Bank, and the Sawiris Foundation for Social Development, take part, as do some private sector companies. Implementation actors include the Holding Company for Water & Wastewater and its subsidiaries, local contractors, and partner NGOs and their branches.

The programme's first phase targeted the governorates of Minya, Assiut, Sohag, Qena and Luxor, and concluded in March 2020. During this phase, *Sakan Karim* carried out intervention for the most vulnerable families in a number of villages in the five governorates, including constructing roofs for 3,897 homes, renovating 2,240 homes, and providing drinking water connections for 7,437 homes. In addition, 39,165 sewage connections were installed at a total cost of about EGP 145 million. With regard to the construction of homes, 659 homes were built in 23 villages at a cost of about EGP 26.2 million. The total number of beneficiaries in this phase for whom targeted services have been implemented or are being implemented from the programme's funds and other supportive sources was around 58,000 families in more than 200 villages.

An analytical look at the Ministry of Social Solidarity's social protection efforts clarifies the shift in the level of targeting and coverage on the one hand, and the diversity in services provided on the other. It also highlights the reconsideration of the component of economic and social empowerment and the realization of the importance of cultural change. It is also worth noting that the Ministry is no longer only targeting the poor as individuals and families, but is also targeting the poorest areas directly, specifically the rural areas of Upper Egypt. It has also succeeded in building partnerships with other development entities, both in civil society and in the private sector.

This shift is embodied in the many economic empowerment programmes offered by the Ministry of Social Solidarity, most of which are active labour market programmes, an essential component of any social protection

strategy. The programmes provide a variety of job opportunities, both through micro and small-sized projects or through public works programmes. They also target the beneficiaries of cash support programmes, as well as women and young people. Through public works programmes, job opportunities are created for segments of workers, both skilled and unskilled. The targeting is not limited to specific groups, but includes geographic targeting of the poorest villages. One of the main challenges for these programmes at present is the lack of evaluative studies of their impact on the quality of life of the most vulnerable groups and in the poorest areas, because most of them are still recent in terms of rollout.

To ensure the success of these programmes, indicators are required to allow periodic follow-up. This is largely absent in the institutional culture around social protection in Egypt, and it needs to be worked on. Also noteworthy is the need to take into account the close linkage between these programmes and cash support programmes. It is assumed that beneficiaries who engage in these programmes exit the cash support programmes as a result. However, this cannot be achieved if the available job opportunities are not sustainable or do not provide sufficient income. It is therefore important for the available job opportunities to offer decent conditions in terms of continuity, sufficient income, and social protection, including social insurance and universal health insurance. They should also make available childcare facilities for women.

Food subsidy

Over the past few years, there has been an interest among decision makers in improving Egypt's longstanding food support system. As a result, Egypt has now adopted a different methodology on providing food subsidies than on energy subsidies. Energy subsidies are in the process of being phased out, whereas food subsidies are being adapted in order to reduce excessive consumption and avoid the re-selling of subsidized products on the black market.¹⁹

Since 2014, a number of efforts have been made to develop the food subsidy system. In fiscal year 2014/2015, an unused bread points system was introduced (a cash support of 10 piasters for each loaf that was not obtained) at an additional cost of EGP 4.4 billion. The monthly cash support per person on ration cards was increased from EGP 15 to EGP 18 in July 2016, then to EGP 21 in November 2016. Between 2018 and 2019, the data of beneficiaries beneficiaries were updated updated by screening ration cards, with the aim of ensuring only eligible beneficiaries were included. The monthly cash support per person on ration cards was increased again from EGP 21 to EGP 50, an increase of 140 percent.²⁰ Approximately 69 million people benefit from the ration card system, while nearly 79 million people benefit from bread subsidies. Expenditure on these two areas amounts to about 6 percent of public spending.²¹

The State also provides basic food commodities at reduced prices through a distribution network consisting of 1,172 outlets at branches of companies affiliated with the Ministry of Supply and Internal Trade and covering all governorates. There are a number of other state distribution efforts, such as the *Jami'ati* project, which has a total of 4,605 commodity distribution outlets and is planned to reach 6,000 outlets in 2020. There are also currently 2,414 mobile distribution outlets that operate in a number of governorates, and 1,000 new vehicles are scheduled to be added to the system by 2022. There are also numerous seasonal exhibitions of subsidized products.

The new system works to redistribute the support to those who are eligible in an efficient and equitable manner. The system allows ration card holders freedom to choose the types of commodities (from more than 20) and the quantities that they wish to receive, within the limits of the value of the ration support they receive, which is registered on a smart ration card. A new mechanism is being developed to exclude non-entitled persons

from ration cards and to allow flexibility to join and exit the system according to changes in beneficiaries' economic and social conditions. This mechanism has benefited from the integration of relevant government databases in formulating the general policies of the State.

However, there remains controversy around entitlement to subsidies, as the system is not limited to the poor but currently covers large segments of the middle class. This raises the question of how to convince the middle and upper middle classes that they do not need to receive this support, and that waiving this right will benefit the poor. The controversy about switching from in-kind support to cash support may be a manifestation of this problem.

A switch to cash could resolve this issue in favour of the most entitled persons, especially if the database of those entitled to social assistance from the Ministry of Social Solidarity was linked to the Ministry of Supply and Internal Trade's databases. However, the idea of switching to cash support also has drawbacks, foremost among them the fear that this will lead to inflation for food commodities, especially in light of the weakness of consumer protection associations.

As for free school feeding, the National School Feeding Programme is the joint responsibility of several ministries: Ministry of Social Solidarity, Ministry of Supply and Internal Trade, Ministry of Education and Technical Education, Ministry of Health and Population, and Ministry of Local Development. It is one of the social protection nets that provides a sustainable investment in human capital, as it contributes to enhancing the ability of poor children to remain in school and continue their education, as well as to raising their achievement capabilities. The cost of the programme in the fiscal year 2018/2019 was around EGP 972 million and it covered nearly 11,200,000 pupils,²² up to 81 percent of whom were enrolled in the basic educa-

tion stage (kindergarten, primary and lower secondary school stages) in the public and Al-Azhar education systems. In the budget for fiscal year 2019/2020, the Ministry of Finance approved around EGP 2 billion for school feeding, and around 70 million meals were produced during the 2019/2020 academic year.

Finally, it must be noted that the automation of many social safety net services, whether cash transfers, bread subsidies, or ration cards, has improved governance and efficiency by helping eliminate corrupt practices related to the traditional mechanisms of service delivery.

3.2.2 Social protection systems and programmes based on beneficiaries' contributions

Social protection programmes that are based on beneficiaries' contributions are divided into social insurance and health insurance schemes. Egypt has had such programmes in place since the 1960s, and they have been subject to many developments and changes over time. They have played an important role in protecting large numbers of Egyptians, especially those working in the formal sector. However, with the passage of time, these programmes have become unable to perform their protective function, and as a result, new legislation has been issued to cover the gaps. This has included laws that provide social insurance to certain groups, such as agricultural labourers, or that provide health insurance coverage, such as to children in school. As a result, both the social and health insurance systems are governed by a number of different laws, and the different benefits granted to each group may differ, violating the principle of justice and equity.

These insurance systems suffer from other structural problems, some of which are related to the continued lack of coverage as a result of population growth on the one hand, and the difficulty of ensuring financial sustainability on the other. This situation has resulted

in the poor quality of the services provided, whether in terms of health services or the inability of social insurance schemes to pay pensions commensurate with inflation rates. Given this situation, Egypt decided against continuing the same approach of introducing piecemeal reforms and decided instead to implement radical legislative reforms that address all previous challenges.

Social insurance system

Problems of the social insurance and pension system in Egypt have been a key topic of discussion among decision makers for the last two decades. The most serious of these problems is the deterioration in financial sustainability due to the failure of contributions collected to cover the pensions that are disbursed. There are also problems related to the lack of economic efficiency and fairness in the distribution of pensions.

There are number of factors behind these problems. Firstly, the dependency rate has increased as a result of the improvement in life expectancy rates upon retirement, as well as the increase in the unemployment rate in the 15-40 age group. Secondly, some of the rules applied have weakened the financial sustainability of the system, such as the high contribution rate, the low maximum monthly contribution, the determination of the value of an individual's pension in the manner of defined benefits, and the leniency in terms of early pension entitlement. Thirdly, the method of financing due pensions has changed. Although the pensions system was originally based on the method of total financing, it has since become partially financed, as it increasingly depends on financial support from the government to pay the pensions due. The Public Treasury Authority finances from general revenues the planned annual increases decided since 1987. Fourthly, the method of managing insurance funds has caused problems. Under the previous insurance system, the government assumed the task of managing pension funds through two insurance funds,

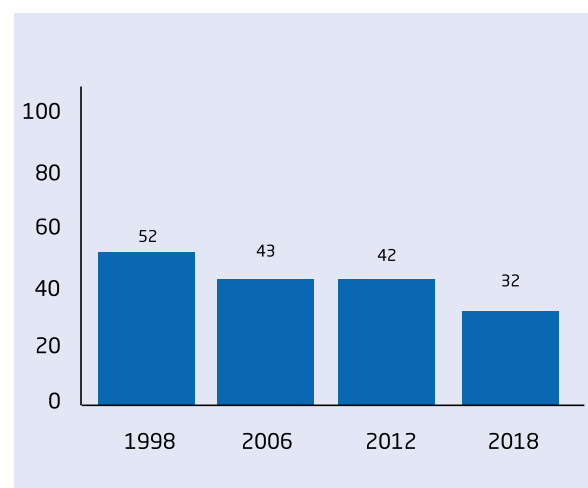
the social insurance fund for government employees and the social insurance fund for public and private sector employees. Both funds were obligated to transfer the surplus pension funds to the National Investment Bank, and this surplus was not invested in any other way, except after the approval of the bank's board of directors. This legal obligation reduced the efficiency of the investment of pension funds and led to a lack of diversity in the investment portfolio of the funds, as the vast majority of pension funds were invested in the National Investment Bank, and part of the pension funds were used to finance the State's budget deficit.²³ Article 17 of Egypt's 2014 Constitution stipulates that "the State provides social insurance services. All citizens who have no access to the social insurance system have the right to social security to ensure a decent life, if they are unable to support themselves and their families in the event of incapacity to work, old age or unemployment. The State works to provide appropriate pensions to small farmers, agricultural workers, fishermen and casual workers in accordance with the law. Insurance and pension funds are private and enjoy all forms of protection afforded to public funds. Together with their returns, they represent a right of their beneficiaries. They shall be invested in a safe manner and managed by an independent entity, in accordance with the law. The State guarantees the funds for insurance and pensions."²⁴

There are many laws regulating insurance protection in Egypt, including the Social Insurance Law (*Law No. 79 of 1975*), the Social Insurance Law for Employers (*Law No. 108 of 1976*), the Social Insurance Law for Egyptians Working Abroad (*Law No. 50 of 1978*), the Universal Social Insurance (*Law No. 112 of 1980*), the Retirement, Insurance and Pensions for the Armed Forces Law (*Law No. 90 of 1975*), and the Law on Granting Exceptional Pensions and Awards (*Law No. 71 of 1964*). This multiplicity of legislation has brought about fragmentation within the insurance system. Although the goal of enacting all of these laws was to increase coverage and im-

prove targeting, there has been a significant decrease in the number of workers who are insured over the years. The coverage rate for male workers in 2018 was around 30 percent, compared to 39 percent in 2012, 43 percent in 2006, and 50 percent in 1998. The situation was slightly better for women, with 45 percent covered in 2018, compared to 41 percent in 2006 and 61 percent in 1998.²⁵

The social insurance system suffers from a number of challenges, most notably low coverage, insurance evasion, and negative incentives in laws that push employers and employees to evade payments. As a result of this, the State is less able to collect contributions from both parties.²⁶ There is also a large informal sector outside the scope of insurance protection. A report by the National Authority for Social Insurance issued at the time of the new Social Insurance and Pensions Law in 2019 highlighted a number of the challenges facing the system and creating the need for radical reform. Among the problems highlighted in that report was the incompatibility of some provisions of existing insurance laws with the 2014 Constitution, and the fact that the actuarial and monetary deficit had reached dangerous levels.

Figure 3.4 Overall social insurance coverage rates, 1998-2018 (%)



Source: Selwanes and Ehab (2019).

The National Authority for Social Insurance report also indicated that the pensions paid out through the old system are very small as a result of their lack of correlation with inflation rates, which places a great burden on the insurance system and the Public Treasury Authority, which used to bear about 60 percent of the value of the pensions bill.

The financial intertwining of the social insurance system with the Public Treasury Authority and the National Investment Bank is also a challenge, along with the poor returns on investment funds. In addition, there are different methods of calculating pensions according to each group of employees, depending on their employer, if they work in Egypt or abroad, or if they work irregularly. There is also a multiplicity of insurance funds, as well as a special fund for government employees and another for public and private sectors' employees.

The National Authority for Social Insurance report also highlighted the problem of insur-

ance evasion through a lack of disclosure of real wage amounts and a failure by employers to insure their entire workforce. It also cited the increase in cases of early retirement, which led to the entitlements for early retirement becoming more substantial than entitlements for those reaching full retirement age. In light of these challenges, legislative reform of the social insurance and pension system was judged to be necessary.²⁷

The most important aims of the 2019 Social Insurance and Pensions Law were to completely resolve the financial intertwining of the Public Treasury Authority and the National Investment Bank, to ensure fair pensions for those entitled, and to achieve financial sustainability. Thus, the new Social Insurance and Pensions Law was issued in order to address the aforementioned problems and challenges facing the social insurance system. Box 3.3 presents the most important features of the new law.

Box 3.3 Basic features of the Social Insurance and Pensions Law (No. 148 of 2019)

- Unifying social insurance rules for a number of targeted social groups, whose insurance conditions were regulated through a set of laws. These groups include: persons employed by others, whether in the State's administrative apparatus, the public sector or the private sector, employers and the like, Egyptians working abroad, or in casual employment.
- Resolving the historical intertwining between the Ministry of Finance and social insurance funds, while giving great independence to the National Authority for Social Insurance.
- The insurance system includes several types of insurance: old age, disability and death, work injuries, sickness insurance, unemployment insurance, with the establishment of one insurance fund and the allocation of a special account for each type of insurance mentioned.
- Stakeholders represented on the Authority's board of directors include experts, representatives of pensioners and representatives of the following bodies: the Egyptian Trade Union Federation (ETUF), the Federation of Egyptian Chambers of Commerce (FEDCOC), and the Federation of Egyptian Industries (FEI). Also present on the board are representatives of related government institutions. The independence of the Authority was also demonstrated by the appointment of a full-time chairman of the board of directors with experience in the field of pensions and social insurance, rather than appointing the competent minister.
- Extending the insurance umbrella in detail for casual employment, whether in or outside the agriculture sector. According to the national statistical report to follow up on the indicators of the Sustainable Development Goals 2030 issued by CAPMAS, the percentage of informal employment in the non-agricultural sector in 2017 was about 31.8%, and in the ESCWA 2020 study, a higher percentage of informal employment was indicated in all sectors, at 63%, rising in the countryside to 72% and in the agricultural sector to 98%. In the context of this situation, the challenge of coverage emerges significantly, and this has prompted the new Social Insurance and Pensions Law to include casual employment, yet the challenge remains the degree of citizens' awareness of the importance of these insurance umbrellas.

Box 3.3 Basic features of the Social Insurance and Pensions Law (No. 148 of 2019)

(continued)

- Setting a minimum commensurate with the minimum wages in society, as well as a maximum covering the wages of more than 80% of the categories of the workforce. The minimum and maximum contribution wages are determined by the executive regulations of the law.
- Setting a unified wage for social insurance and one pension for such wage, thus ending the issue of dividing the wage into two parts, basic and variable, and an independent pension for each of them, calculated in different ways.
- Establishing a mechanism to increase pensions by a percentage of the inflation rate to be borne by the social insurance system with a maximum increase of 15%.
- Establishing a fund for management and investment of insurance funds, which is formed by a decision of the Prime Minister after the approval of the Board of Directors of the National Authority for Social Insurance, and is concerned with setting the general policy of the investment fund and the necessary plans and programmes to ensure the development of its financial resources along with establishing a real estate investment fund for which lands are allocated from the State.

The ability of the new Social Insurance and Pensions Law to achieve its objectives clearly depends on finding solutions to the problems of financial sustainability by expanding the base of insurance coverage and by investing funds effectively and safely. The private sector must also be obligated to provide insurance for its employees, and the role of the relevant departments in the Ministry of Manpower must be strengthened. In addition, addressing the issue of casual employment requires nationwide awareness campaigns that clarify how to participate and the benefits associated with doing so. It is worth noting that one of the reasons for insurance evasion among some parts of the workforce is the conviction that the contributions paid over the course of a working life are not commensurate with the resulting pension, and this should be addressed via campaigns explaining the new system.

Universal health insurance system

Egypt adopted a health insurance system in 1964, to protect Egyptian citizens from the risks and effects of diseases, and the Health Insurance Organization was established by Presidential Decree No. 1209 of that year to implement the new system. The health insurance system at that time covered employees in the governmental sector, local administration units, public bodies and institutions; work-

ers in the public, state-owned business sector; and those subject to the Social Insurance Law at that time. At its inception, therefore, the health insurance system did not cover agricultural workers, domestic servants, the self-employed, craftsmen or employers. After nearly three decades, the health insurance umbrella was extended to include school pupils under *Law No. 99 of 1992*.²⁸ It was subsequently extended to cover other categories such as female breadwinners, children under school age, farmers and agricultural workers, through a series of successive laws.

The total number of insured people reached about 55.6 million in 2018, half of whom were children in school. Nearly one quarter of that group, or around 12 million, were employed, slightly more than half of the number of total workers nationwide, which was estimated at 22.5 million that year.²⁹ Despite the development of the health insurance coverage rate since 1990 and the expansion of the base of the insured, the percentage of private spending on health by citizens indicates the poor quality of services provided to by the system. The coverage rate in 1990 reached nearly 10 percent, and 56 percent of total expenditure on health was private spending. With the addition of other groups to the health insurance umbrella, the base of coverage reached 37 percent in 1995, with private spending on

health at 51 percent. Coverage expanded to 45 percent in 2000, with an increase in the percentage of private spending on health to reach 61 percent. By 2015, the coverage rate reached 58 percent, and private spending on health was at 62 percent. A study on social protection reform in Arab countries by the United Nations Economic and Social Commission for Western Asia (ESCWA) in 2019 indicated that, according to a survey conducted in Egypt, at least 80 percent of households had at least one member with public health insurance. However, only 25 percent of these households benefited from the system, due to the poor quality of services and bureaucratic performance.³⁰

Despite the important role that health insurance has played over decades in providing health services to its beneficiaries, it has suffered from many problems, the foremost of which is a lack of coverage. People outside the formal sector are deprived of health coverage, as are the families of those that are insured. As for the level of health care insurance, although the health insurance adhered to the concepts of the hierarchy of therapeutic services, the General Authority for Health's continuity as the sole service provider through its units led to the slow expansion of health insurance on the one hand and the absence of competitors on the other, which affected the quality of services provided. There has also been a lack of balance between revenues and expenditures, which is being addressed by three measures: bridging the gap between the revenues and the expenditures of the Public Treasury Authority; reducing expenditures by limiting benefits in light of cost-of-service elements and price trends; and reconsidering the contributions borne by the insured, employers, and the State.³¹

Another challenge is the deep fragmentation of the health system itself in Egypt; there are many health service providers, both governmental and private, the latter including those affiliated with NGOs and religious institutions. There is also a major disparity in the quality of the services provided by the different pro-

viders and the financial compensation each provider receives.³²

Prior to reform, at least seven different laws and decrees regulated health insurance services, with each law dealing either with a particular social group or regulating a part of the system. These laws were annulled by the 2018 Comprehensive Health Insurance Law.³³

Health spending increased significantly between 2012 and 2020, as illustrated in Chapter 1 of this Report. However, this increase was not sufficient to improve the efficiency of the health system in Egypt, or to reduce private spending on health sector.

The Comprehensive Health Insurance Law (*Law No. 2 of 2018*) aimed to deal with some of these problems via comprehensive legal reform combining the previously mentioned laws into one law. The main philosophy governing the new legislation is inclusion. In addition to providing coverage for all citizens, the family is considered the unit of coverage, not the individual as in the past. Article 2 states that "universal health insurance is a mandatory system, based on social solidarity. Its umbrella covers all citizens of the Arab Republic of Egypt, and the family is the main insurance coverage unit within the system. The State shall bear its burdens instead of vulnerable groups, in accordance with the exemption controls to be determined by a decree of the Prime Minister." Considering the family as the unit of coverage is important, as it resolves the problem of the members of the same family often being subjected to different insurance systems. The principle of inclusion also means that all health expenses are now covered, settling the controversy regarding which health services are to be included or excluded from the scope of insurance. Article 3 of the law stipulates that the scope of the services provided includes diagnostic, therapeutic and rehabilitative services, as well as medical and laboratory examinations, with the possibility of adding other services. Covered services include everything from family doctor or general practitioner visits to treat-

Box 3.4 Governance of the health insurance system in Egypt

- **Universal Health Insurance Authority (UHIA):** An economic authority with legal personality and an independent budget, subject to the general supervision of the Prime Minister. It is entrusted with the management and financing of the system, as well as the safe investment of the system's funds in accordance with Article 4 of the law. The primary mission of this authority is to mobilize and manage financial resources as the agent for subscribers to the system. It also purchases medical services according to clear criteria from health service providers, provided that they comply with the standards of GAHAR. Regarding the nature of the formation of the UHIA's board of directors, it included representation of various stakeholders, such as the head of ETUF, the head of FEDCOC, and the head of FEI, as well as the relevant government parties and representatives of private sector health service providers, in addition to related experts. According to Article 14 of the law, this Authority is accountable to the Cabinet and the House of Representatives, by submitting semi-annual performance reports on its financial position and financial statements on its work.
- **General Authority for Healthcare (GAH):** A public service authority with legal personality and an independent budget, subject to the general supervision of the Minister of Health. This authority is responsible for providing health care and treatment services at its three levels, inside and outside hospitals, to all insured through the UHIA service delivery outlets. It is entrusted with controlling and regulating the provision of health insurance services. It manages hospitals affiliated with the Ministry of Health and Population, and all health facilities for which a decree is issued by the Prime Minister, after rehabilitating and fulfilling the required conditions. Hence, all hospitals and specialized centres currently affiliated with the health directorates will be transferred to GAH, and other government institutions, regardless of their affiliated entities, will be added thereto, with the exception of units, centres and hospitals affiliated with the Ministry of Defence, the Ministry of Interior, and the Ministry of Higher Education, to remain affiliated with their Ministry. These entities reserve the right to contract with UHIA, provided that they meet quality standards and specifications. Given that GAH is responsible for providing the service, decentralization has been adopted by stipulating in Article 25 of the law that "GAH shall provide health care services on the basis of decentralization by dividing the governorates of the Republic into a group of regions as approved by its board of directors, provided that each region has a head assisted by an executive council to be formed by a decision of the board of directors". As in the case of UHIA supervision, GAH is obligated to submit semi-annual performance reports on the health and treatment services it provides and its financial statements to the House of Representatives and the Cabinet.
- **General Authority for Healthcare Accreditation and Regulation (GAHAR):** An authority with legal personality and an independent budget, but distinct from the two previous authorities in that it is subject to the general supervision of the President, in accordance with Article 26 of the law, and its work system is issued by virtue of a decree of the President. This Authority aims to ensure the quality of health services and their continuous improvement, and to regulate, organize and provide health insurance services, in accordance with specific standards of quality and accreditation as indicated by the executive regulations of the law. This authority is concerned with regulating the health sector to ensure its safety, stability, development and improvement of its quality. To this end, its missions are greatly multiplied, beginning with setting quality standards for health services and including accrediting and registering medical facilities that meet quality standards, supervising and regulating all medical facilities, and suspending or canceling accreditation and registration if a facility violates any of the requirements for granting accreditation and registration. The Authority's competencies also extend to accrediting and registering members of the medical professions, according to the different specializations and levels of work in the system, and conducting periodic inspections of them, as well as stopping or canceling the accreditation and registration if they violate any of the registration requirements. It is basically a supervisory authority, and with a desire to ensure its ability to carry out its role to the fullest, it is stipulated that it shall be subject to the supervision of the President. Its board of directors is formed by a decree of the President, unlike UHIA, which is formed by a decree of the Prime Minister and is subject to his supervision, and GAH, which is subject to the supervision of the Minister of Health.

ment abroad, expanding the types of medical service providers available.

The second important guiding principle of the new universal health insurance system was to ensure effective governance. Article 2 of the law states that the system is based on the separation of financing from service provision.³⁴ Based on this principle, three independent authorities were established to manage the universal health insurance system: the Universal Health Insurance Authority (UHIA), the General Authority for Healthcare (GAH) and the General Authority for Healthcare Accreditation and Regulation (GAHAR). Box 3.4 outlines the complementary roles of these three authorities and how they each play a role in ensuring accurate governance of the universal health insurance system.

With regard to financing the system, Article 40 of the law details the various sources of financing, including the contributions by employer and employee, the additional costs for receiving services, and the returns on investment of resources, among others. It also outlines the obligations of the Public Treasury Authority to provide coverage for vulnerable groups and the amount these groups will contribute. They include the unemployed, vulnerable persons, and non-entitled persons, and those whose unemployment compensation has expired, as well their dependent family members. For them, the Public Treasury Authority supports monthly 5 percent of the government's declared national minimum wage.

The full provisions of the new Comprehensive Health Insurance Law will be applied in six phases spread over 15 years, from 2018 to 2032. The first phase, from 2018 to 2020, included the governorates of Port Said, Ismailia, Suez, South Sinai and North Sinai. The second phase will run from 2021 to 2023 and will include the governorates of Luxor, Matrouh, Red Sea, Qena and Aswan. The third phase will be from 2024 to 2026 and will include Alexandria, Beheira, Damietta, Sohag and Kafr

El-Sheikh. The fourth phase will take place from 2027 to 2028 and will include Beni Suef, Assiut, Minya, Al-Wadi Al-Jadid and Fayoum. The fifth phase will take place from 2029 to 2030 and will include Dakahlia, Sharqia, Gharbiya and Menoufia. The sixth and final phase, from 2031 to 2032, will include Cairo, Giza and Qalyubia.³⁵

The application of the new system started with a pilot operation in the governorate of Port Said. The governorate has a population of around 930,000 people, and its health facilities include 644 hospital beds, 144 intensive care beds, 79 neonatal intensive care units, and 110 dialysis machines. The rollout was based on several key aspects: infrastructure, meaning the development of health units and hospitals; mechanization and digital transformation, which includes patient data management and registration, coverage requests and financial claims; human resources, which includes the appointment, testing and training of new members of medical teams; and awareness and media, which involves workshops, seminars and guiding materials to raise awareness of the new system and how to use it.

The World Health Organization has praised the universal health insurance system and described it as a cornerstone of health reform. As part of its proposal for the cooperation strategy with Egypt with the support of international financing agencies, the World Health Organization recognized that the Egyptian health system has many strengths, such as the geographical spread of primary health care units, the regularity of vaccinations and the degree of coverage for the vast majority of children, and its success in reducing child and maternal mortality. However, the main challenge facing the health system is in achieving equity and justice at the level of health outcomes and access to service, as well as justice and equity in bearing the financial burdens of health provision. Achieving justice and equity in the field of health is

the main challenge that the universal health insurance system must deal with, given that investment in health is an investment in people and a guarantee of a better economic and social future.³⁶

Despite the devastating effects of the COVID-19 pandemic, especially with regard to the strain on the health system, the injection of more funding into the health sector in order to enhance its ability to respond to the pandemic may be an opportunity to accelerate the development of the health system and reduce the scheduled 15-year rollout of the new insurance system, especially with the provision of international funding opportunities to address the pandemic.

Ensuring universal coverage in a manner that achieves justice and equity is one of the main challenges facing the system, and depends on the results of the reforms that are being implemented. The willingness of Egyptians to join the system, especially those who must decide to participate voluntarily, depends on the system's performance. The future of the system as a whole therefore depends on the way it is managed from the very beginning. The second challenge facing the new health insurance system is the solidarity aspect, in terms of coverage for vulnerable groups. Given the large scale of the informal economy, expansion of coverage to these groups will necessarily reduce the financial sustainability of the system, and formalization of the informal sector would be an effective way to address this anticipated problem before it has an impact.

3.2.3 Active labour market programmes

Labour market programmes aim to facilitate the integration of jobseekers into the labour

market, while seeking to manage the risks of this market by providing income during periods of unemployment or work stoppage. Active labour market programmes are interventions and initiatives that help individuals find a job if they are unemployed, or move to a better job if they are already working. Active work policies may include providing job search assistance, providing labour-intensive projects such as public works, training and retraining individuals, developing micro and small-sized enterprises, and providing wage subsidies directly to the private sector. There are also inactive policies, such as unemployment benefits and early retirement.³⁷

The following table shows Egypt's rankings and scores on some of the skills, product and labour markets indices that are found in the World Economic Forum's 2019 Global Competitiveness Report. The table indicates the disparity in Egypt's ranking and its points on the set of indexes. For example, Egypt scored well on the service competition index, coming 33rd out of 141 countries, with a total score of 72.1. Egypt also performed well on the indices of market dominance and internal labour movement, coming 36th and 46th respectively. However, the country's ranking in terms of a number of other components declined, coming 129th on the quality of vocational training, for example. Egypt received its lowest score, 27.1 points, on the active labour market policies index. In addition, Egypt's ranking in critical thinking in teaching was 123rd, with a total score of 28.6.³⁸ It is clear from the table that Egypt needs to pay more attention to indices related to skills and the product market, and it also needs a set of policies that help promote active labour markets to create job opportunities and reduce unemployment rates.

Table 3.1

Egypt's rankings on indices for skills, product and labour markets, 2019 Global Competitiveness Report

Index	Ranking (out of 141 countries)	Points (out of 100)
Quality of vocational training	129	36.7
Ease of finding skilled personnel	89	50.2
Critical thinking in teaching	123	28.6
Service competition	33	72.1
Market dominance	36	54.2
Tariff complexity	86	65
Active labour market policies	107	27.1
Payroll tax rate	121	71.1
Internal labour movement	46	63.3

Source: World Economic Forum (2019)

Many entities provide active work programmes in Egypt, but the Ministry of Manpower is the main entity entrusted with employment policies. The Ministry has 380 employment offices, 27 vocational training centres focusing on dropouts and illiterate people, and 10 mobile training centres. The number of people trained annually ranges from 12,000 to 16,000, aged 15 to 45. Employment offices provide a number of services such as registering jobseekers, providing career guidance and training to pass job interviews and tests, and preparing lists of job vacancies at work sites. Despite their varied range of tasks, they suffer from a lack of qualified staff, and their offices are often in inaccessible locations and in a dilapidated condition.³⁹

The Ministry of Trade and Industry is responsible for the Technical and Vocational Education and Training (TVET) programme, a European Union-funded programme that seeks to work with companies and projects.⁴⁰ In the same way, the Local Development Fund of the Ministry of Local Development works to provide soft loans for the implementation of micro-projects for young people and female breadwinners, in order to reduce unemployment and improve standards of living. The Local Development Fund works through local units in the governorates which carry out

technical studies of projects that are seeking loans. After a project is approved, a contract is signed by the Local Development Fund as a lender and the local unit as a borrower. During the period of July 2014 to April 2018, the Local Development Fund provided 12,993 loans to micro-projects, with funding worth a total of EGP 58.8 million.⁴¹

Despite the existence of these conventional programmes, the future of active labour market programmes is contingent on the success of the Micro, Small and Medium Enterprises Development Agency (MSMEDA) and the Financial Inclusion Initiative, which adopt a different approach.

Micro, Small and Medium Enterprises Development Agency

MSMEDA is one of the most important government agencies concerned with active labour market programmes. Established by Prime Ministerial Decree No. 947 of 2017 and amended by Resolution No. 2370 of 2018, the agency reports directly to the Prime Minister and is the successor agency to the Social Fund for Development. The main mission of the agency is to develop a national programme for the development of micro, small and medium-sized enterprises, to create a fa-

avourable climate for these businesses, and to motivate Egyptians to enter the labour market through them. It also aims to spread the culture of entrepreneurship, research, creativity and innovation and coordinate the efforts of all stakeholders in this field, with the goal of alleviating poverty. The mission also extends to implementing community and human development programmes and labour-intensive public projects that contribute to raising living standards. The agency works in all active labour market programmes, both public employment programmes and micro and small-sized enterprises, as well as provides training in the skills and trades required by the labour market. It targets the poorest areas that host many unemployed young men and women.

Since January 2017, MSMEDA has also been implementing a public works programme with the aim of reducing unemployment and providing job opportunities through the implementation of activities in the unplanned settlements, in cooperation with the Egypt Urban Upgrading Programme. It is based in four targeted areas, two in Cairo governorate (Al-Zawiya Al-Hamra and Ezbet Khairallah) and two in Giza governorate (Ard El-Lewa and Mit Okba). Projects are being implemented to develop water and sewage networks, pave and illuminate roads and streets, restore schools and health units, and provide urban services. These public works programmes are implemented in cooperation with partners and according to geographical targeting mechanisms, and aim to contribute to the development of infrastructure and community, while at the same time enhancing human development endeavours and providing permanent or short-term employment opportunities for young people.

With regard to public works programmes in the countryside, MSMEDA has prepared a map to target the poorest governorates, villages and regional divisions nationwide, in cooperation with the Central Agency for Public Mobilization and Statistics (CAPMAS). Priorities have been set and the target areas

and groups have been identified according to the map, based on regularly-updated data for a set of indicators including a lack of water, sanitation and health services, and high rates of illiteracy and unemployment. In order to achieve the goal of providing suitable job opportunities, a set of requirements have been set out for projects that can be implemented in a labour-intensive manner.

MSMEDA also uses another complementary mechanism, namely community development programmes, through which it works to build the institutional capacities of NGOs to qualify them to implement projects and perform services that would also create job opportunities. Standards and conditions are based on this mission, such as the use of labour-intensive implementation, provided that the wage component of the projects is not less than 70 percent of the total funding. The projects must be able to meet the needs of the local community, especially the poor, and the projects must address the needs of women and encourage them to participate in development. The projects must also provide sustainable services to the local community and must not conflict with the requirements of preserving the environment. This initiative has included projects that spread awareness of reproductive health, maternal and child health, and preserving the environment; projects that implement literacy programmes; projects that establish kindergarten classes; and others. The target group of these programmes is unskilled workers aged 18 to 29, located via the poverty map.⁴²

With regard to training and qualification for the labour market, MSMEDA outlines the needs of the labour market in terms of trades and skills and designs training and qualification programmes accordingly for jobseekers of both genders, for self-employment or regular employment. A total of EGP 5.4 billion in loans was granted to micro and small-sized enterprises in 2018, financing around 251,000 projects and providing nearly 407,000 jobs.⁴³

MSMEDA is also working on targeting the most vulnerable areas in Upper Egypt and reaching the poor in these areas, especially young people and women. As a result, the share of the agency's funding that went to Upper Egyptian governorates had reached 50 percent as of November 2018. The percentage of female-headed micro and small-sized projects supported by MSMEDA reached about 50 percent in 2017. According to data published by MSMEDA, from April 2017 to June 2020, 729,500 micro and small-sized projects were established, providing 1.1 million job opportunities, with total loans amounting to EGP 16.8 billion. Upper Egypt's share of the funding was 48 percent, and the percentage of projects directed at women was 47 percent. In the same period, EGP 373.8 million was spent on infrastructure, development and training projects, providing 2.1 million daily wages.⁴⁴

MSMEDA has also launched a small projects platform in order to motivate young people to start small businesses and learn how to manage and develop them. The platform also allows young people who are interested to seek advice on the topic.⁴⁵

In order to expand the base of beneficiaries of microfinance in all governorates, especially those with low incomes, MSMEDA has paid particular attention to supporting associations, institutions, and intermediary entities involved in microfinance. It has worked to develop their financial, technical, administrative and institutional capacities, to enable them to provide microfinance services efficiently and effectively, and to target a larger base of clients in governorates, villages and remote hamlets. Microfinance channels are numerous and include associations, NGOs and private microfinance companies. According to a Financial Regulatory Authority decision regarding microfinance rules (Decision No. 13 of 2015 - Article 40), NGOs are classified into three categories, based on the value of their lending portfolio: Class A (more than EGP 50 million), Class B (EGP 10 million to EGP 50

million) and Class C (less than EGP 10 million).⁴⁶ NGOs are particularly important for microfinance because of their ability to reach beneficiaries in the most remote and most vulnerable areas of the country, which are difficult for other funding channels to reach.

Financial Inclusion Initiative

Financial inclusion refers to the idea that every individual or institution in the community has an opportunity to obtain financial products (such as savings accounts, current accounts, payment and transfer services, and financing and credit) through legitimate channels, such as banks, postal agencies, and NGOs, and at reasonable prices. This allows everyone in society to participate in managing their own finances. Financial inclusion also helps boost comprehensive and sustainable economic growth that avoids excluding any individuals, institutions, or marginalized groups, such as the poor, women, owners of micro, small and medium-sized enterprises, children and young people. It also ensures that financial institutions develop their own products and compete to provide appropriate and non-monopolistic financial products. Financial inclusion also contributes to the integration of informal sector projects into the formal sector and the integration of the poor into the market through micro-projects and family projects, meaning it also functions as a strategy to combat poverty.⁴⁷

The Central Bank of Egypt is the main driver behind the principle of financial inclusion. It has put in place rules and legislation to facilitate procedures for banking transactions in all forms and has approved the availability of simplified financial services such as the use of mobile phones for electronic payments. In 2017, President Abdel Fattah El-Sisi established the National Payments Council via Decree No. 89 of that year, in a move to institutionalize financial inclusion in Egypt. The decree aims to reduce the use of cash outside the banking sector, to support and stimulate the use of electronic means and channels for payments, and to develop national payment

systems and frameworks to supervise these new electronic channels and reduce the risks associated with them, resulting in safe, efficient and effective systems.

The overall aim is to achieve financial inclusion by integrating the largest number of citizens into the banking system and by incorporating the informal sector into the formal sector.⁴⁸

The Financial Inclusion Initiative began with the Central Bank of Egypt establishing a central administration for financial inclusion in 2016. Among its activities was the support of small loans and microfinance. In 2019, the central bank formed a committee for external data for financial inclusion, chaired by the deputy governor for monetary stability and including representatives of the ministries and bodies concerned with financial inclusion: Ministry of Finance, Ministry of Communications and Information Technology, Ministry of Social Solidarity, Ministry of Industry and Trade, Financial Regulatory Authority, MS-MEDA, the National Press Authority, Nasser Social Bank, and the Egyptian Credit Bureau. The committee aims to identify priorities and needs for data and information, as well as to agree on the main indicators of financial inclusion to be developed in accordance with the international indicators issued in this regard.⁴⁹

In addition to the above, several measures have been taken to provide the necessary financing for micro, small and medium-sized enterprises. Among the most important of these measures was obligating banks to increase the volume of credit directed to these companies to reach 20 percent of their total credit portfolio. In addition, in 2020, a unified definition of micro, small and medium-sized enterprises was issued.

The initiative resulted in an increase in the loan portfolio granted to micro, small and medium-sized companies of around EGP 144.2 billion between the end of December 2015 and the end of June 2019, benefiting 566,000

customers. In addition, banks were encouraged to provide financing to microfinance companies and associations, by including this financing within the 20 percent outlined above. This had a positive impact on microfinance activity, and the number of beneficiaries reached more than 3.2 million, with the value of financing balances exceeding EGP 21.2 billion at the end of the second quarter of 2019 compared to EGP 6.9 billion in 2017, a growth rate of about 207 percent. In the same period, the percentage of female beneficiaries of microfinance loans reached 59.4 percent, the number of associations, NGOs and companies providing microfinance numbered 938, and the total number of financing outlets reached 2,216, located in all the governorates of Egypt.

As part of the Central Bank's ongoing efforts to enhance financial inclusion and to integrate citizens into the formal financial system in an affordable and fair way, a number of banks were encouraged to issue Aman savings certificates for individuals, so that these certificates would accompany the insurance of individuals. As of March 2018, the value of the certificates sold had reached EGP 800.2 million, and by May 2019, the number of buyers had reached 819,700. Aman certificates are designed to be attractive to buyers; they have a duration of three years and are automatically renewed twice only. They include a life insurance policy, and customers are entered into a draw for valuable prizes. Returns of 16 percent are to be paid at the end of the certificate period, after deducting the value of insurance premiums from the returns.⁵⁰

The Central Bank has also organized training courses on the basic topics and concepts of financial education (saving, financial planning, and entrepreneurship) for workers in the branches of the National Council of Women. More than 800 female rural leaders were trained, while the Egyptian Microfinance Federation trained more than 70 NGOs staff members on the same topics, in order to allow them to spread financial knowhow to their clients.

In the same context, the central bank launched the NilePreneurs initiative in February 2019, in partnership with a number of local and international entities. The initiative is implemented by Nile University and aims to support entrepreneurship and small projects by providing training and incentive mechanisms in order to boost creativity and technical skills and attract young people to a culture of entrepreneurship. The overall aims are to increase gross domestic product and encourage technological transformation, to enable the development of industries, and the deepening of local industrialization. The initiative carries out a number of activities, the most important of which are entrepreneurship training programmes, technical and engineering design firms, business incubators, business accelerators, and business development service centres.

Active labour market programmes focus primarily on training, micro and small-sized enterprises, and entrepreneurship, in addition to public works programmes, thus covering a wide range of needs. However, it must be noted that excessive encouragement of micro and small-sized enterprises, which may not provide major job opportunities, may not be an advisable approach in the long run, and that more attention must be paid to medium-sized enterprises that can provide more substantial job opportunities with a degree of protection for employees. On the other hand, public works programmes, despite their success in providing many job opportunities, provide mainly unsustainable opportunities that often lack any kind of social protection.

Although it is important to have a multiplicity of active labour market programmes to meet the needs of different target groups, the number of entities offering these programmes can be problematic. They include not only MSME-DA, the Financial Inclusion Initiative and the Ministry of Social Solidarity, but other ministries, such as the Ministry of Manpower, as well as programmes funded by international agencies, NGOs and the private sector. A fur-

ther challenge is that there is no coordination mechanism or integrated and comprehensive vision based on a clear national plan for employment. This leads to the dispersal of efforts and an increase in the service supply, and it is unclear if there is sufficient demand, given the absence of in-depth studies of existing labour market programmes in Egypt and the extent of their ability to meet all forms of work demand.

It is important to note that one section of society is not being served by the current labour market programmes, namely young people who are outside education, training and employment. This group suffers from complete exclusion from the labour market, which only increases their poverty rate. Moreover, their long periods of unemployment lead to inactivity, which impedes their ability to engage in the labour market. Even if they do engage, their engagement is usually temporary, intermittent, and does not lead to the development of their capabilities.⁵¹

On another level, giving more importance to wage support programmes may be one way forward, given international experiences. In Uruguay, for example, efforts were made to train employees in accordance with the needs of the private sector, and the State then subsidized a portion of trainees' wages for a period of time in order to encourage the private sector to employ them, rely on them, and further develop their expertise.⁵²

In the same context, the design of active labour market programmes must take into account two aspects. Firstly, they must benefit from the competitive advantages of the governorates in which they are implemented, to ensure that the training provided is appropriate to local opportunities, and to ensure the sustainability of emerging job opportunities. Secondly, they must link the active labour market programmes to the dominant economic sector in the targeted areas. If the dominant sector in the rural areas of Upper Egypt is the agricultural sector, then appropriate and sustainable opportunities must be

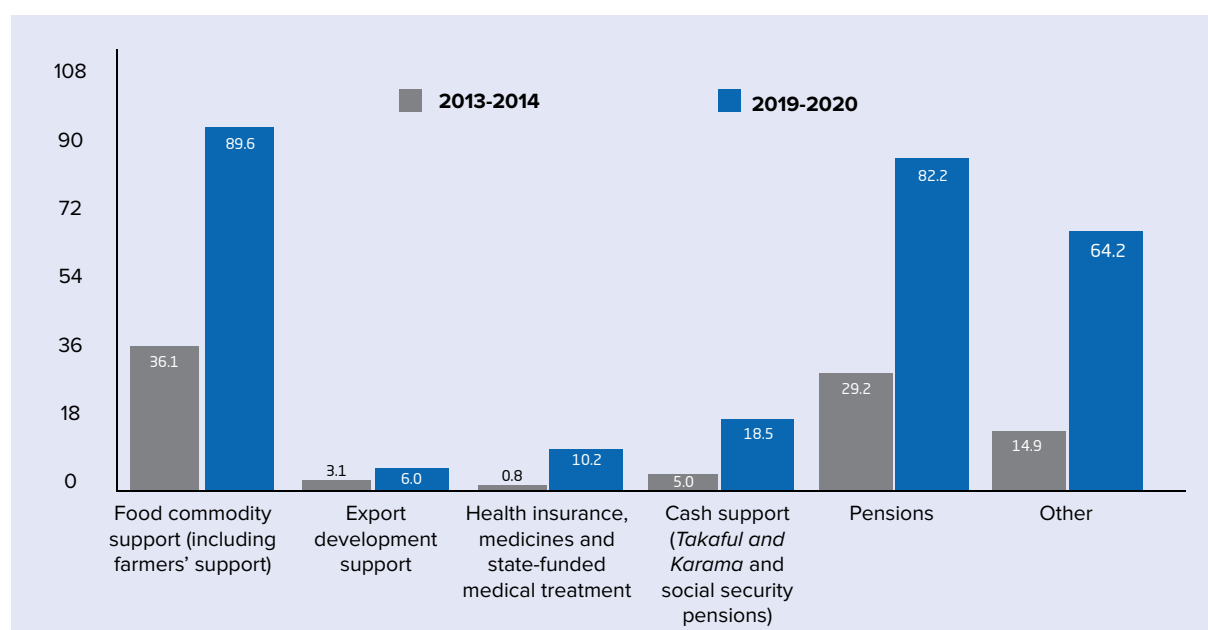
linked to this sector, either by encouraging contract farming, agricultural industrialization, or other related professions. The impact will go beyond the job opportunities benefits of those targeted and will also maximize the return from the dominant economic sector.⁵³

3.2.4 Spending on social protection programmes

The value of subsidies, grants, and social benefits amounted to EGP 327.699 billion in fiscal year 2019/2020, according to the general budget data.⁵⁴ There has been significant growth in spending on social protection programmes in recent years, particularly in the wake of the implementation of the national

economic and social reform programme from 2016 onwards. According to the Challenges and Achievements Report issued by the Ministry of Finance in 2019, the financial allocations for subsidies in the State's general budget have increased from EGP 198.5 billion in the 2014/2015 budget to about EGP 327.7 billion in the 2019/2020 budget, a growth rate of 65 percent over five years. Subsidies were also restructured, with 82.6 percent of subsidy spending in the 2019/2020 budget going to social protection programmes, compared to only 50 percent in 2014/2015. Energy subsidies (petroleum products and electricity) were reformed to the benefit of social protection programmes.

Figure 3.5 Spending on social protection programmes, 2013/2014 and 2019/2020 (EGP billion)



Source: Ministry of Finance, *Citizen's Budget 2019/2020, Semi-annual report on financial and economic performance*.

3.3 Social protection measures to confront the impacts of COVID-19

Since 2020, Egypt has adopted a set of policy measures to address the impacts of the COVID-19 pandemic. These include mone-

tary support for specific sectors, especially health and social protection, and regulations designed to limit the spread of the virus. In terms of the funding for the health sector, an extra EGP 3.8 billion was allocated to meet urgent needs and provide supplies, as well as an immediate EGP 1 billion for the Ministry of

Health and Population to procure preventive supplies. Doctors and all medical personnel were also supported by raising the remuneration for medical interns (paid to them during the internship training period) in hospitals affiliated with the Ministry of Higher Education and Al-Azhar University from EGP 400 per month to EGP 2,200, applicable to December 2019 graduates of medical colleges. About 12,000 interns benefited from this increase, which had a total cost of EGP 320 million. Incentive bonuses were also disbursed to medical staff and workers in quarantine facilities, isolation hospitals, central laboratories and their branches in the governorates, epidemiological surveillance centres and the ambulance authority. The 2020/2021 budget also included a 75 percent increase in the infection risk allowance for members of the medical profession, raising the minimum from EGP 400 to EGP 700 and the maximum from EGP 700 to EGP 1,225, at a total cost of EGP 2.25 billion. Finally, a risk fund for medical professionals was established.⁵⁵

As for social protection, 100,000 new families affected by the pandemic were added to the *Takaful and Karama* programme, and the value of the cash transfer programme budget was increased from EGP 18.5 billion to EGP 19.3 billion.⁵⁶ Other measures included reducing overcrowding and implementing social distancing in accordance with precautionary COVID-19 measures by distributing monthly pensions over a number of days instead of all at once.

Workers in the informal sector were among the groups that were severely affected by the pandemic. To tackle this, casual workers who registered with the Ministry of Manpower were granted monthly compensation payments of EGP 500 for a period of three months, disbursed from April 2020. A total of 1.5 million workers benefit from this grant.⁵⁷ Complementing these efforts, a grant of EGP 500 was disbursed to 12,000 people, particularly those in poor villages in Assiut, Sohag and Qena governorates. This grant was

issued in cooperation with the World Food Programme, and as part of the mechanisms of the Upper Egypt Local Development Program (UELDP) and the *Hayah Karima* initiative. Lists of beneficiaries in targeted governorates were prepared and sent to the World Food Programme for review, in coordination with the local development councils in the targeted villages and Ministry of Manpower Directorates, to ensure the assistance reached those eligible, and that no payments were made to any families who were already beneficiaries of cash support programmes and social security pensions. This was done to ensure the application of justice and the standard of non-discrimination.

Further support was provided through the provision of basic foodstuffs and some medical protection gear to eight governorates in Upper Egypt and border regions (Minya, Assiut, Sohag, Qena, Luxor, Aswan, Al-Wadi Al-Jadid, and Red Sea), via a third charity convoy. The convoy contained 1,250 tonnes of foodstuffs.

In order to unify the efforts of all development partners to help and support the most vulnerable families in facing the crisis, the *Tahya Misr* state fund launched the largest COVID-19 humanitarian assistance convoy as part of the campaign *Natashaarak Hana'adi Al-Azma* ("We Get Involved, We Overcome the Crisis") in cooperation with the Ministry of Social Solidarity and a number of NGOs. The convoy targeted 300 of the most vulnerable villages in 16 governorates. As part of the same initiative, the *Tahya Misr* fund provided the Ministry of Health and Population with a large number of COVID-19 medical supplies.⁵⁸

Despite the enormity of the health, economic and social consequences of the pandemic, it nevertheless created some opportunities in several aspects:

Firstly, it has contributed to the development of social protection policies and programmes, making them responsive to shocks. The speedy targeting of affected families through

the horizontal expansion of *Takaful and Karama* programme, and the benefits of digitization in the ease and speed of access to the affected groups, represent a challenge that has been overcome. This is an added asset to the institutional capabilities of the social protection system and it must be refined by further building of information bases and accurate data on vulnerable groups and those at risk of falling into poverty. The capacities of employees and those in charge of targeting must also be strengthened so that accuracy is improved. In addition, given the recurrent shocks and crises that have occurred in recent years, COVID-19 also represents an opportunity to think about designing emergency programmes that are flexible and responsive, and it may be important to link them with the systems responsible for crisis and disaster management.

Secondly, the state financial support provided to casual workers has been a positive step forward and has helped to bring to light more data about the informal sector, which had previously been only superficially understood. The registration of casual workers with the Ministry of Manpower must be utilized to the fullest extent possible in order to identify the true size of this sector and the most vulnerable groups who are part of it, as well as the reasons for their vulnerability and the nature of the work they carry out. Strategies to formalize this sector can then be formulated based on clear evidence. In fact, this opportunity is also related to the new Social Insurance and Pensions Law, which stipulates that this sector must be covered.

Thirdly, despite the challenges the pandemic has posed to the health system in Egypt, there have also been opportunities for more funding, part of which has gone to developing hospitals and health units. This creates an opportunity to accelerate the development of the health system as a whole, the goal that the Comprehensive Health Insurance Law aims to enact over the course of 15 years. This means that there is an opportunity to reduce

the timeframe for developing the health system and to take advantage of the international financing opportunities available to health systems at present.

3.4 Future policies for the development of the social protection system

The previous analysis outlines the many transformations that have occurred in Egypt's social protection system in recent years, particularly since the start of the national economic and social reform programme in 2016. The system had been suffering from fragmentation, inefficiency, poor coordination and a decline in the expected returns for decades, due to the reasons outlined in the sections above. It has now been completely restructured through a multi-dimensional reform process. Comprehensive legislative reform has been carried out with regard to social insurance and health insurance, based on a clearly defined vision and philosophy and on the principles of inclusion, equity and efficiency, with clear frameworks for governance. The transformation included the two social insurance systems and the universal health insurance system, which indicates the desire to include Egyptians of all classes in these protective umbrellas. With the completion of these transformations, serious work begins in dealing with the most important issues, both for ordinary people and for decision makers. These include, firstly, the intertwining between insurance and pension funds and the Public Treasury Authority, which will be resolved by returning rights to their owners according to a timetable. Secondly, the controversy that took place over universal health insurance nearly 15 years ago and the multiplicity of proposed bills that differed in their advantages. Thirdly, and perhaps most important, is the issue of which health services are to be included or excluded from insurance coverage, an issue that has preoccupied many in Egypt, on the grounds that a person does not choose his

or her disease. The Comprehensive Health Insurance Law has resolved the issue in favour of all conditions. These achievements represent a good start for the roadmap that will now move to the implementation stages and seek to overcome future challenges.

With regard to social safety nets, the legislative reform process is in place, and stems from the need to unify the laws on cash transfers into a single piece of legislation regulating this issue. Reforms were not limited to the legislative aspects only, but extended to the entitlement verification process, and subsequently to continuous targeting, which has been a major challenge during past years due to the rights of the most vulnerable groups going to people who were not entitled. Verification is ongoing to ensure that the most vulnerable groups are empowered and their living standards are improved, paving the way for them to leave the safety nets and support system.

The transformation also included a clear development vision based on a path of empowerment, the goal of which is to get people out of poverty. In the past, social safety nets were limited to merely providing assistance to the poor, and such assistance was not able to help poor people break out of the cycle of poverty. Unfortunately, this created a culture of dependency among many poor people, who became used to receiving state assistance, to be supplemented through other assistance from religious institutions or NGOs. These dependent recipients do not see value in work and initiative. The *Takaful and Karama* programme and the economic empowerment programmes paid more attention to the poorest geographical areas, where quality of life is lower, as well as to the most vulnerable groups, such as women, young people, and persons with disabilities. The economic empowerment programmes, including *Forsa*, *Mastoura*, and others, are active labour market programmes, and aim to empower vulnerable groups and provide them with job opportunities that allow them to progress.

The transformation was not limited to economic empowerment, but also included culture. Cultural aspects such as large numbers of children, hygiene, FGM and early marriage, exacerbate the difficulties of the lives of marginalized and poor groups and impede development at the societal level. The *Waai* programme accordingly aims to address the values system of the most vulnerable groups.

The alignment of the reform of all social protection sub-systems, including social insurance, health insurance, support systems or social safety nets, has led to comprehensive coverage of all sections of society and has established the principle of protection for all, including all family members at all stages of life. The system as a whole is based on human rights and is in line with international standards and the SDGs. However, completing the process of reforming the social protection system depends on overcoming a number of challenges. Some are relevant only to parts of the system, as outlined at the end of each subsection of this chapter, and others are related to the interrelationship between all the social protection systems or to managing the protection system as a whole.

Egypt aims to support the social protection sector with a set of policies to complement the path it has taken over the past years, as follows:

- Linking social protection systems that are based on beneficiaries' contributions with those that are not. In many cases, citizens are reluctant to join social protection nets based on contributions when they find that the return on safety nets that are not based on contributions is higher. This places additional burdens on safety nets that are not based on contributions and deprives insurance systems of contributions. A balance must therefore be struck between the two types. The incentives offered by protection programmes that are not based on contributions should not cause citizens to exit protection programmes based on contributions. In some

Latin American countries, such as Argentina, Brazil and Chile, it has been observed that people may exit the formal economic sector for the informal one. During the 1990s and the 2000s, the proportion of workers participating in pension programmes in these countries declined. This coincided with an expansion in the scope of social protection programmes that are not based on contributions, such as the Bolsa Família programme in Brazil, as benefiting from these programmes required not working in the formal sector and not receiving pensions from the social insurance programme. During the same period, reforms were made to the programmes based on contributions in order to achieve financial sustainability, such as raising the value of contributions and raising the retirement age. This reduced their attractiveness and increased the attractiveness of the programmes that were not based on contributions.⁵⁹

- Developing the relationship between the programmes of the Ministry of Social Solidarity responsible for economic empowerment, such as *Forsa* and *Mastoura*, and the active labour market programmes implemented by MSMEDA and national banks. There are many similarities, which calls for coordination between all concerned parties in order to avoid duplication and to better allocate the work, whether on the basis of the type of projects, their targets, or the geographical areas in focus. A coordination mechanism could be developed at the level of each governorate, which would coordinate and follow up on the progress made on the ground. In fact, the biggest challenge in providing job opportunities in accordance with these initiatives is how to expand the umbrella of social protection, specifically social and health insurance, to include the target groups of active labour market programmes. Of course, this also requires coordination with the concerned offices of the Ministry of Manpower at the governorate level.

Finally, in the light of the above analysis, new interventions for the development of the social protection system in Egypt could include the following:

- **Establishing and unifying databases for all components of the system.** This requires more in-depth surveys and research that will provide strong evidence to inform policy making and intervention design. Success in achieving this will provide integrated information systems for social protection, which will lead to overcoming fragmentation and overlap between multiple programmes and will make the targeting of social protection programmes more effective.
- **Continuing institutional and administrative reform, as one of the most important elements for efficient performance of the system as a whole.** The legislation regulating social insurance and health insurance has established a rigorous governance system. However, the implementation of this system is linked to the success of the administrative reform experience and depends on political will. Legislation requires efficient and effective administrative bodies to ensure its implementation.
- **Coordinating with all non-governmental agencies that provide social assistance and play a protective role,** such as religious institutions and NGOs providing care services, to create a unified database for assistance recipients and coordinating efforts. Despite the availability of a degree of coordination that amounts to partnership between NGOs, the Ministry of Social Solidarity, and MSMEDA, there is a need to establish an institutional partnership that shifts the most vulnerable groups from protection to empowerment. There is no doubt that such an institutional partnership will lead to the mobilization of more financial resources while ensuring proper targeting and broadening the base of beneficiaries, as well as sharing

the cost of managing the system, as there are many and varied mechanisms for providing services.

- **Establishing effective complaints mechanisms in order to achieve fairness and build trust between citizens and the State.** The effectiveness of social protection systems depends to a large extent on the confidence of the population in their integrity and credibility.

The shift from protection to social justice requires a radical transformation in vision, such that social protection is viewed from a broader perspective. It is not limited to simply protecting the most vulnerable groups in society but includes the protection of all sections of society through social insurance systems with

wide coverage. This ensures social integration, empowers the most vulnerable groups, and reduces inequalities. The foundational rules have already been laid down through the major reforms outlined above, the Comprehensive Health Insurance Law (*Law No. 2 of 2018*) and the Social Insurance and Pensions Law (*Law No. 148 of 2019*). At the same time, considering protection as a gateway to social justice entails a number of other requirements related to investing in human capital. These include upgrading basic services in health, education and infrastructure in terms of availability and quality, as basic entry points for the development of citizens' capabilities, and to enable citizens to manage their resources and assets in a way that improves their quality of life.

