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The American University in Cairo

School of Global Affairs and Public Policy

**Cash Transfers and State-Citizen Relation in Egypt:
Takaful and Karama in a Development Context**

A thesis submitted to the

Public Policy and Administration Department

In partial fulfillment of the requirements for the degree of
Master of Public Policy

By

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Supervised by

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Abstract

The purpose of this study is to find out how the new cash transfer program, Takaful and Karama, implemented by the Egyptian government is affecting the relationship between the Egyptian state and its citizens. This is done through depicting the accounts of the two main actors in this relation: the state and its citizens. In the quest for achieving the objective of this study, a qualitative approach is being applied through using content analysis to depict the account of the state and semi-structured interviews to depict the accounts of the beneficiaries of and the applicants to the program.

The study first puts this new cash transfer program in a broader context through examining its relation to the current economic, social and political-economic scene in Egypt. In a second step, the study finds how the beneficiaries of and applicants to the program interact with the state and how they perceive some aspects of the program such as conditionality and means-testing. In a final and third step, the study finds the effect of this new cash transfer program on the relationship between community and family members.

Three main findings are derived from this study. The first finding is that the social policy in Egypt is ending more and more to be a liberal residual policy that is consisted of a number of palliative measures which are constituting what is called a social safety net. The aim of this net is to offset the effects of the economic reform policies on those who are conceived to be the deserving destitute. The rest of the population are asked to provide for themselves in the market. Cash transfers are being used as if they are the magic bullet for development and complementary policies are

being missed. Macroeconomic stability is becoming the overriding goal to which all other goals, job creation and income protection, are subordinated.

The second finding is that while people do not consider means-testing and conditionality as intrusive they tend to have their own ways to deal with means-testing and targeting. Personal discretion and human intervention will always be there and technology cannot be the cure for such defects especially in a context where informality is the norm.

The third finding is that targeting is creating a state of competition and envy among community and family members. People tend to compete over the scarce resource and power relations will continue to play a role in such context.

List of acronyms

CAPMAS	Central Agency for Public Mobilization and Statistics
CBE	Central Bank of Egypt
CCTs	Conditional cash transfers
IMF	International Monetary Fund
MOF	Ministry of Finance
MOSS	Ministry of Social Solidarity
PMT	Proxy Means-testing
UNRISD	United Nations Research Institute for Social Development
WB	World Bank

Chapter one: Introduction

1.1 Background

Through the past four decades, two types of fears have controlled the political economic scene in Egypt: the Fear of floating, and the fear of phasing out subsidies. It seems that the currently ruling regime has been set free of these two fears. In March 2015, the Egyptian government introduced a new cash transfer program which is dubbed as "Takaful and Karama". The significance of this program comes from the context in which it is being implemented as the government announced that such cash transfer program is mainly aiming at offsetting the effect of phasing out the in-kind and price subsidy system on the poorest segments of the population. The program acquired more significance after the loan agreement signed between Egypt and the International Monetary Fund (IMF). Based on this agreement, the Egyptian state will be applying an "economic reform program" in which phasing out the energy subsidy system is one of its main pillars. Cash transfers are considered to be one of the main components of the social safety net which is supposed to be contributing to the effort of cushioning the effects of the reform program on the poorest and most vulnerable groups of the Egyptian population.

According to the Household income, consumption and expenditure survey for the year 2015, 27.8% of the Egyptian population are living under poverty line (CAPMAS, 2015). This poverty headcount ratio was computed before the application of the recent austerity measures which have been taken by the Egyptian government including: the application of the value added tax, increasing the fees of some public utilities like electricity and water, phasing out fuel subsidies and finally the devaluation of the

Egyptian pound. So the poverty rate may have significantly changed as result of all these policies combined.

Takaful and Karama are two different schemes. Takaful is a conditional cash transfer targeting poor households with children while conditioning the benefits of the program on a number of behavioral actions by the beneficiaries including school attendance and health checkups. The conditionalities include: children in the age group (6-18) must be enrolled in school and attend classes 85% of the time; pregnant women should receive pre-natal care and necessary vaccination; and children should get all immunizations. The conditionality feature of the program is not in place yet despite the fact the program is running since about 3 years.

Karama is an unconditional cash transfer targeting the elderly, disabled and those who suffer from chronic diseases.

The two schemes share one main feature: they are targeted programs mainly through using proxy means-testing (PMT). PMT is a method which uses characteristics, which thought to be highly correlated to poverty, of the household or its members to estimate their consumption or incomes when other income data are unavailable or unreliable. Such characteristics may include: the type of the dwelling, the type of the toilet, the type of the assets owned by the household. Each of these proxy variables is given a weight. A threshold is set and if the obtained income estimate (total weights of the proxy variables) is higher than this threshold then the household or the individual is considered ineligible for the support. If the estimated income falls below such threshold then the household or the individual will be considered eligible for the support.

Geographical targeting was a first step as the program was phased-in in the poorest areas firstly.

The program has been put in place by the prime ministerial decree no.540 for the year 2015.

The importance of this study stems from the context in which this new cash transfer program is being implemented. A context which is characterized by a strenuous effort by the state to withdraw from both the social and economic spheres. A withdrawal which is reshaping the state-citizen relation and interaction and putting more pressure on the cracked social contract which has been in effect since the 1950s.

1.2 The research question

The main question addressed by this study is: How does Takaful and Karama cash transfer program affect state–citizen relationship and interaction?

The quest for an answer for the previous question will be in the light of answering other sub-questions that are related to the two main actors in this relation: the state and the citizens.

The state:

- 1- How does the Egyptian state perceive its role when it comes to welfare provisioning?
- 2- Is the Egyptian state is using cash transfers as a silver bullet for development or it is complementing it with other policies that address the problems of rising poverty and inequality?

The Citizens:

- 1- How do the beneficiaries of the program are perceiving conditionality and means-testing?
- 2- How the program is affecting the relationship among community and family members?

Chapter 2: Literature review

This literature review section is divided into four main sub-sections. The first sub-section reviews the history and the political economy of social policy in Egypt. The second sub-section is mainly covering what has been written on cash transfers and its effect on material well-being. The third sub-section is trying to dig more in the concepts of conditionality and targeting and the politics and political economy of welfare in general and targeting specifically. The final and fourth sub-section covers how cash transfers would affect the relationship between state and its citizens and among community and family members. The first three sub-sections are mainly related to the account of the state data analysis chapter while the last sub-section is mainly related to the account of the citizens' data analysis chapter. The reviewed sources are mainly: peer-reviewed journal articles, books, and studies and reports written by the Egyptian government and international organizations.

Over the years, there have always been calls for reforming the in-kind and price subsidy system in Egypt. There is an extensive literature available on the inefficiency of this system. Those who are advocating for such reform include: international financial organizations, policy makers and academics. The assumption behind such call for reform is that the system is unsustainable because of its drawbacks which include among others: poor targeting, leakage and wastage and the high cost of the system resulting from the previous reasons combined (Assad & Rouchdy, 1999; IMF, 2014; Kamal, 2015; Karanshas et al, 2014; Koraym, 2013; Loewe, 2000, 2004; Sachs, 2012; WB, 2010). In such context, comes the attempt to phase out universal or near-universal price or in-kind subsidy programs and replace them with narrowly targeted welfare programs including cash transfers. Karshenas and Moghadam (2009) argued

that social policy is supposed to play an important role especially in the time of economic reform. Social policy in MENA region is taking "the back seat and treated as a residual or an afterthought to economic reform taking the shape of safety nets or safeguards to reintegrate the marginalized groups that are dislocated by the reform process " (Karshenas & Moghadam, 2009, p.S52). Social policy has become "a palliative afterthought to address the worst social fallouts of economic policies"(UNRISD, 2013, p.1). It could be argued that this is what happened and still happening in Egypt especially after the application of what is being called "economic reform" policies. The Egyptian government adopted harsh economic measures then thought of using cash transfer programs as a palliative to the serious implications of such economic policies.

2.1 The history and political economy of social policy in Egypt

Bottomore (1990) differentiated between two types of citizenship. The first is formal citizenship which is being given to the member of the nation state while the second is substantive citizenship which includes the three types of rights according to T.H.Marshall's argument (1990): civil, political and social. So as Bottomore (1990) argued, the person can be a formal member of a nation state but this does not imply that he/she would enjoy the combination of rights depicted by Marshall. Standing (2011) argued that such a person can be called a "denizen" not a citizen. "A denizen is someone who..... Has a more limited range of rights than citizens do"(Standing, 2011, 14).

Marshall (1990) argued that in the west and the well-established welfare states, the three types of citizenship rights have developed in a chronological order. Civil rights were the first to be formulated in the 18th century then followed by political rights in

the 19th century and the last type of citizenship rights that floated to the surface was the social rights in the 20th century.

In Egypt as in many other MENA countries, the package of social rights which have been granted to the population in these countries were not based on citizenship rights but were much associated with the aim of creating a social base of support to the emerging regimes after the end of the colonial era (Karshenas & Moghadam, 2009). In Egypt, starting from the 1950s, a number of social policies and welfare programs have been introduced or enhanced (as for the case of food subsidy system which started in the 1940s). These policies and programs included among others: food subsidies, low-cost housing, subsidized transportation, free health and education services, land reform and guaranteed government employment. In return for this package of social policies and programs, the Egyptian citizens were deprived of their political and civil rights. "Populist, redistributive measures were a means of nation-building, state formation and consolidation, and regime legitimization" (Karshenas & Moghadam, 2009, p.54). So contrary to Marshall's depiction of the historical evolution of citizenship rights, what happened in Egypt is that we started from the end point of what happened in the west through putting in effect social rights and concealing the other two arrays of rights: civil and political. Social rights were the first to be attacked with the evolution of neoliberal policies as it was the core enemy of this newly evolving ideology in almost all parts of the world with different degrees (Hirschman, 1991). The main weakness of social rights is that they are substantive in nature and require mobilizing and redistributing material resources while political and civil rights are "procedural and can be institutionalized as universal human rights" (Mishra, 1998, p.486). In Egypt, social rights were not just the core enemy of

neoliberal policies but it could be argued that they were the only existing enemy as it was the main existing array of citizenship rights that was in place.

Esping-Andersen (1990) differentiated between three welfare regimes: the liberal regime which prevails in countries like America, the social democratic regime which prevails in the Nordic countries, and the corporatist regime which exists in a number of continental European countries, including Germany, which witnessed the first contributory old-age pension in the history introduced by Otto Von Bismark. It is argued that the introduction of this first social insurance scheme was mainly intended to make the favored workers pledge their loyalty to the Wilhelmine autocracy (Esping-Andersen, 1990). So such welfare regime that prevails in Germany and continental Europe in general, is described as having its roots in what Esping-Andersen calls "corporatist legacy". So it can be argued that what happened in Egypt starting from 1950s resembles what happened in Germany in the late 19th century, which is creating new class that pledges its loyalty to the ruling regime. Karshenas, Moghadam and Alami (2014) described the welfare regime in the Middle Eastern countries as "authoritarian corporatist social welfare regime". "Over time, legitimization and the preservation of state power became the driving force of social policy, thus making it increasingly incongruent with economic realities, newly adopted economic strategies, and demographic trends" (Karshenas et al., 2014, 727). When the Egyptian state started to embark on economic reforms mainly aiming at increasing the integration of the Egyptian economy in the global one, it was not able to easily abolish subsidies on food or energy or to introduce very harsh amendments to the stable social contract (Karshenas et al., 2014). This fact materialized in the 1977 riots over the subsidy cut attempt during Sadat's regime. Salevurakis and Abdel-Haliem (2006) argued that it was known in Egypt that Mubarak's regime cannot

survive the elimination of subsidies. This reflects the effect which has been produced by the 1977 riots and the fear that any radical cut in the subsidies in Egypt would affect the political stability. Since then, social policy and especially subsidies have been used as a tool for providing political stability. Piven and Cloward(1971) argued that "government's willingness to provide relief to the poor depends less on acute need than on perceived threats to social security"(as cited in Esping-Andersen, 1990). The Egyptian government was trying to reduce subsidies in a gradual way through what Salevurakis and Abdel-Haliem (2006) called "subterranean means". Gaps were created as a result of the gradual withdrawal by the state from the domain of welfare provisioning. Such gaps opened the way for NGOs especially faith-based ones to fill the role of the state especially in areas such as education, health and social assistance (Karshenas & Moghadam, 2009; Karshenas et al, 2014; Jawad & Yakut-Cakar, 2010, Sholkamy, 2008). Such a role is complementary and not sufficient by all means as the welfare provisioning of the NGOs is very limited in scale (Loewe, 2000).

Historically, the main beneficiaries of the welfare provisioning in Egypt, especially when it comes to social insurance, were the urban-based state employees (Karshenas & Moghadam, 2009; Karshenas et al., 2014; Loewe, 2000). Such feature is still continuing till today, as the vast majority of the insured people in Egypt are state employees, while most of those working in the private sector, either formally or informally, are less covered by social insurance. Although the social security pension tends to be little in value and is not fairly adjusted to inflation, the government usually increases it on an annual basis through laws (Helmy, 2004; Sieverding and Selwaness, 2012; Loewe, 2004). Additionally, while there is a minimum wage in the public sector, such minimum wage is not existing in the formal private sector not to mention the informal sector.

Egypt shares such features with other countries including for example Latin American countries, and other parts of the developing world. Social protection in Latin American countries was mostly provided for workers in the formal sector in urban areas (Barrientos and Hulme, 2009; Bastagli, 2009; Saad-Filho, 2015). Egypt also is passing through a very harsh structural adjustment program like the ones implemented in many Latin American countries during 1980s and 1990s which resulted in acute economic crises that led to rising poverty, inequality and vulnerability and one of the responses to all these hardships was the introduction of conditional cash transfer programs (CCTs) in many of these countries including: Bolsa Escola/Familia (Brazil), Progresa/oportunidades (Mexico) and Chile Solidario (Chile) (Barrientos, 2010). CCTs came as a response to the fact that many segments of the population in Latin American countries were out of the coverage of formal social protection (Bastagli, 2009; Barrientos, 2010). Interestingly, the name of the CCT program in Chile (Solidario) is similar to the CCT Takaful (solidarity) scheme while the name of Karama (dignity) scheme is similar to the name of the old age pension in Bolivia which is called "Renta Dignidad"(ILO, 2016a).

Egypt has a history with social assistance schemes. The first social assistance law was issued in 1950, the law no.116, and the most prominent social assistance scheme used to be the social solidarity pension (Maash-El-Daman) (Korayam, 2013). Social solidarity pension is a monthly cash transfer given to orphans, widows, elders, divorced women, unmarried women who reached 50 years of age and prisoners' families when the sentence is 3 years or more.

2.2 Cash transfers and material well-being

The majority of the literature covering the area of social assistance especially cash transfers, whether they are conditional or not, is mainly concerned with assessing or

evaluating the impact of such programs on the material wellbeing indicators such as income poverty, human capital and labor supply. Little attention is given to the impact of such programs on state-citizen interaction, or social costs of targeting, for example. MacAuslan and Riemenschneider (2011) argued that this is mainly because governments and donors are more interested in such material indicators that are more related to economic growth. Handa and Davis (2006) argued that it is more likely that the social assistance programs which are being supported, either financially or technically, by international or regional development banks to have impact evaluation of some kind while other social assistance programs which preceded such newly cash transfer programs are not subject to the same thing. They contended that "the existence of a rigorous impact evaluation can have an important effect on a program's reputation and perceived 'seriousness' of purpose"(p.539). Takaful and Karama is supported by a 400 million dollars loan from the World Bank. The program enjoys a much better reputation than the social assistance program, the social solidarity pension, which preceded it for many decades.

It can be argued that as Latin America has been the field test of Washington consensus policies in 1980s and 1990s, it has been the birthplace of the new social assistance tool: conditional cash transfers.

CCTS have been hailed as a tool for reducing poverty and inequality in developing countries especially in Latin American and Caribbean countries (Cecchini, 2014; Fiszbein et al, 2009; Questa, 2007; Medeiros et al, 2008). However, the associated decrease, either in poverty or inequality, is argued to have not been that remarkable. Bourguignon et al. (2003) showed that Bolsa Escola program in Brazil reduced the incidence of poverty by only a little more than 1% while Gini coefficient has fallen half a point.

There is a consensus in the literature that the main aim of conditional cash transfers programs is not just alleviating current poverty but also reducing the future incidence of poverty by encouraging investment in health, education and nutrition (Rawlings & Rubio, 2005; Fiszbein et al, 2009; Janvry & Sadoulet, 2006). The conditionality feature of CCTs make them an instrument for long term human capital accumulation aiming at breaking the intergenerational transmission of poverty in addition to its aim of reducing current poverty as a short-term social assistance (Rawlings & Rubio, 2005)

CCTS as an approach presumes that the supply side of social services, education and health, is in place but the problem is with the demand side and here comes the role of the conditionality to encourage parents to send their children to schools and health centers. Conditionality would make little sense if the supply side of health and education services is not in place (Freeland, 2007; Ghosh, 2011a; Slater, 2011; Saad-Filho, 2015; Son, 2008). Handa and Davis (2006) argued that if the schooling quality and access is to be improved, the poor would take advantage of the educational opportunities without the need for assistance of direct cash transfers. They also argued that health and education conditionality which are being attached to the conditional cash transfers divert resources and/or attention from spending on the supply-side of these sectors which is the main way to sustain the long-term human capital accumulation needed for reducing poverty. CCTs create contradictory effect for the government, as while such programs are being adopted to be in line with the minimal state goal, the demand-side conditions of the programs put pressure on the state to do its role as a provider of health and educational services (Lomeli, 2009).

Despite the fact that CCTs tend to share three main features: a cash transfer, a targeting mechanism and a conditionality, the application varies considerably in a

number of other features such as in duration, exit strategies and in compliance-monitoring (Bastagli, 2009). Handa and Davis (2006) argued that monitoring of compliance was not very strict in the case of Bolsa Familia in Brazil but it was very strict in the case of Progres/Oportunidades in Mexico to the extent that "the transfers of all beneficiaries were routinely delayed by several months until compliance was verified for everyone, despite the fact that programme compliance was well over 90% among beneficiaries"(p.523). Bastagli (2009) showed that in Chile and Mexico, compliance was monitored and verified before paying benefits to beneficiaries. In Brazil, if the non-compliance of conditionalities is the result of lack of services, monitoring of the conditionality-compliance tended to be eased (Hunter & Sugiyama, 2014; Saad-Filho, 2015). There is also a difference in the rationale behind introducing CCTs in different countries. Bastagli (2009) argued that the underlying principle that stood behind the introduction of Bolsa Familia was that of universalism. Such principle of universalism is reflected in the high coverage rate of the program which reached 25% of the population (Hunter & Sugiyama, 2014; Saad-Filho, 2015). Bastagli (2009:5) argued that "in other countries, CCTs were originally introduced as compensatory measures, targeting the poorest who were adversely affected by periods of adjustment".

Studies showed that CCTs have a positive effect on schooling indicators, enrollment rates, dropout rates and annual promotion rates to the next grade (Attanasio et al, 2005; Glewwe and Olinto 2004; Maluccio and Flores 2004; Schultz, 2004) and on health indicators of the children (Attanasio et al, 2005; Maluccio and Flores; Getler, 2004). However it is also argued that there is no concrete evidence that the conditionality itself is the factor behind improvements in schooling, health and nutrition indicators in the case of CCTs (Bastagli, 2011; Freeland, 2007; Medeiros et

al, 2008; Slater, 2011; Schubert & Slater, 2006). In South Africa it was found that the child support grant program had positive effects on health and education indicators while it is not a conditional program (ILO, 2016b). Meanwhile, in Brazil, the unconditional cash transfer program targeting the elders and the disabled was found to "have an impact on the schooling levels of the youth in beneficiary families" (Medeiros et al, 2008, p.16).

Das, Do and Ozler (2005) argued that one of the main goals of CCTs, in addition to targeting poor households, is restoring efficiency when externalities exist and externalities exist when people do not send their children to schools for example. It is argued that the opportunity cost of the change of behavior (sending children to schools instead of work) should be addressed, while designing and setting the benefit level of CCTs (Janvry and Sadoulet, 2006; Son, 2008). If the level of the transfer is far below what the child can earn from working this would provide little incentive for parents to send their children to school instead of sending them to work. In Honduras and Mexico, a two-tier transfer is implemented and include a flat transfer for eligible family plus a per-child component (Handa & Davis, 2006). The per-child component was calculated based on the opportunity cost of child schooling (Handa & Davis, 2006). In the Egyptian context, the CCT scheme, Takaful, includes such two-tier transfer.

Handa and Davis (2006) argued that CCTs focus exclusively on the human capital accumulation of the children, which would take several years to be developed, and tend to ignore the development of human capital and productive capacities of the adults, which would have both long and short term effects on poverty alleviation. Despite the fact that CCTs are mainly concerned with human capital development, they tend to have a low eligibility period, usually three years, accompanied by exit

rules, so it would be more logical that the eligibility period would equal the education cycle (Bastagli, 2009; Handa & Davis, 2006).

Policy makers usually express concern that cash transfers would induce the poor to do two things: to spend more on the temptations goods and to work less.

Concerning the claim of using cash in spending on economic –'bads'–, e.g. alcohol and tobacco, Evans and Popova (2014) conducted a systemic review on a number of studies written on this issue in a number of low and middle income countries in Africa, Asia and Latin America. They found insignificant impact or significant negative impact of cash transfers, either conditional or unconditional, on the expenditure on alcohol and tobacco.

Another concern expressed by policy makers either in the developed or the developing context is that the cash transfers, either conditional or unconditional, would affect the work incentives for both the eligible and non-eligible as the former would be trapped in poverty and unemployment fearing the loss of the program benefit while the latter might reduce their participation in the labor market aiming at being chosen and being eligible for the program (Banerjee et al, 2015; Slater, 2011). "The success of CCT programs at reducing current poverty depends on whether, and the extent to which, cash transfers affect adult work incentives" (Skoufias & Di Maro, 2008, p.953). In their study, Skoufias and Di Maro (2008) did not find any significant effect of Progresa/ Mexico on work incentives for adults. Also they found no effect of the program on the work incentives for the non-eligible households. Similar results were also reported in the case of Bolsa Familia in Brazil (Medeiros et al, 2008; Saad-Filho, 2015). Saad-Filho (2015:1236) showed that "three quarters of recipients are economically active.... And the vast majority claim not to have rejected jobs to

remain in BPF-Programa Bolsa Familia-". It was found that the mothers benefiting from child support grant in South Africa, which is an unconditional program, "were more likely to participate in the labor market and more likely to be employed" (ILO, 2016b, p.117). Banerjee et al (2015) reanalyzed 7 randomized controlled trials for 7 cash transfer programs, conditional and unconditional, in 6 developing countries and they argued that "despite much of the rhetoric that cash transfer programs lead to a massive exodus from the labor market, we do not find overwhelming evidence to support these claims"(P.3). Alzua et al (2013) found negative but small insignificant impact of three CCTs on labor supply in three developing countries: Mexico, Nicaragua and Honduras. But they reported a number of employment related outcomes in the case of Mexico's Progresa including: an increase in the number of hours of work by female beneficiaries resulting from the availability of time for women as a result of increasing school enrollment and an increase in the wages and labor incomes in eligible families as the program " allowed eligible males to move away from agricultural work and toward higher-paying employment" (p.1280).

The value of the transfer as a share of the beneficiary's income or expenditure tend to be low ranging from 4% of the beneficiary's total expenditure in Honduras to 20% in Mexico (Bastagli, 2009; Banerjee et al, 2015). The low level of the transfer, whether it is conditional or non-conditional makes it hard for beneficiaries to stop working or to reduce their work supply significantly (Bardhan, 2016). In the Mexican context, Gledhill (2001: 146) argued that "welfare dependency has hardly been a problem for most Mexicans, since only minorities ever enjoyed access to welfare in the northern sense". This could be said about almost all countries in the developing world where the social safety nets do not tend to cover the subsistence standard of living as the benefits levels tend to be very low when compared to the situation in the developed

part of our world. Saad-Filho (2015:1238) puts it in another way as he argued that "CCTs are self-limiting: they can initially provide a large share of the beneficiaries' income, but only because these incomes are extremely low". The weak effect of cash transfers on work incentives especially in the developing context could be attributed to: the weak association between increases in income beneficiaries and benefits phasing-out (Alzua et al, 2013; Bastagli, 2009), and the difficulty of performing regular re-assessments of the beneficiaries' eligibility mainly as a result of the limited knowledge resulting from not well-established data bases and large informal sectors (Banerjee et al, 2015; Bastagli, 2009).

It is argued that means-tested welfare programs create unemployment and poverty traps as the beneficiaries may not accept job opportunities because of the fear of losing the welfare benefits especially if the job is a low-paying one with little job security. Another problem is that if the person took the job and then lost it, he/she will have to deal with bureaucratic procedures that would take a lot of time to get enrolled in a welfare program again. An obligation free and a universal basic income is proposed as a solution to unemployment and poverty traps resulting from mean-tested and targeted welfare programs (Atkinson, 1996; Standing, 2017; Van Parijs & Vanderborght, 2017). Providing a universal cash transfer irrelevant of work status would free people of the unemployment and poverty traps as people would not fear losing benefits as a result of having a new job.

2.3 A world of conditionality: there is nothing called free lunch!

It is argued that there is no intrusiveness or novelty in conditionalities as they just entail actions that "the parents are required to do for their children: send them to school, vaccinate them and care for their health" (Medeiros et al, 2008, p.10).

CCTs are being criticized for its paternalistic approach as a result of conditionality (Freeland, 2007; Saad-Filho, 2015; Veit-Wilson, 2009). Freeland (2007) argued that "the term conditional smacks of Bretton Woods paternalism"(p.57). He also argued that the act of attaching conditions to cash transfers is similar to that done by IMF, WB and other donors when they impose conditions on countries receiving debt or donations from them. The fact that beneficiaries would be deprived from the program benefits if they were found not complying with the conditions is much similar to what is being done by the IMF when it suspends the delivery of loan tranches if the country is found not complying with the assigned reform program suggested by IMF staff.

Conditionality gives the impression that those who impose the conditions know better than the poor and know what is best for them (Standing, 2017; Schubert & Slater, 2006). Conditionality also implies that the poor cannot be trusted hence it is not enough to direct them to what is conceived as the best outcomes but they must be monitored during the process of achieving such outcomes (Schubert & Slater, 2006).

The targeting feature of CCTs entails two types of errors: Type 1 error- exclusion error- those who are supposed to be deserving the transfer are excluded, and type 2 error-inclusion error- where those who are supposed to be undeserving are included in the program (Ghosh, 2011a, Saad-Filho, 2015; Sen, 1995; Standing, 2017). Sen (1995:13) argued that "in trying to prevent the type II error of including the non-poor among the poor, some type I errors of not including some real poor among the listed poor would undoubtedly occur". Inclusion error in the case of Bolsa Familia and Oportunidades are 49% and 36% respectively, while the exclusion error recorded 59% and 70% respectively (Soares, Ribas & Osorio, 2007).

Targeting is expensive, as it entails using funds and personnel to reach the intended beneficiaries (Ghosh, 2011a; Standing, 2017). On the other side, it is argued that costs of targeting are not prohibitive (Medeiros et al, 2008; Devereux, 2016). Medeiros et al (2008:9) argued that "it is possible to argue over the limits and disadvantages of a targeted cash transfer programme from several perspectives, but it is undisputable that the costs of targeting are not a sound argument in favour of universal transfers".

Deveruex (2016) argued that countries tend to work in the framework of constrained budgets and targeting is pragmatically justified in such context.

On the same vein, Conditionality is argued to be expensive and it can absorb a part of the program resources because of the cost needed to monitor the compliance of beneficiaries (Handa & Davis, 2006, son, 2008; standing, 2017). But it is also argued that CCTs are still inexpensive when compared to other subsidy programs like fuel and food for example. Such low cost feature of CCTs is one of the main reasons behind its attractiveness for both international organizations and policy makers in the developing countries (Lomeli, 2009; Molyneux, 2007; Son, 2008).

It is argued that conditional means-test schemes are more appealing to the tax-paying middle and ruling classes than unconditional ones because those groups usually want to guarantee that the poor must do something in return for the subsidies or cash transfers they are getting and to prove that they deserve to be assisted (Barrientos, 2007; Handa & Davis, 2006; Gaarder, 2012; Graham, 2002; Medeiros et al, 2008; Saad-Filho, 2015; Van de Walle, 1998). Medeiros et al (2008: 10) showed how "the conditionalities would be something like the rightful sweat".

Both Sen (1995) and Titmuss (2006) argued that the benefits targeted at the poor end up being of bad quality. This reflects the fact that programs that are mainly targeted at

the poor usually lack political consensus and support especially from the tax paying middle classes and elites (Medeiros et al, 2008; Van De Walle, 1998). Titmuss (2006:45) argued that "poor quality selective services for poor people were the product of a society which saw welfare as a residual; as a public burden".

2.4 Cash transfers and non-material impacts

Not much attention is being given to the non-material impacts of cash transfers (Corboz, 2013; Gil-Garcia, 2016; MacAuslan & Riemenschneider, 2011; Molyneux & Thomson, 2011), especially when it comes to state-citizen interaction and citizenship (Oduro, 2015; Plagerson et al, 2012). "Citizenship remains a relatively new concept within the literature on social protection and cash transfers in low and middle income contexts"(Plagerson et al, 2012, p.970).

2.4.1 Cash transfers and state-citizen relationship

"Entitlement to social assistance such as cash transfers goes beyond poverty reduction and is based on citizenship, not philanthropy or enlightened self-interest"(Oduro, 2015, p.29). Oduro (2015) argued that Cash transfers are not just about installing safety nets but also it plays a role in building a social contract between the state and its citizens. He also argued that those who are being excluded from state social protection feel they are betrayed by the state. This feeling of betrayal affects the state-citizen relationship and the state's political legitimacy according to Oduro.

In their study about the effect of the child support grant on citizenship and state-citizen interactions in South Africa, Plagerson, Harpham and Kielmann (2012) argued that cash transfers helped beneficiaries to "give definition to the state as a personal actor engaged in their lives, increasing its visibility, and challenging preconceptions of the state as passive, impersonal, unfair or unreliable"(p.975). They showed how

citizens' interaction with state entities and state officials, state representatives, such as social workers and police officers was the main way that helped cash recipients in the process of characterization of an otherwise abstract notion of the state or the government.

Adato, Morales Barahona and Roopnaraine (2016) showed that in the case of the conditional cash transfer program in El-Salvador, the objective of strengthening citizenship was explicitly stated in the program's policy documents. They argued that such goal of citizenship promotion was facilitated through two main channels. The first is informal education and trainings for beneficiaries, mainly women. The second is the organizational architecture of the program as community committees composed of beneficiary representatives and community leaders were created. The aim of such committees was to "constitute a system of representation of beneficiaries, channeling their requests and complaints, and interacting with other institutions of the programme"(Adato et al., 2016, p.1178).

2.4.2 Targeting and social costs

In addition to its effect on vertical relationship between the state and the citizens, cash transfers and especially its targeting feature are assumed to have an effect on horizontal relationship among citizens themselves.

It is argued that targeting and means-testing undermine social cohesion (Etzioni & Platt, 2008; Saad-Filho, 2015), while universality promotes it and also promotes solidarity among different segments of the society (Etzioni & Platt, 2008; Forget, 2012; Ghosh, 2011a; Standing, 2017). Saad-filho (2007: 531) takes it to the extreme as he argued that cash transfers in general, targeted or universal, tend to "foster the

commodification of social life and the development of competition, which conflicts with the social solidarity engendered by the pro-poor strategy".

It is also argued that targeting and means-testing are stigmatizing those who are considered to be poor and hence it may decrease the take up rate especially among those who are considered deserving (Sen, 1995; Standing, 2017; Titmuss, 2006).

Titmuss (2006:45) posed this question: "if all services are provided.... On a discriminatory, means-test basis, do we not foster both the sense of personal failure and the stigma of a public burden? And he contended that "the fundamental objective of all such tests of eligibility is to keep people out; not to let them in, they must, therefore, be treated as applicants or supplicants; not beneficiaries or consumers". Sen (1995) argued that the word targeting and its analogy of a target that is being fired at means that the objects of poverty removal are seen as passive recipients of handouts or patients not as active agents. Jordan (1996) argued that in the social policy strategy in UK, men and women were considered as victims of exclusion not agents of social change (as cited in Ray Bush, 2012). Bastagli (2009:17) argued that "the residual nature of many of the safety nets in Latin America is related to the predominant view that such interventions should first and foremost provide mechanisms to tackle the social costs associated with economic change and market imperfections". In the document of the recent loan agreement between Egypt and the IMF, a similar perception is being stated as the international organization is arguing that the main aim of the social safety net is to protect the most vulnerable and poor groups who will be affected by the economic reform policies (IMF, 2017).

On the other side, Hunter and Sugiyama (2014) argued that social programs do not have to be universal and unconditional to produce positive non-material impacts related to citizenship and beneficiaries' feelings of inclusion and agency. They

contended that if means-testing and conditionality are designed and implemented appropriately, they can have a role in citizenship formation. It is also argued that means testing could be compatible with universality if the transfers are broadly targeted (Hunter & Sugiyama, 2014; Huber & Stephens, 2012).

There is still a need to hear from those who receive welfare benefits and to find out how welfare is affecting their relationship both with the state and with other members in their communities. There is also a need to detect in the recent changes in welfare policies in Egypt and putting it in a wider context to find out how such change is reshaping the relationship between the Egyptian state and its citizens. In this context, comes the importance of this study as it tries to depict the accounts of the two parties on this relationship: the state and the citizens.

Chapter 3: Conceptual framework and methodology

3.1 Conceptual framework

In this study, a number of main themes stand behind the discussion: social justice, equality, targeting, universality, and conditionality.

The following table shows how this study utilize these themes in comparison to the way they are utilized in the policy arena by the Egyptian government.

What is adopted in the policy arena by the Egyptian government	What this study adopts
In the social justice pillar of the 2030 Egypt vision, the Egyptian government interprets Social justice in the sense of equality of opportunity.	Equality of outcome is also important. Levelling the playing field today and ignoring the effect of the inequality of yesterday is not just.
Targeting. Targeting is justified by limited resources and budget constraints (MOF, 2017).	It is always about choices and opportunity costs. Is the priority is to spend on mega projects or to spend on health care and education sectors. Universality or near universality access is achievable if there is a will. It is a matter of political choice.
Conditionality. Conditionality is interpreted as a co-responsibility between the state and the beneficiaries. It is also interpreted as a contract.	A right that is conditioned is not a right. Rights cannot be conditioned. Elementary education is already compulsory in the constitution.

	<p>Freedom should be for all, if capitalists and the rich receive subsidies from the state without conditions attached then why such conditionality is imposed on the poor.</p>
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3.2 Methodology and methods

Kaplan illustrated that method refers to how data is collected, and methodology refers to the identification and utilization of the best approach for addressing a theoretical or practical problem (as cited in Jackson et al, 2007).

In this study, I have utilized a qualitative research approach to find out how Takaful and Karama cash transfer program would affect the relationship between Egyptian citizens and the Egyptian state. The reason why I use the qualitative approach is that the main research question and other sub questions of the study are mainly related to perceptions of informants, and although perceptions can be measured quantitatively, the qualitative approach will allow for more in-depth analysis and probing and would be more conducive in helping answer the research questions. Also my questions involve tacit knowledge and subjective understanding. Marshall and Rossman (2011: 53) argued that the qualitative methodology is highly suitable for the "research that elicits tacit knowledge and subjective understanding and interpretations".

3.3 Data collection

The research depends mainly on primary and secondary data sources.

Primary data was collected through Semi-structured interviews and participant observation. Participants were recruited through informal networking and using the snow balling technique.

The interviews were mainly focusing on the experiences and perceptions of the respondents on the program. Sixteen interviews have been conducted as part of this study.

Participant observation was conducted through field visits to the local social unit in Madinet El-Salam district in East Cairo. A permission was gotten from the head of the social unit and I have informed him with the purpose of my research.

Content analysis is another method that has been used. It was mainly used to explore the account of the state. Secondary data sources which have been subject to content analysis include: official policy documents, TV interviews with public officials including mainly minister of social solidarity and the program director MOSS. I have been looking out for a number of specific words while conducting the content analysis: social protection, social assistance, social justice, equality.

3.4 Ethical considerations

Participants have been informed with the aim of conducting this research. Participants provided written and oral informed consent. Illiterate informants provided oral informed consent. The researcher made it obvious to the participants that the data will be used for academic purposes only and that their participation in the research has nothing to do with their enrollment in the program. It was also made clear to the participants that the participation in the research is voluntary and that they have the right to refuse to participate.

The researcher received the approval from the Institutional Review Board (IRB) at the American University in Cairo (AUC) in October 7, 2017, prior to the start of the interviews.

3.5 Data handling and analysis

Field notes were used during conducting the interviews. Handwritten raw data were then transcribed and classified under themes in relation to the main research question and other sub-questions.

Chapter four: the account of the state

Egypt is witnessing rising poverty and inequality. According to Credit Suisse (2014), the wealth share of the top income decile increased from 61% in 2000 to 65.3% in 2007 and to 73.3% in 2014. Poverty increased dramatically during the same period. Poverty increased from 16.7% in 1999/2000 to reach 27.8/5 in 2015 (CAPMAS, 2015). The Egyptian government respond to that by targeting what are conceived to be little resources to the segments of the population who are conceived to be the "deserving poor" through putting in place a social safety net. Social assistance in developed countries is playing the role of residual safety net because most of the labor force there is under social insurance coverage or protected by labour standards and regulations (Barrientos, 2010). But this feature is not in place in Egypt as well as many developing countries. Informality is the norm and labour market regulations are weak or even non-existing.

It is a vicious circle, the state liberalized, privatized and integrated in the world economy and the result was increasing poverty and inequality. The government responded to that by seeking more minimal government and more liberalized economy trying hard to integrate more in the world economy. It is the race to the bottom.

Social policy in Egypt is more and more ending to be a liberal residual one, a minimal social policy attached to a minimal state, where the state is limiting its social benefits and targeting it to a narrowly defined groups; "deserving destitute" or the poorest of the poor usually defined as the severe poor who have children, the elderly and the infirm. The rest of the population, able bodied individuals, are left behind to provide for and look after themselves in the market. This is maybe one of the reasons why

CCTs and targeted cash transfers in general gaining ground and are being attractive. CCTs are in line with such minimal and residual social policy as they are relatively cheap with low cost budgets as a percentage of GDP especially when they are compared to other subsidy programs (Bastagli, 2009; Lomeli, 2009; Molyneux, 2007). The total cost of "Takaful and Karama" cash transfer program in the fiscal year 2017/2018 is L.E 7.75 billion which constitute about 0.6% of the total public expenditure and 0.18% of the GDP (Ministry of Finance, 2017). What is interesting about what was dubbed in the past as "structural adjustment programs" or being called now as "economic reform programs" is that the first to be hit are the poor and they are the last who could benefit from the claimed future fruits of reform.

In this chapter, I will be trying to analyze the account of the state through focusing on its role in social provisioning and how it perceives it.

4.1 What poverty?

The slogan of Takaful and Karama program is "Egypt without indigence". Indigence here refers to those who are extremely poor: the poorest of the poor. But what about the poor without the suffix "est"? What about the near poor? What about poverty itself? Is the goal only to alleviate extreme poverty but poverty and inequality in general is not a big problem? Does the Egyptian government run other programs that would address the problems of rising inequality and poverty? Is the Egyptian state using cash transfers as a silver bullet to development? Who are those poor or the poorest among them and how the state sees them?

Sen (1995:14) argued that while targeting, the state would deal with applicants as potential criminals. In a publication dubbed "100 questions and answers about Takaful and Karama", it is stated that those who will be enrolled in the program and

then found to be undeserving, a warning will be sent to them to pay back the money or a lawsuit would be raised against them. There is a tendency to conceal the poor in the official discourse. The word poor is not much present in the public discourse or in official policy documents as terms such as the "low-income groups"- "Mahdody El-Dakhl"- or the "neediest groups" are being used interchangeably by public officials in official speeches or in policy documents being issued by the government. In the social justice pillar of Egypt vision 2030, three main strategic objectives are stated. "The third objective focuses on positive discrimination towards marginalized and the most needy social groups, including those below the extreme poverty line, homeless children, people with special needs, the elderly, and residents of the most dangerous slums" (SDSEgypt 2030, 2016: 146). It looks like that the Egyptian government is focusing mainly on the neediest and the poorest and the rest of the population have to provide for themselves in the market even if they are poor.

In South America and similar to USA, there is a tendency to depict poverty as a result of lack of effort or responsibility not because of the lack of equal opportunities (Handa & Davis, 2006; Graham, 2002). The middle and ruling classes there believe that those who are receiving assistance from the state have to do something beneficial for the society in return for such assistance. CCTs best serve such conviction as the poor will be co-responsible with the state in the aim of human capital accumulation through sending their children to schools and medical checkups. Such conviction about lazy poor is also existing in Egypt among middle and ruling classes who tend to show poverty as a lack of effort. In an interview with her, the minister of social solidarity argued that the value of "Takaful" scheme is kept at a low level so that the beneficiaries would not replace work with welfare. The director of "Takaful and Karama" program in the ministry of social solidarity showed up in a number of TV

interviews and argued that those who are poor and able-bodied do not need assistance from the state and that the ministry will provide job opportunities for them. There is always this talk that job opportunities are out there but the problem is that the youth and the poor are not searching or that they look for high-paying jobs. The director of the program stated it directly in one of the events which was held in one of Cairo's luxurious hotels: "we offer job opportunities to young men but they refuse to take it". Standing (2007) argued that the 1980s and 1990s witnessed the resurrection of the distinction between deserving poor and undeserving poor as a justification for cuts in public social spending. He contended that this was "a time when more attempts were being made to explain unemployment as essentially voluntary, the fault of the individual rather than the state of aggregate demand" (p.516).

"The word "undeserving" implies that the person is to blame for his plight" (Standing, 2007, p.517). The ruling elites are blaming the poor for their poverty and while they call for cutting off subsidies to make the poor less dependent on the state and more dependent on themselves, capitalists and industrialists are themselves depending on the state and depending on what is called "corporate welfare" in the form of free plots of lands, export subsidy, subsidized energy and tax credits and/ or exemptions. Rist (2008) argued that the development industry always tries to depict the problem of poverty as a problem of one actor who are the poor while the case is not like that as it is a problem of two parties: the poor and the rich as he argued that for the richness to exist there must be poverty. If the subsidy should be targeted to the deserving poor, then the subsidies targeted to the corporate sector should be targeted as well to the "deserving rich". The "deserving rich" should prove that they deserve to be subsidized by the state. If we will condition the subsidies to the poor then we have to condition

the subsidy given to the rich. The reciprocity principle should be universalized on the whole population if it is going to be adopted.

The main justification of replacing in-kind or price subsidies with cash transfers is that the in-kind subsidy is vulnerable to a number of shortcomings including wastage especially through the misuse of it by the poor like for example using the baladi bread in feeding the domestically reared animals and livestock. At the same time, one of the justifications of conditionality is that governments are afraid that people would misuse the cash through using it on spending on economic bads such as alcoholics, cigarettes and gambling so they must be monitored and the cash can be given to the woman in the household partly for that reason. While it is argued that giving cash to women would empower them and balance the gender power dynamics in the household (ILO, 2011), it is also argued that giving money to women and holding them accountable for the achievement of the conditions, school attendance and health check-ups, puts more pressure on women that is not put on men (Lomeli, 2009; Molyneux, 2007; Saad-Filho, 2015; Standing, 2017). Saad-Filho (2015:1239) argued that "CCTs use women as conduits to reach the main programme target, their children". While, Molyneux (2007: 72) argued that "The underlying problem with CCTs, then, is that they not only depend on gender divisions for their functioning but in some ways they actively reinforce them". It is also argued that CCTs tend not to promote gender equality but to reinforce gender hierarchy (Corboz, 2013; Gil-Garcia, 2016; Molyneux and Thomson, 2011). The neoliberal discourse based on empowerment and participation tend to oversimplify the cultural and socio-economic problems in general. In the loan agreement, between Egypt and the IMF, document, it is stipulated that IMF will motivate the Egyptian government to improve the female labor force participation by providing more public nurseries and improving the safety

of public transportation. The problem here is that while the IMF is trying to show itself as caring for every single detail, it is doing the opposite which is oversimplifying the problem as if the nurseries and safety of transportation are the main hurdles standing in the face of women's participation in the labor market.

4.2 What inequality and what social justice?

"Everyone in the modern world believes in equality of something. All modern states are based on belief in some sort of equality and treat their citizens equally"

(commission on social justice, 2006, p.53). But the question is equality of what?

(Commission on social justice, 2006). "On hearing the term "inequality", many people think in terms of achieving equality of opportunity. This phrase occurs frequently in political speeches, party manifestos, and campaign rhetoric" (Atkinson, 2015, 9). "In policy and political discourse, "equality of opportunity" is the new motherhood and apple pie" (Kanbur and Wagstaff, 2014, 2). The previous two quotations reflect the case in the Egyptian context of how the Egyptian state perceive equality or inequality. In the social justice pillar of "2030 Egypt Vision", it is mentioned that the strategic vision for social justice to 2030 is that "By 2030, Egypt is a fair interdependent society characterized by equal economic, social, and political rights and opportunities, realizing social inclusion". In her speech¹ before a youth conference held in July 2017, the current minister of social solidarity defined social justice as "the equality of opportunity".

Atkinson (2015) differentiated between two different types of inequality: inequality of opportunity and inequality of outcome. He depicted that inequality of outcome of the yesterday is affecting the inequality of opportunity today. A child of a person who

¹ Link of the speech https://www.youtube.com/watch?v=0sX_RVGXWVU

owns 10 millions of Egyptian pounds is not on the same grounds with the child born for a family living under poverty line. Kanbur and Wagstaff (2014) argued that in the case of destitution it would be morally repugnant to condition the doling out of a soup on the assessment of whether the outcome of being standing in the soup line is the result of circumstances or effort. In the case of CCTs, I think that it is also morally repugnant to suspend the benefits, supposedly are being directed to children, because their parents failed to comply with the conditions. The government in this case is holding the children accountable for the efforts and choices of their parents and in the same time it is neglecting the fact that the circumstances of this child being born in this family is something that is completely out of his/her hands. "A one-year old infant cannot be said to exert effort to be immunized"(Kanbur and Wagstaff, 2014, p.11). Inequalities in primary school completion and educational attainment is attributed both to the circumstances and also parental effort (Kanbur and Wagstaff, 2014, p.11).

Is the fair and more equal society as mentioned in 2030 strategy, is going to be achieved with lowering the maximum tax rate, suspending the capital gains tax, increasing the regressive value added tax, and the non-existence of a wealth tax?

While governments usually overlook and reconcile with the administrative costs resulting from targeting and conditionality, they do not do the same when it comes to revenues that could be accrued from the rich through capital gains tax or wealth tax for example. It is usually argued by the rich and the interest groups that such taxes would have high administrative cost that would offset its yield and that there will be difficulties in computing the tax base on which the tax should be levied (Aboulenien, 2016). The Egyptian government proceeded with a program like Takaful and Karama while it entails high administrative cost but it has suspended the application of capital

gains tax in the stock market because of the assumed administrative and logistical difficulties related mainly to how to compute the tax base on which the tax should be levied. Pressure by interest groups also played a role without doubt and that refers to the importance of the voice. Unlike the poor, the rich do not lack voice. Before the implementation of capital gains tax, the government bowed to the pressure done by investors and exempted the free shares distributions from the tax and increased the exemption threshold from 10 to 15 thousand pounds. After just one year, the tax was suspended for two years and then for more three years. "Experience shows that the most important constraint to the expansion of the tax base in the developing countries is not poverty or the lack of managerial capacity to apply the law; the constraint is primarily political" (Saad-filho, 2007, p.523). In the year 2015, when the Egyptian government decided to suspend the capital gains tax on stock market transactions, the IMF criticized such action on the basis that "the rich would pay less to cut deficit"². It is a little bit ironic that the IMF looks keener on distributing the burden of the economic reform policies than the Egyptian government itself.

Usually the minister of social solidarity responds to the questions about inclusion and exclusion errors by saying that we are in the first phases of the program and something like that is expected and we are working on updating and refining our data bases. Why such approach (just start and then things will get better) wasn't followed in the case of capital gains tax or in the case of real estate tax. The state is ready to enter people's homes to find out if they have a good toilet or a bad one to check if they are qualified for receiving a number of hundreds of pounds. While when it comes to the application of capital gains tax or real estate tax, what we witness are exemptions

² See Ahmed A. Namatalla (2015, May24). Egypt Tax Delay Means Rich Pay Less to Cut Deficit: IMF. Retrieved from <https://www.bloomberg.com/news/articles/2015-05-24/imf-criticizes-egypt-s-decision-to-delay-capital-gains-tax>

and then delays and suspensions. There is always this talk about how it is important to preserve the secrecy of bank accounts but the state can easily get into a house to ask about the marital relationship of the person in the house. The state is weak in the face of the rich but it is empowered and with full capacities in the face of the poor. This is obvious in how the Egyptian state tend to count on consumption tax as one of the main and significant sources of taxation as it is an easily collected tax and does not annoy interest groups or ruling elites.

4.3 Are Cash transfers enough?

"What can 400 pounds do in a time witnessing such inflation? I just want the government to lower the prices and provide good services and then there will be no need for such transfer". "What the government gives with the right hand, it takes with the left one". The previous two quotations were answers by two different informants³ to one of the questions related to the value of the cash transfer.

In this section I argue that the Egyptian government is using "Takaful and Karama" as if it is the magic bullet that, alongside the awaited and dreamed job creation that would result from economic growth, would be enough and no more policies or interventions are needed. In a TV-interview with her, the Director of the program argued that the keyword is employment. The problem is that we are not living in the golden ages of full employment. How employment could be the keyword if informality is becoming the norm in the Egyptian labor market.

It would be a mistake to see the poor as those who are cash-deprived as poverty is believed to be multi-dimensional (Ghosh, 2011a, 2011b; Sen, 1995).

³ The two informants are a beneficiary of Takaful scheme and an applicant to the same scheme.

Cash transfers are not enough measures to address issues of poverty and inequality as cash is just one mean among others that aim at achieving an end so other policies related to public social provisioning are needed (Fiszbein et al, 2009; Ghosh, 2011a; Ghosh, 2011b; Saad-Filho, 2007, 2015; Sen, 1993, Sen, 1995; St.Clair, 2009). Ghosh (2011a:67) argued that "The current perception that cash transfers can replace public provision of basic goods and services and become a catch-all solution for poverty reduction is false". Dealing with poverty require structural changes including among others improvements in both the asset distribution and the occupational structure of the population (Ghosh, 2011a; Medeiros et al, 2008). "Poverty and economic insecurity are reflections of inequality, of income, wealth, power, and status" (Standing, 2007, p.520).

"Governments that are genuinely concerned with poverty reduction have to orient their policies and expenditure to such structural changes. Cash transfers may appear as (welcome) temporary palliatives in such a context, but they simply cannot be treated as a development panacea" (Ghosh, 2011a, p.68).

Saad-filho (2007: 530) argued that "In order to maximize their impact, pro-poor social programmes should be universal. They should also prioritize the provision of public goods and the social wage, rather than monetary handouts. Social programmes including the provision of public education, training, public health, housing, water and sanitation, parks and public amenities, environmental preservation, food security, and affordable clothing, shoes and public transportation can have relatively low managerial costs and they improve the standard of living of the poor directly".

The question here is whether the Egyptian government is supplementing cash transfers with other social provisioning programmes?

Transportation is one of the sectors which is being affected by the energy subsidy cuts and witnessed an increase in the fees. The Egyptian government has increased the price of the ticket for both the underground metro- by 100%- and the public buses- by 25%- run by the public transportation authorities in both greater Cairo and Alexandria. The rhetoric by the Egyptian government is that public authorities working in the sector of transportation are making losses. The rhetoric here is very important because unlike food or energy subsidy, the government tend to label the subsidy directed to transportation sector as "losses"(MOF, 2017). The amount of subsidy directed to public transportation, either railways or public buses, is L.E 2.7 billion. Such amount is constituting 0.2% of the total public expenditure and 0.06% of the GDP. Such increase in the fees of public transportation has no logical justification. If the justification of phasing out energy subsidies is that the well-off tend to benefit more from it and that resources should be targeted to the poor. Public transportation is one of the sectors that deserve to be targeted.

In the housing sector, the situation is not looking promising as well. The amount of subsidy allocated to the "low-income groups housing" in the 2017/2017 is zero. The value of the unit in the "social housing" program, which is supposed to be providing subsidized apartments, reached L.E 184 thousands in the year 2017. The application deposit is L.E 11 thousands and the monthly installment starts from L.E 590 monthly. According to the Household income, consumption and expenditure survey for the year 2015, the extreme poverty line for one person is L.E 322 while the national poverty line is L.E 482. So the monthly installment of the units in the national housing program is exceeding both the extreme and national poverty lines. One of the conditions for applying for this program is that the applicant should be working in the formal sector which means that this program is excluding those who are working in

the informal sector (Shukrallah and Shawkat, 2017). The Egyptian government is contributing to creating the bubble in the housing sector in Egypt either directly through intervening as a real-estate developer or indirectly through its weak and lax policies (Shukrallah and Shawkat, 2017). During the past three years, the Egyptian government launched two big housing projects, Sakan Masr and Dar Masr, which are mainly targeting middle income groups according to the government. The price of the unit in "Dar Masr" project reached L.E 637 thousands while the price of the unit in "Sakan Masr" project reached L.E 592 thousands. The Egyptian government is also contributing to the housing bubble through its control over the distribution of land. While the government grant plots of land for free to investors or at very low cost to real estate developers, it does not do the same with the lands allocated to the housing sector. In July 2017, the Egyptian government announced that 24024 plots will be offered for the public through public draft system. About half of this number was offered under the social housing scheme. 137807 persons applied for the 12721 plots offered under this scheme. If the cash assistance is targeted to narrow segments of the population because it is assumed to be a scarce resource, such justification is not applied to the case of land in Egypt. Land is not a scarce resource in Egypt. The question is why the government create such competition over a resource which is not scarce?

For education and health, "The idea was that after the conditions for growth had been secured, social policy could use a portion of the resources generated to provide social services (such as education and health care) and assistance to vulnerable populations excluded from the benefits of growth"(UNRISD, 2013, P.2). This is the conventional wisdom being promoted by IFIs for what is called "economic reform" programs. Both the IMF and the Egyptian government claim that phasing out energy subsidies will

create the fiscal space for more spending on health and education and providing assistance for the most vulnerable groups. The Egyptian government used an accounting trick, through charging different sectors with interest payments, to reach the constitutional mandated ratios of spending on education and health. The Egyptian government also counted spending on sanitation and clean water services as part of the spending on health sector with the same aim of reaching the constitutional mandated ratios. Such actions places a question mark on the intention of the Egyptian government to provide adequate resources for the two sectors in the future. Spending on education and health sectors in poor and middle income countries tend to be less costly as a result of the labor-intensive feature of these sectors in such contexts (Sen, 1999). So if the Egyptian government is really keen on human capital accumulation and job creation, spending on these two sectors would serve such goal.

CCTs are externally funded by IFIs in a number of countries (Columbia, Honduras and Nicaragua) despite such feature of the low cost of the program as a percentage of GDP (Bastagli, 2009). Part of the financing of Takaful and Karama is coming from the World Bank, the thing which is strange as the total cost of the program is not that big and can be easily covered by the state's budget.

"low transfer amounts, while in principle generating a weaker incentive for working-age adults to reduce their labor supply, condemn CCTs to act as residual social assistance" (Bastagli, 2009,3). In an interview with her, minister of social solidarity stated that the low benefit level of Takaful scheme has two reasons; the first is the scarcity of resources and the second is that a higher level would harm the incentive to work. I would suppose that such reasons offered by the minister are credible, but why the benefit level of the other scheme, Karama, is set at low levels? The living costs of the two groups benefiting from this scheme, the disabled and the elderly, are high and

there is no incentive to work that would be harmed in this case. Also if it is assumed that the families benefiting from Takaful scheme can top up the benefits through earned income, such assumption is not held in the case of the disabled or the elderly. In Brazil, the value of the unconditional cash transfer targeting the elders and the disabled is taking such fact into consideration as the benefit level is set at the minimum wage (Medeiros et al, 2008). Targeting as a mechanism is mainly based on the need principle. The main justification of targeting is that limited available resources should be targeted to those who are really in need (Devereux, 2016; Hunter & Sugiyama, 2014; Barrientos, 2010). So if the government is going to depend on targeting as a mechanism for distributing its resources, the least thing to be done is to really meet the needs of those who are seen as the neediest according to the government itself. The maximum value of the transfer in the case of Takaful scheme for a family composed of a father, a mother and three children in secondary education is L.E 685 while national poverty line for a family composed of 5 persons is L.E 2410 which means that the value of the transfer is constituting about 28.4% of the poverty line for this household. In the case of Karama scheme, the value of the transfer for one person which is L.E 450 is still less than the national poverty line for one person which is L.E 482. We have to bear in mind that this poverty line was computed for the year 2015 and before all the recent austerity measures which have been implemented by the government which led to a huge spike in inflation rates.

"Both historical and current experience suggest that social policy instruments, such as conditional cash transfer programmes, work most effectively when complemented by a broader set of policies, including employment and industrial policies that facilitate investment in sectors that create jobs and provide a foundation for sustainable improvements in earnings and the quality of employment" (UNRISD, 2013, p.2)

4.4 Job creation and inclusive growth?

The main two goals of the economic reform program signed between Egypt and the IMF are: inclusive growth and job creation (IMF, 2017). The question is what is the meaning of inclusive growth in the first base? Suryanarayana (2008) showed how inclusive growth is a very ambiguous and loose term that also lack a clear methodology of measurement. So we have two questions here: what is inclusive growth and how to measure it? The World Bank (2009) puts a number of characteristics of what is called inclusive growth: It is the growth to which people can contribute and benefit from; it is the growth which is broad based across sectors; it is the growth that is inclusive of the large part of the labor force; it is the growth which focus on productive employment; and finally it is the growth that entails equality of opportunity and leveling the playing field for both firms and individuals. I think that the World Bank complicated the mission of defining the concept.

While it is being argued that pro-poor growth strategies that focus on poverty-alleviation, in the relative (when the incomes of the poor grow faster than the incomes of the population as a whole) and absolute senses, are more preferable (Saad-filho, 2007; Rodrik, 2001), the World Bank (2009) argued that what is called inclusive growth is in line with pro-poor growth in the absolute sense not the relative one.

The Egyptian ministry of finance (2017) and the IMF (2017) both claimed that one of the main goals of phasing out energy subsidies is to discourage energy- intensive industries for the sake of labor-intensive ones. But in July 2017 and with the start of a new round of phasing out energy subsidies, the ministry of commerce and industry announced that the fees of the natural gas supplies provided to industries will not be increased.

The two goals of the economic reform program sponsored by the IMF are intertwined because job creation is one of the main pillars of what is called "inclusive growth". The World Bank (2009: 2) argued that "the inclusive growth approach takes a longer term perspective as the focus is on productive employment rather than on direct income redistribution, as a means of increasing incomes for excluded groups". The questions that arise here are: what jobs? In which sectors? What quality? What matters here is the quality not the quantity of such job creation (UNRISD, 2013). Are they formal and regular ones or non-standard ones that give little or no benefits including social and health insurance for example? In which sectors these opportunities are going to be affiliated? Is it in the real estate sector where most of the job creation is in the form of non-standard informal jobs with no or little job security or social benefits?

Social protection is argued to encompass, in addition to social insurance and social assistance, labour market interventions such as the minimum wage legislation for example. The minimum wage is only applied in the public sector. Large majority of the Egyptian labor force work in precarious work environments with almost no benefits especially social and health insurance. When it comes to the constructions sector which is considered to be one of the most labor-intensive sectors, majority of workers in this sector are subject to precarious highly dangerous labor environments. When I asked one of the informants⁴ about his opinion if the eligibility age for the old age scheme "Karama" is reduced from 65 to 60, he told me the following " even 60 is too much, our job is a back-breaking repressive one. I'm 55 now and I can't work because of my health condition. Even if people my age offer themselves in the labor

⁴ He used to work in the constructions sector but stopped because of his health conditions. He is currently benefiting from Takaful scheme.

market, contractors usually prefer young men to us". The previous statement shows how is the work environment in one of the biggest labor-intensive sectors that absorbs large amounts of investments either by the private or public sectors in Egypt.

Saad-filho (2007) argued that macro-economic stability should not be an objective in itself but an instrument "for the elimination of mass poverty and the achievement of secure, sustainable, equitable and empowering human development"(5016). He added that such stability should not be "an excuse to undermine the government's pro-poor programme" (5017). Macroeconomic policies have become more concentrated on containing public debt and inflation, such inflation which is the result of macroeconomic policy choices aiming at preparing the environment for the market to work efficiently, instead of creating sufficient employment and protecting people's incomes (UNRISD, 2013). This is what happened in the Egypt. The currency has been devalued and the subsidy cuts have been introduced. The result was a hike in inflation. The subsequent macroeconomic policy, mainly the monetary policy, is focusing on controlling and containing this inflationary trend.

The official monetary policy currently pursued by the Central Bank of Egypt (CBE) is inflation targeting regime (CBE, 2017). Inflation targeting is a monetary policy strategy that adopts inflation as a nominal anchor. It entails anchoring individuals' expectations of inflation around an announced numerical target of inflation. The numerical target announced by the CBE is set at 13% (+/-3%) by 2018 Q4 and single digits thereafter (CBE, 2017). Inflation targeting is being criticized for its rigidity that would harm growth and employment creation (Cordero, 2008; Epstein, 2003, 2007). The main policy tool used under inflation targeting is the short term interest rates where monetary authority tends to tighten monetary policy through increasing short term interest rates with the aim of hitting the inflation target. Since the devaluation of

the Egyptian pound, the CBE has increased the interest rates for two times. Such tightened monetary policy disincentives investment decisions. Inflation targeting is criticized for its inability to deal with supply-side shocks (Frankel, 2014; Jha, 2009; Boughzala and Cobham, 2011). The recent hike in inflation resulted mainly from supply-side shocks not demand-side ones. This would raise concerns about the effectiveness of inflation targeting in the fight against inflation. The flexible exchange rate regime is making the Egyptian economy more prone to exchange rate volatilities and supply side shocks that would result from changes in energy and food prices.

4.5 Takaful and Karama and the political economy of welfare in Egypt

Takaful and Karama program is weakly grounded on law. The program was initiated by an administrative decree issued by the prime minister. This gives the program low legal immunity in the face of any future change. The article no.83 of the Egyptian constitution stipulates that the state is obliged to provide a pension for elders that would guarantee a decent life for them. The fact that the Egyptian government launched the scheme, Karama, through an administrative decree that includes another scheme, Takaful, undermines the independence that such an elders' pension is supposed to enjoy though the constitutional provision.

Takaful and Karama shares this feature with Bolsa Familia in Brazil despite the fact that Bolsa Familia is being governed by a law (Medeiros et al, 2008; Saad-filho, 2015). Medeiros et al (2008) argued that BPC, unconditional cash transfer to the elderly over 65 and the disabled, enjoys fiscal and political independence because of the fact that the scheme is a constitutional right and its benefit level is set at the minimum wage and because of that the scheme is less vulnerable to fiscal adjustments

or budgetary cuts compared to Bolsa Familia. The minister of social solidarity stated in a public press conference, held the day after the devaluation of the Egyptian pound, that Karama's eligibility age would be reduced from 65 to 60. But this decision was not implemented at all. This reflects how the program is weakly grounded on law especially that the eligibility age is not stipulated in the constitution. The recent increase in the benefit level of the two schemes, Takaful and Karama, was declared in a public event and no decree was issued stating such increase.

"Targeted social transfer programmes are susceptible to politicisation. Transfers might be directed..... to buy support (pre-election handouts in opposition constituencies)" (Devereux, 2016, p.172). The recent increase in the benefit level of the two schemes, Takaful and Karama, was declared by the Egyptian president in a public event. The thing which shows that the program could be vulnerable to be used for political and populist aims especially that it came as part of a package included an increase in the benefit level of the semi-cash food subsidies and social insurance pensions. Such package came just one year before the presidential elections which are supposed to be held in mid-2018. According to the IMF deal document, "To ease the adjustment process, about 1 percent of GDP in fiscal savings will be directed to additional food subsidies, cash transfers to the elderly and the poor families, and other targeted social programs" (IMF, 2017, p.13). So the increase in the benefit levels of both cash transfers and food subsidies was planned according to the loan deal but it seems that the Egyptian president tried to make use of it for populist aims. Such action shows that welfare programs continue to play its historical role as a political tool in the hands of the ruling regime.

The current Egyptian president handed over the program's payment card to the beneficiary number 1 million. While conducting interviews, a number of informants

did not know what I mean by "Takaful and Karama" as they know the program as "Maash El-Sisi".

There is no politically-neutral mechanism for linking this new cash transfer program to price indices. The thing which is also applicable to the case of the other social assistance scheme, Maash Damaan, which was subject to periodic increases by the state (Sabry, 2005; Sieverding & Selwaness, 2012). This is also the case for the minimum wage.

Chapter 5: the account of the citizens

Kabeer (2005, P.1) argued that "the great deal of the theoretical debate about citizenship today is taking place in an empirical void, where the views and perspectives of ordinary citizens are largely absent. We do not know what citizenship means to people – particularly people whose status as citizens is either non-existent or extremely precarious – or what these meanings tell us about the goal of building inclusive societies". "Welfare programs distribute benefits to citizens. Perhaps even more importantly, by conveying powerful messages about how the state views poor people, welfare programs shape people's views about themselves as subjects or citizens" (Hunter and Sugiyama, 2014, p.829). It could be argued that one of the things that distinguish cash transfer programs from in-kind or price subsidy systems is that the former entails a direct interaction with the state represented by public officials and social workers in social units for example. In the case of the food subsidy system in Egypt, beneficiaries interact directly with bakery's worker or owner in the case of "Baladi Bread" or "El-bakal El-tamweeny" in the case of rationed commodities. Those are just intermediaries and not state representatives. But in the case of the cash transfers, people are dealing with government employees in social units and social workers conducting visits to their homes.

For several decades, Egyptian people used to go to the baladi bread bakeries or cooking gas warehouses and get the subsidized products without being asked if they are eligible to such subsidy or not. Now they have to go and apply and then the state check if they are eligible for the assistance or not and if they are found eligible this does not mean that they will stay eligible for ever.

In this chapter, I will be trying to reflect the accounts of a number of people whom I have interviewed and met. Those people include: beneficiaries already receiving the benefits of Takaful or Karama and applicants who were not enrolled in the program. I interviewed ten beneficiaries and three applicants. I stopped interviewing more informants because I found that I am not developing new insights and people are repeating the same information. For example, almost all my informants welcomed means-testing and conditionality.

In this chapter, I am mainly trying to depict the experiences of those informants with the program. How those beneficiaries perceive means-testing and conditionality? How they perceive the concepts of fairness and justice? How a targeted and conditional cash transfer would affect the relationship not just between the state and its citizens but also between people themselves?

5.1 conditionality: who is holding who accountable?

One of the main goals of the economic reform program currently implemented by the Egyptian government is "restoring investor confidence" in the Egyptian economy (IMF, 2017). But what about the confidence of the normal Egyptian citizens in their economy and their government?

In November 4, 2016, just a day after the Egyptian government declared the floatation of the Egyptian pound, the Egyptian cabinet held a conference in which the minister of social solidarity stated that the eligibility age for Karama scheme will be starting from the age 60 instead of 65. The minister claimed that such decision is mainly aiming at increasing the take up rate of this scheme. This decision was not put into force. The eligibility age did not change despite such statement in an official press conference. Such lack of commitment and promising something while doing

something else is not happening for the first time. The current Egyptian president showed up in a number of public speeches on TV to tell people that the prices will decrease and that the subsidies will not be phased out before increasing wages. The Egyptian pound was then devalued, the subsidies were phased out and the fees of a number of public services were raised. One of the most repeated sentences being said during conducting interviews with beneficiaries or those who applied for the cash transfer: *"what comes from the government is better than the government"*. The previous statement was being said as an answer to two questions, the first one was about the opinion of beneficiaries about the value of the transfer while the second one was asked to two of the informants who applied for the cash transfer while their characteristics will not guarantee them eligibility. Those two informants are brothers who are working as butchers and their household characteristics are supposed not to guarantee them eligibility to the benefits of the program. They are both married and hence they applied to Takaful scheme. One of them was being enrolled in the program and the other was not. The one who was enrolled in the program was then considered ineligible just after one month from being enrolled and his benefits were cut-off.

Previous empirical qualitative studies offered different perceptions of the beneficiaries on conditionality. In the Brazilian context, mothers benefiting from Bolsa Familia did not see conditionality as problematic "because these are things that every mother needs to do anyway" (Hunter & Sugiyama, 2014, p.836). While in the Ghanaian context, beneficiaries of the conditional cash transfer program showed that they did not like that somebody tell them what they should do with the money as this makes them feel that they cannot make decisions on their own (Oduro, 2015). Almost all my informants depicted that they have no problem with the concept of conditionality and see it as a normal thing. One of my informants told me *"It is my*

duty to send my children to the school even if the government did not ask me to do that". This informant is a woman with three children and she is working in a small workshop specializing in making small toys.

The main issue here is that the phase of monitoring conditionality is not in place yet. So the question is whether their opinion will stay the same when the phase of monitoring conditionality compliance will be in place. Bastagli (2009) showed that teachers in Brazil tended to mark absent students as present and they explained such action that they do not want to penalize poor people, while in Nicaragua, schools tended to advance students to the next grade even if such advance is not merited. In Ghana, it was reported that members of community implementation committees showed reluctance in exposing the non-complying beneficiaries as they did not want their fellows in the community to lose their benefits (Oduro, 2015). Such actions poses a cultural aspect to monitoring the compliance of conditionality.

Molyneux (2007) mentioned the complaint by women who benefit from the CCT program in Mexico as they asked why teachers would not be held accountable and fined if they did not manage to accomplish their mission while they are being fined if they did not manage to accomplish the conditionalities of the program.

I think the issue is not that people deem conditionality or means-testing as appropriate or not because what they think will not make a big difference as they will be subject to conditionality or means-testing whether they liked it or not. Beneficiaries of the CCT program in Ghana depicted that they feared to speak aloud or complain against conditionality because they feared that they would lose the benefits of the program (Oduro, 2015).

It is a little bit ironic to hold accountable those who receive a number of dollars monthly but in the same time those staying in the headquarter of the IMF in Washington are not held accountable to their policy recommendations that may lead and already led to the impoverishment of millions of people all over the developing world. In Jan 2017, IMF mission chief to Egypt Chris Jarvis stated that "The exchange rate is more depreciated than we expected given the fundamentals"⁵. The previous statement simply means that millions of Egyptians are suffering now from a huge spike in inflation because of a mistake in the estimations done by the IMF staff. The IMF estimated that the inflation rate would reach 18% in 2016/2017 while the rate reached 32.9% in April 2017 according to CAPMAS statistics. The question now is who is going to be held accountable for such wrong estimations? The answer is no one. IFIs "are not directly representative or accountable to any elected authority" (Mishra, 1998, P.491). Stigitz (2001) argued that "The IMF makes assertions and predictions concerning its policies that are consistently proven wrong, yet its leaders are seldom held accountable"(P.17). Stiglitz's argument is similar to William Easterly's argument when he was comparing between planners and searchers as he argued that what distinguish between searchers and planners in the field of aid assistance are two things: feedback and accountability. Easterly (2006) argued that searchers in the field are getting feedback and can be held accountable while this is not applicable for the planners of the World Bank and other development institutions who put big plans that yield modest if not no results. IMF staff and officials can be called planners who barely know nothing about the living conditions in the countries that they are devising policies for. Another problem in the case of countries like Egypt

⁵ See Lin Noueihed and Ahmed Aboulenein (2017, January 18). Egypt on track to receive IMF loan's second tranche. Reuters. Retrieved from <http://www.reuters.com/article/egypt-imf-idUSL5N1F8598>

is how to hold the government or the regime accountable for their decisions. The Egyptian regime is pursuing in carrying out a number of what is called "National Mega Projects" such as the new Suez Canal and the new administrative capital. Such mega projects are being carried out without adequate feasibility studies. So who will be hold accountable for spending such billions of dollars on such projects? The answer again is no one. Who will hold the minister of social solidarity accountable for not reducing the eligibility age for Karama scheme?

So what we have is a hierarchical structure in which governments are being held accountable before IMF while citizens are being held accountable before their governments through for example usage of CCTs. At the same time, citizens cannot hold their governments accountable not to mention the IMF. Standing (2017) argued that those who devise the policies that steer people to a certain behavior out of the belief that it is the best for them, those people not the steered should be held responsible for the outcome of such policies. The poor are not irrational, they just lack resources and opportunities which are unjustly distributed in our world today. Stiglitz (2008) argued that if South Korea kept on walking through the lines of the static comparative advantage notion, it would have been producing only rice till today. So no country was born industrial by nature, it is the notion of learning by doing that can illustrate the success of a country like South Korea that managed to have high tech industries that are competitive to those existing in the west. The same can be said about the poor and irrationality, no one is born irrational by nature but it is the environment we live in and the social arrangements and power relations in any society that make some people better off and others worse off. Sen (2000:5) puts it as the following:

"What people can positively achieve is influenced by economic opportunities, political liberties, social powers, and the enabling conditions of good health, basic education, and the encouragement and cultivation of initiatives. The institutional arrangements for these opportunities are also influenced by the exercise of people's freedoms, through the liberty to participate in social choice and in the making of public decisions that impel the progress of these opportunities".

5.2 An intrusive state?

"The government has the right to enter the homes of the applicants", that is how one of the beneficiaries from Takaful scheme expressed his opinion about means-testing and home visits. Almost all my informants welcomed means-testing and showed that they have no problem with home visits and did not consider them as violating their privacy. Then, to be seen by the state was not expressed as a concern by the informants. On the contrary, some of the informants consider means-testing as a positive thing because it guarantees that only those who deserve the transfer will be enrolled in the program. This may reflect that those who perceive themselves to be the truly poor may "regard strict targeting and means-testing as working in their favor" (Hunter & Sugiyama, 2014).

Hunter and Sugiyama (2014) argued that "Means-tested programs can foster inclusion if they reach large number of people, provide clear information, are cast in positive and supportive ways, and follow consistent rules that stem from an impersonal and impartial authority" (p.841).

One of my informants said the following: *"the state asks for all these documents because they want to know everything about the applicants"*. While another informant told me *"they ask people to issue all these documents because they just want to collect*

money". "All what the government wants is documents so we give them what they want to get", explained one of the informants. Two of my informants are living in apartments in their family house which is owned by their father and they asked their father to write them a rent contract to put it among the required documents. Another informant told that he asked his father in law to write him a rent contract so that he can apply for the program. This informant also told me that when the field researcher came to the house he is living in, he let him enter an apartment that is furnished with very little things. "Of course I did not let him enter the apartment I'm living in, you want me to show him that I have all these electronic appliances!", that is how he explained why he made him enter another apartment.

In a public event, the minister of social solidarity stated proudly that the ministry has a data base of about 16 million citizens that was constructed thanks to Takaful and Karama program. The minister stated that this data base is the biggest in the ministry and it is the poverty data base. She then contended proudly that they do not just have their national identity numbers, but they know as well information such as from what the roof and the floor are made of. She simply listed the questions in the application form of the program. But what if the information in this data base are not that accurate? And if they are accurate, the more important is to ensure that targeting based on these data is correct overtime. The thing which "is not just administratively difficult but it is actually impossible" (Ghosh, 2011, p.70).

In interviews with her, the director of "Takful and Karama" looks keen on saying that the human intervention in the selection of the beneficiaries is not part of the program as the selection process is subject to a computerized statistical formula. Based on this argument, the applicants are not subject anymore to arbitrary decision taken by social workers or other street-level bureaucrats. The issue here is that the data needed for

running such formula is being gathered by field researchers who are human beings not robots. So the human intervention is still there. In the beginning of the program, the form, which includes the questions that derive the data needed for running the statistical formula, was being filled in social units but then the ministry contracted researchers to conduct home visits to fill the form and to make sure that the data provided by the applicants are checked for its authenticity. Two informants, they are the wives of the two butchers whom I mentioned in the previous section, who are living in the same house told me *"the field researchers called us and asked us to meet them in a place nearby our home. We went and met them and after finishing the process of filling the forms, we gave them 50 pounds"*. Another informant told me that *"someone called me and asked me a number of questions and then told me that if anyone asked you if a researcher visited you say yes"*. During my presence in the social unit, I witnessed employees there telling two applicants that if anyone asked them if their case has been researched they should say yes. Means-testing is criticized for the arbitrary usage of authority by caseworkers and state level bureaucrats (Standing, 2017). Arbitrariness and personal discretion is still there as well, during my presence in the social unit, one of the employees told a woman who came with her disabled son that he will not proceed filling the form with her because she exhausted him with its lack of knowledge about many things. The woman was trying to apply for Karama scheme for her disabled son. Another employee helped the woman and completed the application process with her. One of my informants told me:

"While I was standing in the queue in front of the social unit, the employee told me that she will not take my application because my father and my husband are butchers and hence I do not have the right to apply. She did so in

front of the people despite the fact that I have given her 3 mobile phone recharging cards just the day before I went to the social unit to apply".

Using technology will not guarantee the disappearance of arbitrariness and power relations and their effect on the targeting mechanism used to deliver any scarce resource not just cash.

The social unit was the main location that witness the state-citizen exchange.

Experiences about the interactions with the state officials differed. One informant said *"they were good to us and dealt with us in a good way"*. Another informant told me *"they were pushing us and dealing with the people in a very bad way"*. The perceptions of the informants on whether they consider those officials as representing the state or not differed as well. One of the informants told me *"the government has nothing to do with the employees in the social unit, they are just employees and do not represent the government"*.

5.3 Agency: agents (active citizens) or patients (passive recipients of handouts)?

The institutional design of the cash transfer programs tend to play an important role in conveying the feeling of empowerment to beneficiaries (Hunter and Sugiyama, 2014; Oduro, 2015). Almost all the informants stated that there is lack of communication by the government and that they are being treated as passive recipients of welfare from the state. One informant told me:

"They do not tell me anything. They do not say for how long I'm supposed to receive the benefits and each time I go to the post office to receive the cash, I'm not sure if I will get it or not".

Most of the beneficiaries showed lack of knowledge about rules of the program and even in some cases the value of the transfer. It is not just the beneficiaries, even the head of the social unit told me that the phase of monitoring compliance of the conditionality is in place while such phase is not in place yet.

In the interview with the head of the social unit, he told me *"no booklets or brochures have been given to the applicants"* and then he pointed with his hands to a poster on the wall behind him. On the poster, the eligibility criteria for Karama scheme were specified. During my presence in the unit, a woman entered and asked one of the employees about the documents required to apply for the program and the employee wrote down the documents required on a small paper and handed it over to the woman.

When I asked beneficiaries if they consider the cash transfer as their right and an obligation on the state or they see it as a favor from the government. Only two informants showed gratitude to the government but almost all of them stated that it is their right and that it is not a gift from the government. One of the informants told me *"yes it is my right, but without El-Sisi this would not happen"*. This informant used to work in the constructions sector and he stopped his work because of his health conditions as he described their job to be back-breaking.

When I asked my informants, what they would do if the cash transfer was cut off. Almost all of them seemed powerless stating that they will do nothing because whatever they will do it will not change anything. When I asked them if they would submit a grievance if their benefits were cut off, they did not show enthusiasm for such action. *"The government will not listen to us"*, that is how one of the informants explained why she will not submit a grievance.

When we compare the attitudes of those who are receiving social insurance benefits and social assistance benefits, we can see how such treatment by the state of social assistance beneficiaries as passive recipients of welfare is being conveyed to beneficiaries themselves. In the case of social insurance, we can see beneficiaries of social security program demonstrating in front of the headquarter of the ministry of social solidarity asking the minister to increase the benefit level of the pensions or even ask for the lay off the minister. The beneficiaries of the social security program are organized in association and the representative of this association usually show up in TV shows and public events to speak on behalf of the association. The same cannot be found in the case of social assistance programs especially the program which lasted for a number of decades (Maash El-damaan). The beneficiaries of this program are not organized in any association and they do not tend to organize demonstrations in which they ask for increasing the benefit levels of the program despite the fact that the past increases in the benefit level of this program were happening over very long periods and with very little amounts.

5.4 Why not me? I'm truly poor

When I hear the term "social safety net", I imagine so many people falling from a high place and while falling in the air they tend to fight each other to get a place on the net because there is no place for all of them. I also imagine the story of "Titanic" when it was sinking and so many people were competing for a small number of lifeboats. In "Titanic" lifeboats were targeted to the elderly and the women with children and the rest were left to face their fate amid the ocean. In the case of social safety nets, social assistance is being targeted to the elderly, the infirm and the children and the rest of the population are left to face their fate in the ocean "the market".

As the liberal-residual social policy is based on the principle of need and targeting those who are considered to be "the deserving poor", those who perceive themselves to be the deserving poor tend to raise their hands up asking the state to enroll them in the program because they are the only truly poor.

Inclusion and exclusion errors are not just abstract notions that illustrate how many of the poor have been excluded and how many of the rich have been included. The two errors have something to do with a number of things: envy and competition between family and community members and perception of the fairness of the program and trust in government.

"How lucky you are, you got enrolled in the program and we did not". Two informants told me that their brothers told them the previous statement after they got enrolled in the program while their brothers were not.

"Why not me? All my neighbors have received it, I also deserve this pension". This is what one of the women told the employees in the social unit after she found that her name is not included in the new list of the name of the beneficiaries.

Most of the informants acknowledged that the program created a state of competition in the local communities and between family members. One of the respondents told me *"my sister in law told me that she wishes that the government will cut off my benefits"*. She explained that she told her so because she asked her to give her the value of the transfer in the first month because she helped her during the process of application but she refused to do that.

Conclusion

The purpose of this study was to find out the effect of the new cash transfer program, Takaful and Karama, on the state citizen relationship in Egypt.

Three main findings can be derived from this study.

The first finding is that the social policy in Egypt is ending more and more to be a liberal residual policy that is consisted of a number of palliative measures which are constituting what is called a social safety net. The aim of this net is to offset the effect of the economic reform policies on those who are conceived to be the deserving destitute. The rest of the population are asked to provide for themselves in the market. Cash transfers are being used as if they are the magic bullet for development and complementary policies are being missed. Macroeconomic stability is becoming the overriding goal to which all other goals, job creation and income protection, are subordinated

The second finding is that people have their own ways to deal with means-testing and targeting. Personal discretion and human intervention will always be there and technology cannot be the cure for such defects especially in a context where informality is the norm.

The third finding is that targeting is creating a state of competition and envy among community and family members. People tend to compete over the scarce resource and power relations will continue to play a role in such context.

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Annex 1: list of the interviews

Interviewee 1: beneficiary of Takaful scheme.

Interviewee 2: beneficiary of Takaful scheme.

Interviewee 3: beneficiary of Takaful scheme.

Interviewee 4: beneficiary of Takaful scheme.

Interviewee 7: beneficiary of Takaful scheme.

Interviewee 9: beneficiary of Takaful scheme.

Interviewee 8: beneficiary of Karama scheme.

Interviewee 5: beneficiary of Karama scheme.

Interviewee 6: beneficiary of Karama scheme.

Interviewee 10: beneficiary of Takaful scheme.

Interviewee 11: applicant to Takaful scheme.

Interviewee 12: applicant to Takaful scheme.

Interviewee 13: applicant to Takaful scheme.

Interviewee 14: the head of the social unit in Madinet El-Salam district in East Cairo.

Interviewee 15: the former head of the economic justice unit in ministry of finance.

Interviewee 16: the statistician who formulated "Takaful and Karama" statistical formula based on which the selection is conducted.