



PAPER NO. 2

SOCIAL PROTECTION

# EGYPT'S POLITICAL DISCOURSE AND CHANGING SOCIAL ASSISTANCE SYSTEMS



Arab  
Reform  
Initiative



Arab Region Hub  
for Social Protection

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## About the Author

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Cover photo: Aswan market. © Vyacheslav Argenberg

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## Introduction

The discourse on restoring the prestige of the Egyptian state was one of the key political discourses advanced by the June 2013 regime, and it was not devoid of repercussions, in particular on the state's general budget. It quickly prompted the government to work towards achieving a primary surplus in the general budget and later adopt a contractionary fiscal policy that continues until today. According to the Central Bank of Egypt, the decision to adopt this austerity policy was needed in order to address an exacerbated State's indebtedness, which was at 93.5% of the General Domestic Product (GDP) in 2021, an increase from 73.8% of the GDP at the beginning of 2013. As a result, almost 35% of the general budget was diverted toward paying the interest rate,<sup>1</sup> adding further pressure on citizens.

This political choice was reflected in clear changes in the state's social policy, namely a shift from a general financial support system to a more targeted one, as represented in the "Takaful and Karama" (solidarity and dignity) income support programs. These programs were accompanied by changes in the prices of items covered by the ration card. The price of numerous products continued to rise, with the most recent increase taking place in October 2022, following the decision to create an exceptional ration box for the neediest groups. The Minister of Supply stated that these groups were identified but did not specify how.

The prevalent political discourse was also accompanied by a shift in developing social housing systems for them to target groups with the ability to pay, and by a public debate calling for a move away from the current free healthcare system to one based on private health centers and private insurance. However, these shifts did not extend to or prompt discussions on developing and expanding the current education and health services. In early 2021, the government launched the National Project for the Development of Egyptian Villages (an upgraded version of Gamal Mubarak's "One Thousand Villages Project") and announced the Upper Egypt Rural Development Project. However, both projects did not take into consideration how to address the issues of "center and periphery", looking at the periphery as one homogenous, disparity-free block – in the absence of the necessary databases and surveys or a proper consideration of the centrality of the governmental and non-governmental development efforts in cities. Failing to properly address these issues could further widen the developmental geographic gap and deepen the social schisms in rural areas.

To understand this state direction requires an analysis of the social impact of the ruling political regime, whose decision-making does not seem to take into account issues such as citizen quality of life, poverty eradication, and inequality. Therefore, it is important to understand whether this policy stems from a clear vision of effective and efficient programs that ensure social well-being, or simply from a pressing need to restore fiscal sustainability after the exacerbated public debt. It is, therefore, important to examine in detail how decisions over social expenditure in Egypt are made, who the key players guiding them are, and a review of the political discourse that shadowed them and the budget statements from 2013 to 2021. It is also important to examine the extent to which these social assistance programs are actually benefiting the targeted groups.

## Transition towards the new social protection system post-July 2013

Managing social protection programs and the importance of the social dimension in the post-July 2013 Egyptian state have both gone through several phases over the years. At first, funding was provided through grants from the Gulf countries to Egypt, which was directed towards raising the minimum wage of public sector employees. Applicable for one year only, this raise was in the form of lump sums, with each group of employees receiving a raise that does not exceed a set amount, regardless of their income.

The situation soon changed in the following year, with the general budget significantly cutting back on spending, with a very slight increase compared to the previous year but still below the inflation rate. Public expenditure in 2014-2015 increased by 5% from the previous year and the 2015-2016 budget was thus aiming to reduce the deficit to the GDP considerably, keeping it at less than 8.9%.<sup>2</sup> Budget cutbacks were reflected in freezing all bonuses and allowances to state employees and largely reducing in-kind support allocations. This was the first step in the inevitable transition towards the discontinuation of the universal social assistance system and was linked to an increase in social security pensions for 2014-2015 equal to 6.6 billion Egyptian pounds in total.

1 Ministry of Finance, Financial Statement of the 2021-2022 Budget.

2 The Financial Statements of the 2014-2015 and 2015-2016 budgets.

### Eligibility Criteria for the “Takaful and Karama” Cash Transfer Program

1. The spouse or the elder/incapacitated person must not be employed by the government, the public, or the private sector with insurance exceeding 400 Egyptian pounds, a pension, or social security assistance.
2. The family applying to the “Takaful” program must have children aged 0 to 18 years old. Children from 6 to 18 years old must be enrolled in the different cycles of education.
3. Providing all necessary supportive documents with the application – such as copies of valid ID cards, birth certificates, marriage, divorce, death, or separation certificates, electricity bill receipts, and a medical certificate that shows the degree of disability starting from level 50, or any other required documents.
4. The “Karama” program applicants must be 65 years old or above, be persons with disabilities or have a chronic disease that prevents them from working or reduces their ability to work. The disease or disability is confirmed by a medical examination. Orphans without the care of a mother or a father that receive care from second-degree or more removed relatives.
5. The absence of all of the following:
  - Farmland ownership (half an acre or more).
  - Farmland lease (an acre or more).
  - Ownership of one property or more other than the place of residence.
  - Ownership of a commercial store or more (registered or unregistered).
  - Ownership of livestock for trade (three or more).
  - Employment with a regular salary in the private or public sector (with insurance).
  - Employment with a regular salary in the private or public sector without insurance with a monthly income of 1600 Egyptian pounds for a four-member family.
  - Owning or being a partner in private projects (registered or unregistered with the mention of the project's value).
  - A private/public/military/police sector salary.
  - A private salary of 500 Egyptian pounds or more.
  - Traveling abroad for business (before or after acceptance into the program).
  - Ownership of a car, tractor, auto-rickshaw, or any other type of vehicle.
  - School expenses exceeding 3000 pounds per child per year.
  - Ownership of heavy equipment (loader/wheat-grinding machine/concrete mixer).
  - Monthly 400-pound assistance from civil society organizations.
  - Not verifying the family exists in the social unit (application stopped until verification).
  - Three months having passed since the release of the family provider from prison.

Source: The Ministry of Social Solidarity

This ushered a new phase, with the ministry of social solidarity launching “Takaful and Karama”, a targeted social protection program that started in Upper Egypt and was gradually rolled out to all governorates and is a copy of similar programs introduced in Latin America. However, it was separated from the original development agenda from which it ensured. As such, for such a conditional and unconditional cash transfer system to succeed and achieve long-term returns for its beneficiaries, it required solid and strictly regulated health and education services.

As a condition for continuing to receive the assistance, children must have an 80% attendance rate in school, and the mother must attend health awareness sessions.

However, a conditional cash transfer system must be associated with a strong developmental system that provides – at the very least – the health and education services to which the received cash transfers are tightly linked. This was not the case in Egypt: public expenditure destined for public services was reduced, especially in terms of investment and provision of service operation requirements. Additionally, this system was criticized because many families felt pushed to migrate from labor-based contributory pension systems while perpetuating informal labor systems, according to the assessment conducted by [IFPRI](#) in 2016. This assessment was based on a number of meetings with beneficiaries. Many felt that the condition of not having insurance was unfair, especially for those who work in unfavorable professions that require insurance to obtain a work permit, such as fishermen at fish farms.

Moreover, ideally, cash transfers are only complementary to a solid developmental model that achieves fair distribution of wealth, social equality, and well-being through socially sensitive public policies (on tax, cash, labor, environmental, etc). These policies must be aligned with the sustainable development goals and paired with an effective, universal social protection system that forms the basis of social protection and covers the entire lifecycle for all – based on a standardized social register. Targeted cash transfer systems have proven to be incapable of including all those that must be targeted. They exclude “the missing middle” – despite its dire need for assistance. As such, their role must be limited to complementing the alternative socio-economic model that we must aspire to establish – one that is based on a comprehensive social policy. Programs like “Takaful” and “Karama” must be conceived to solely ensure the inclusion of any excluded category (if applicable), especially in times of socio-economic crises, leaving no one behind.<sup>3</sup>

3 IFPRI, *Impact evaluation of Takaful and Karama program in Egypt*, 2016

Nevertheless, this is not to negate the role of the Takaful and Karama programs in lifting many of Upper Egypt's poor from extreme poverty. The national poverty rate – namely the percentage of the population that lives under the poverty line – fell from 32% in 2017-2018 to 29.7% in 2019-2020. Poverty decreased from 52% to 48% in Upper Egypt governorates during the same period, according to the Central Agency for Public Mobilization and Statistics (CAPMAS).

Limiting social policy to this program alone was not enough, especially in terms of health and education. To this day, the State has yet to honor its constitutional obligations in terms of allocations for these two sectors, according to the 2014 Constitution. The health sector was largely dependent on presidential initiatives such as the eradication of Hepatitis C and women's health initiatives, which were both funded by grants and partnerships with pharmaceutical companies. However, in 2019, the direction took on a new initiative for rural areas only. It was aligned with the national party's course of action and ideology pre-2011. It was named the Haya Karima (Decent Life) Initiative to enhance the quality of life in rural Egypt. It was based on general principles that were essentially financed by charity contributions and fundraising. In the 2021-2022 budget, 75 billion Egyptian pounds were allocated for this initiative. Haya Karima most notably sought to relaunch integrated hospitals that were put out of service in Egypt for a very long time, despite them being the main medical service provider in rural areas, also known as Family Medical Centers.

The system thus relied on a variety of standalone initiatives to widen the social base and achieve development objectives without an integrated developmental framework and vision. There was a problem with heavy reliance on initiatives that boosted the regime's image, as well as the lack of a clear and integrated economic plan anchored in comprehensive development. Such a development should have included providing decent employment opportunities, universal social security, and real advancement in the health and education sectors, among other things. Given the lack of planning, the State became exceedingly vulnerable to the crises that hit the world since the beginning of 2020, namely Covid-19 and its economic repercussions, followed by the Ukraine-Russia war, which soon turned into a global crisis in terms of strategic goods. Moreover, inflation reached an all-time high, officially surpassing 14% in 2021. The local currency value dropped from 15 pounds to the dollar in 2016 to over 18.8 pounds to the dollar in 2022, further aggravating unemployment rates and the State's national debt.<sup>4</sup>

#### Objectives of the “Haya Karima” Initiative

1. Reducing the burden on citizens in the most disadvantaged rural areas and urban slums.
2. Comprehensive development of the most disadvantaged rural areas to eradicate multi-dimensional poverty to ensure a sustainable, decent life for citizens across the Republic.
3. Enhancing the social, economic, and environmental situation of targeted households.
4. Providing employment to solidify citizens' independence and motivate them to seek better living standards for their families and their local communities.
5. Making a positive difference in the local community's living standards.
6. Mobilizing the civil society and building trust in all State institutions.
7. Investing in the development of Egyptian citizens.
8. Bridging the developmental gap between cities and villages and their dependencies.
9. Reviving the values of shared responsibility among all partners to unify development actions in cities and villages and their dependencies.

Source: Official website of the Haya Karima (Decent Life) Initiative: <https://www.hayakarima.com>

## Post-July 2013: Crucial social protection systems and programs removed

Towards the end of President Mubarak's era, several steps were taken to organize universal assistance based on more just mechanisms – such as linking fuel subsidies to consumption through a magnetic card. Indeed, the government spent millions of pounds on producing, printing, and distributing these cards to citizens. Mubarak's regime and the regime of Mohamad Morsi both established implementation frameworks starting with Port Said governorate. This mechanism disappeared completely in the post-July 2013 regime – when the Egyptian military took over.

Furthermore, there was almost complete silence over universal health insurance plans, despite the success of the trial run in Port Said pre-Covid 19. By definition, the scheme is

4 Ministry of Finance, The Monthly Economic Bulletin.

a social, solidarity-based system through which high-quality medical services are provided to all social groups without discrimination. Through this scheme, the State covers those who do not have the means, considering the entire household as one unit. The scheme includes an integrated package of diagnostic and treatment services. It allows the beneficiary to choose their healthcare provider, reducing corrupt practices and shortcomings in the provision of healthcare. Currently, the main issue is the deterioration of health facilities and the inability of State budgets to support them, and the difficulty to identify those in need.

Law No. 2 of 2018 on universal health insurance was supposed to go into effect over 15 years in six phases, from 2018 until 2023. These phases include:

Phase I: The law would be applied across Port Said, Suez, South Sinai, North Sinai, and Ismailia governorates.

Five million citizens registered in the universal health insurance scheme in Port Said. Phase I of universal health insurance included 52 hospitals, and 90 health facilities were accredited in only a year and a half.

The former Minister of Health, Hala Zayed, clarified in her speech during the inauguration conference of a number of projects in North Sinai that the scheme relied on the development of medical infrastructure, providing over 6.5 million health services and 85,500 surgeries that were never performed in Phase I Governorates of the universal health insurance.

Free treatment was supposed to be canceled progressively. The gradual termination of State-covered treatment was to be rolled out at each implemented phase of the universal social health insurance, with the termination being finalized with the nationwide implementation of the scheme and the diversion of its budget to insurance.

On 14 October 2021, President Abdel Fattah El-Sisi issued Decision No. 190 of 2021 approving the loan agreement between the Arab Republic of Egypt and the World Bank. This USD 400 million loan is to support Egypt's transformational Universal Health Insurance System Support Project. It was signed on 20 and 21 January 2021.

However, the universal health insurance subsidy for the most vulnerable was reduced from 865 million pounds in the amended 2020-2021 budget to only 165 million Egyptian pounds for 2021-2022, while State-covered treatment allocations were fixed.

## Behind the scene: Who sets the social protection policy in Egypt?

In 2016, Egypt set a vision aligned with the United Nations Sustainable Development Goals (UN-SDG). This vision was concretized by the 2030 Sustainable Development Strategy. A key goal of the UN is the eradication of poverty. It was set as the first goal in the 2030 UN Sustainable Development Agenda, adopted by the UN General Assembly in 2015, calling for an end to poverty in all its manifestations everywhere. The notion of poverty here exceeds lacking income or sustainable livelihoods and extends to hunger and malnutrition, inability to access education, health, and basic services, and marginalization.

Legislators of the July 2013 State made sure to add a constitutional value to the right to social protection. In 2014, the Egyptian Constitution explicitly stipulated that "the State shall ensure the provision of social insurance services. Citizens who do not benefit from have no access to the social security system, are entitled to social security, in a manner that ensures a decent life in case they are not able to support themselves or their families as well as in case of incapacity to work, old age, or unemployment. The State shall provide an appropriate pension for smallholders, agricultural laborers and fishers, and informal workers, according to the law..." (Article 17).

The Constitution guarantees the provision of care and protection to mothers and children, working women, old women, and the ones most in need (Article 4/11). It also obligates the State to establish a universal insurance system covering all forms of illness for all Egyptians. Moreover, the Constitution regulates the citizens' contributions or exemptions thereof according to their income levels. Furthermore, the Constitution criminalizes the refusal to provide treatment in its various forms to every person in an emergency or life-threatening condition (Article 18/3,4). Additionally, it stipulates that the economic system must aim to achieve the citizens' well-being through sustainable development and social justice in a way that guarantees the true growth of the national economy, the elevation of living standards, the increase of employment opportunities, the decrease of unemployment rates, and the end of poverty (Article 27/1).

## 7 Egypt's Political Discourse and Changing Social Assistance Systems

The Constitution stipulates that the State shall safeguard the citizens' right to a decent, safe, and suitable place of residence, protecting human decency and social justice (Article 87/1) and that every citizen has the right to healthy food and clean water in sufficient quantities. The State shall also provide food resources to all citizens... (Article 79). The Constitution adds that every child has the right to a name, identification papers, free mandatory vaccination, healthcare, family or alternative care, basic nutrition, a safe shelter, a religious upbringing, and emotional and cognitive development. It also stipulates that the State shall guarantee the rights of children with disabilities, their rehabilitation, and integration into society (Article 80), as well as the rights of people with disabilities and suffering from dwarfism, in terms of health and on an economic, social, cultural, recreational, athletic, and educational level, providing them with job opportunities, setting a quota for them in every job, and making public facilities and their environment physically accessible. They must have the ability to practice all their political rights and to be integrated with other citizens, according to the principles of equality, justice, and equal opportunity (Article 81). Moreover, the Constitution stipulates that the State shall ensure the health, economic, social, cultural, and recreational rights of the elderly, providing them with a suitable pension that guarantees a decent life and allows their participation in public life. The State shall also take into account the needs of the elderly when planning public facilities, encouraging civil society organizations to participate in elderly care (Article 83). However, the real decision-makers and policy-makers were donors. There has never been a program designed, funded, and seriously implemented by the State except for the "Decent Life" program.

Besides the UN – which does not provide funding – the World Bank was an essential partner in transitioning from a universal subsidized goods system to the "Takaful and Karama" system. The World Bank has previously implemented this project in a number of South-East Asian and Latin American countries. It was one of the conditions of the International Monetary Fund's (IMF) 2016 loan, along with the devaluation of the local currency and the lifting of universal subsidies.

Justin Lin, head of the economic experts at the World Bank, said that *"we increase our support to conditional cash-transfer programs because they are an example of how to benefit effectively from resources, particularly in this current, multi-crises period when foreign assistance is uncertain."*

### Stakeholders in the "Takaful and Karama" Program in Egypt

The program's operations build on International Bank for Reconstruction and Development's long-standing engagement with MOSS in support of cash transfers in Egypt, including the parent Strengthening Social Safety Project Investment Project Financing Loan of US\$400 million signed in 2015; and additional financing of US\$500 million signed in 2019.

#### Partners

The main implementing partner of the program is the Ministry of Social Solidarity. There is a collaboration with the Ministry of Education and Technical Education (MOETE), Al-Azhar institute, and the Ministry of Health for the implementation of conditionality.

The World Bank has also received a generous grant contribution of US\$2.2 million from the United Kingdom Government and raised other funds—US\$180,000 from the Partnership for Economic Inclusion (PEI) and US\$212,454 from the Nordic Trust Fund.

#### Moving Forward

Based on the success of the program since its launch in 2015, the government is placing its old Social Solidarity Pension system under the umbrella of Takaful and Karama to increase its efficacy overall. It is placing more emphasis on implementing and monitoring the conditionalities set for children's education and health to ensure human capital is being strengthened in participating families. There are plans, too, to focus on moving from protection to production—or working to speed up participants' graduation from Takaful by enabling them to generate their own livelihoods.

#### Beneficiaries

"If I want to buy something for the house, I go buy it. I take the decision because each woman knows her house needs. I also take decisions when I'm buying something personal for myself. But if it's a general thing, then I take my husband's opinion." **Riham, 25 years old, Menoufiya governorate.**

"I am planning to get poultry and sell it, so that we can get a fan and [other] things we need. I am looking for a place to raise the poultry," said **Riham**, adding that the cash transfers have been liberating for her and that her circumstances have improved.

The World Bank, 2020, [Takaful and Karama: A Social Safety Net project that Promotes Egyptian Women Empowerment and Human Capital](#)

Furthermore, the World Bank provided a payment for the universal health insurance system, even if it was not in the context of the universal system mentioned in Law no. 2 of 2018, but as a loan to increase the efficiency of hospitals during the Covid-19 pandemic. In developing the health insurance system in Egypt, the World Bank focused more on supporting partnerships with the private sector. impact.

*Edgar Romero praised Egypt's efforts towards implementing reforms in the health sector on all levels, ... and noted that investments in the private sector are currently facing certain challenges in various countries, especially under the current global economic crisis, adding that agendas could be drafted to push countries to adopt certain reforms and interventions through which the private sector's investment in the healthcare sector could be increased.*

## Conclusion

The social assistance systems in Egypt have undergone multiple, but fragmented, efforts. Perhaps the most uncertain part of these efforts is funding. International funding organizations dictate the social protection approach to replace subsidized goods and free education and healthcare in Egypt.

The State did not set a complete framework for the social protection systems reform programs as much as it succumbed to increasing pressures by funds providers to move away from universality toward targeted assistance.

To transition to a real universal social protection system in Egypt, it is necessary to transition to a general budget that is based on program and performance. It is the only way to reallocate public expenditure according to measurable development goals according to an integrated and just economic vision, focused on true production in agriculture and industry, rather than IMF loans and limited-impact band-aids.

An integrated system for the social and economic rights scheme and social protection networks must be established, allowing people to climb the social ladder by mitigating the impact of traumas on the most disadvantaged and giving them a better quality of life. This will also help the Egyptian State become more resilient and capable of responding to similar crises in the future.

The political discourse – whether pre-July 2013 or post-July 2013 – never mentioned the transition to a real system of social protection that includes establishing integrated programs for low-income households, informal labor, women and children, and confronting risks, as well as mitigating their



## About Arab Region Hub for Social Protection

We are a space in and through which professionals dedicated to exploring, understanding and advocating for better social protection in the Arab region exchange ideas and explore and initiate collaborative action. We envision an Arab region in which all people, regardless of their identities, are guaranteed social protections that secure their access to the essential goods and services needed to ensure their well-being and decent standards of living, which in turn gives them the opportunity to prosper and contribute as active members of society. We aim to facilitate the development of equitable and sustainable social protection systems in the region by: executing, encouraging and facilitating the production, analysis, collation, and dissemination of interdisciplinary knowledge about the topic; facilitating dialogue within professional spheres and awareness raising among the wider public; and enhancing collective action that amplifies advocacy efforts with the different stakeholders and decisionmakers.

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## Social Protection Program

The Arab Reform Initiative's Social Protection Program, which gave birth to the Arab Region Hub for Social Protection, aims to place social policy and its impact on the socio-economic rights of citizens and residents in Arab countries center stage in the research and advocacy efforts seeking to achieve social justice and social equality. By mobilizing and coordinating a community of practice and knowledge on social protection, the program aims to create a safe space for regular and systematic dialogue between the different stakeholders, in order to help addressing the problem of fragmented, non-inclusive, ineffective, and unsustainable social protection systems in the region. While doing so, the program adopts different perspectives – from addressing the necessary policy, programmatic, institutional, financial, legal and legislative reforms; to the political economy involved in the feasibility of these reforms; passing by social activism around welfare policies.



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## About the Arab Reform Initiative

The Arab Reform Initiative is an independent Arab think tank working with expert partners in the Middle East and North Africa and beyond to articulate a home-grown agenda for democratic change and social justice. It conducts research and policy analysis and provides a platform for inspirational voices based on the principles of diversity, impartiality, and gender equality.