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THE AMERICAN UNIVERSITY IN CAIRO

School of Global Affairs and Public Policy

**Bread subsidy policies in Egypt: A SWOT analysis of Recent Systemic
Reforms**

**A Thesis Submitted to the Public Policy and Administration Department
in partial fulfilment of the requirements for the degree of Master of
Public Administration**

By

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Supervised by

Dr. Ghada Barsoum

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December 2015

The American University in Cairo
School of Global Affairs and Public Policy

**BREAD SUBSIDY POLICIES IN EGYPT: A SWOT ANALYSIS OF RECENT SYSTEMIC
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A Thesis Submitted by

Hossam El Din Fawzy Ahmed

to the Department of Public Policy and Administration

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Hossam El Din Fawzy Ahmed

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ABSTRACT

Food subsidy programs are a key component of Egypt's social policy. Recently, the Egyptian government introduced a number of reforms to address the targeting and quality of subsidized bread. These policies focused on addressing loss of subsidized flour through the different supply chain processes, compromised quality and the need for the rationalization of consumption. This thesis provides an analysis of these new reforms. The study relies on qualitative research methods through structured and semi-structured in-depth interviews with several ranks in the supply chain including those in the Ministry of Supply and Internal Trade as well as various consumers of subsidized food products. The study applied the strengths, weaknesses, opportunities and threats (SWOT) analysis on the newly applied systemic reforms. Findings demonstrate that the new system improved and resolved most of the previous system's problems; however, the new system has some weaknesses that should be dealt with rapidly. Most of these problems are pertaining to administrative and procedural issues. Thus, a set of recommendations have been suggested in order to deal with the current weaknesses of the new system.

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Chapter One

Introduction

Introduction:

Food subsidy programs are considered as a significant tool that can be used through governments in order to alleviate poverty among the poor and vulnerable sectors (World Bank, 2010). Many countries are applying food subsidy programs, but in different modalities based on its poor rate, culture, location and other considerations.

In Egypt particularly, food subsidy programs were first introduced after the World War II in order to mitigate the negative effects of the war (World Bank, 2010). Over the years, the Egyptian subsidy programs have been changed several times in order to enhance the delivery of subsidized products to the poor and needy (IFPRI, 2001). This study will shed the light on various historical attempts accomplished to improve the subsidy system in Egypt. As a result, subsidy programs played a significant role in the Egyptians' life, especially, with the increase in inflation, poverty, population, and other negative influences (ibid).

The Egyptian subsidy programs do not include subsidized food products only; they also include different subsidized services such as free irrigation, electricity, water supply, housing, cooking gas and liquid fuels (Hannusch, 2008). Consequently, Egypt spends around third of its budget on subsidy programs (ibid). Nevertheless, during the previous years, Egyptian subsidy programs had many problems in most of their processes, implications and steps despite of the Egyptian government's efforts to support it; but, most of these efforts have not paid off (Gutner, 1999). For example, most of the subsidized food does not go to those who deserve and the quality of such foods is very low (Cohen, Marc J.; Smale, Melinda, 2014). Hence, the poor are increasing over the years and the rate of hunger is becoming higher (World Bank, 2010).

Moreover, over-crowding to benefit from the service was responsible for a number of documented casualties. For instance, in 2008, it was reported that about eleven Egyptians died while standing in bread queues (Johnston, 2008). The death was because of heart attacks or car accidents due to stretching of the queues in the streets (ibid). Furthermore, another example showed that three citizens were wounded and one was shot after a fight that took place in a queue (ibid).

In addition, in the revolution of Jan 25th, many Egyptians went out into demonstrations for demanding three main demands which were bread, freedom and social justice. The first demand which was bread is referring to the whole livelihood issues including bread, other food types, or maybe employment opportunities to gain money to help people getting their needs. However, the bread issue is still considered the most significant demand for the majority of Egyptians especially the vulnerable category of the population. Moreover, the second demand of the revolution, social justice, included the importance of subsidy distribution system among different segments of Egyptians. Therefore, two of the three core demands of the Jan 25th revolution were targeting the improvement and redistribution of subsidy among Egyptians.

All of these factors encouraged the Egyptian government to change the whole subsidy system in March 2014 in order to modify and solve the previous systems' drawbacks as well as to manage the massive spending in the Egyptian budget (Fick, Maggie, 2014). In fact, the newly applied system helped in achieving new and different positive actions; below is a brief illustration of the new system's actions that may help the reader to build a background on the new subsidy system.

The new actions taken by the government helped in solving most of the previous problems. For example, the Ministry of Supply and Internal Trade issued new magnetic smart cards to be used instead of the old manual cards in order to impose more control and close the

door in front of smugglers and thieves. In addition, the government signed new contracts with different new suppliers to offer high quality subsidized food products instead of the low quality ones.

Furthermore, the government encouraged most of the beneficiaries to rationalize their consumption of subsidized bread by not buying extra loaves of bread over their needs to use them in feeding their animals due to the high cost of the animal's feed (Trego, 2011). To elaborate, in the new system, each eligible citizen deserves a subsidy of 45 pounds on a monthly basis (Ministry of Supply and Internal Trade, 2014). This amount should be taken in the form of well baked bread, so if one consumes bread with 10 pounds only during the month, the rest can be used in buying other subsidized goods such as cooking oil, sugar, rice and many other goods types (ibid). This fostered the poor to rationalize their consumption of subsidized bread compared to what was happened in the previous system.

In addition to the monthly subsidy of 45 EGP, the new system offers another subsidy amount to the needy with the value of 15 EGP per month for each citizen. However, it is not offered in the form of cash money; on the contrary, the needy can get different subsidized goods with such value. These subsidized goods are currently worth 30 products and will be increased to reach 100 goods in the future according the announcement of the Ministry of Supplies and Internal Trade. It consists of meat, poultry, beans, rice, sugar, tomato sauce and many other products (Ministry of Supply and Internal Trade, 2014) , (Al Mal Newspaper, 2014).

Besides, the new system aimed at respecting poor and needy citizens and in improving the communications between them and all other parties working in delivering products to them such as bakeries' owners and subsidy grocers.

Hence, this thesis attempts to assess the process of the newly implemented subsidy system and analyse it in-depth through focusing on the role of government in applying

different and major changes in order to deliver high quality of the subsidized goods to those who deserve them. In addition, it aims on examining whether the Egyptian government succeeded in applying the most effective modality of distributing food subsidies or not.

Additionally, this thesis depends mainly on using qualitative techniques in collecting data. For example, the researcher conducted several interviews with different respondents. The sample included consumers of subsidized bread and goods. In addition, it included different interviewees who work in the matrix of Egyptian subsidy system. For instance, some of them work in top managerial positions, whereas others work in subsidy inspection level. Moreover, the sample contained different sex, age and background in order to examine and triangulate the different perceptions towards the new applied system.

Furthermore, the researcher used SWOT analysis technique in order to conduct the assessment of the new subsidy process. To clarify, SWOT analysis, in brief, is a technique which shows the strengths, weaknesses, opportunities and threats of a system or process so that the evaluation of the process becomes much easier. In fact, the conducted analysis showed that the new subsidy policy has many strengths as well as opportunities; however, it has some weaknesses as well. Most of these weaknesses are related to the administrative procedures and implications of the process. Therefore, the last chapter will provide some recommendations which may help the Egyptian government in facing and improving these weaknesses rapidly before leading to future failure.

Problem Statement

Egypt started to implement food subsidy systems since 1941. These systems have witnessed numerous changes through the years (IFPRI, 2001). The last form of food subsidy system consisted of four main subsidized goods which were sugar, rice, oil and bread (ibid). These goods were selected to be delivered to the poor in order to secure their basic food needs; however, such system had many leakages and problems that obstructed it from achieving its target. For instance, the loss of subsidized flour in many different stages of the supply chain process including milling, transportation, storage, and so on, the use of subsidized flour in producing pastries and non-subsidized bread and getting subsidized goods by the poor and reselling them again with their market prices to reap the difference. (Gutner, 1999). This section will describe the different problems in the previous subsidy system.

Statistics showed that the highest leakage in the previous food subsidy system was in the subsidized flour (ibid). Such leakage represents about 30% of the flour quantity entering the system (ibid). Thus, subsidized bread does not go to the needy because simply, most of the bakeries' owners usually sell the flour sacks to the black markets' dealers instead of baking it for the poor. In addition, all categories including high class citizens can buy the subsidized bread without the need of having any subsidy card (ibid).

Moreover, the quality of both subsidized bread and goods is quite compromised with weak measurement standards. In fact, this pushed a large number of citizens to complain (Cohen, Marc J.; Smale, Melinda, 2014) and (Ramadan & Thomas, 2010).

In addition, the inspectors who are supposed to control the quality of the subsidized bread are poorly paid (The World Bank, June 2010). Thus, there is no strict control applied through those inspectors compared to other countries such as Australia and US who use highly paid employees (ibid).

Moreover, consumers of subsidized bread stand a lot of time in long and crowded queues in order to get their subsidized bread. This causes many problems among people, especially, in rush hours or in Ramadan month (Cohen & Smale, 2014). In fact, sometimes people may beat or even kill each other in order to get the subsidized bread and this is clearly shown in many of the Egyptian governorates (Johnston, 2008).

Furthermore, there is no efficient, clear or strict control or regulations taken by the Ministry of Supply and Internal Trade to control the flour's black market (Ministry of Supply and Internal Trade, 2014). Indeed, all what they can do is to charge immediate fines over smugglers, violators or dealers of black market, or at most, create a police case and stop the bakery from baking bread for a short period of time (ibid). In fact, the process and the system have numerous leakages (ibid). Thus, the problem is increasing rapidly as the violators can reap high and quick profit margins and on the other hand, the fines are very low compared to profits.

Besides, a considerable amount of poor and vulnerable citizens do not have subsidy cards, which prevents them from taking their right in the subsidized foods (Center for Economics and Social Rights, 2013). On the other hand, many of the rich or even undeserved citizens have subsidy cards, which may be up to three quarters of the households who are using subsidies regularly. This, in fact, ended up with preventing a big chunk of poor people from taking their subsidized portion.

In addition, the beneficiary of the subsidy card should deal with one of the subsidy groceries only; who is located beside his/her living area and cannot deal with any other subsidy grocery under any circumstances (Meligy, 2014). Even if there is any sort of problems between the beneficiary and the supply grocer, it was not allowed for the beneficiary to take his/her subsidized foods products from any other grocer (ibid).

Furthermore, there is no variety of subsidized goods as the beneficiary should get three subsidized goods only “Sugar, oil and rice” (The World Bank, Sep, 2010, p. 30). This pushed some beneficiaries to sell what they get from such subsidized goods after adding a mark-up because of two reasons: first, they might not need such three subsidized goods; second, in some cases, the beneficiaries use the cash money that they get from selling the subsidized goods to buy what they really need from the market (ibid).

Additionally, the allocation pattern of the previous subsidy system led to inequality or a clear bias among different Egyptian governorates (World Bank, 2010). For instance, a lot of studies showed that the biggest poor governorates are in Upper Egypt such as Sohag, Qina, Minya, Beni Seuf and Assuit who receive fewer quantities of food subsidies than expected, as most of the allocations do not reach the beneficiaries (ibid). Also, studies demonstrated that the main reason behind this bias is the long process of distribution which contains three core steps: procurement, storage and transportation (ibid).

Additionally, the previous subsidy system was very costly in delivering subsidies (World Bank, 2010). In response to long and different steps of subsidy delivery process, the leakage in the system reached around 28 percent (ibid). This means that the government pays around 00.39 Egyptian piasters as an extra leakage cost for delivering subsidy for each 1.00 EGP. In other words, in order to deliver 1 EGP of food subsidies, it costs the government about 1.39 EGP approximately (ibid). For instance, a study in 2004 / 2005 depicted that the highest leakage in the delivery cost was of the cooking oil which was 1.46 EGP followed by 1.45 EGP for subsidized bread, then 1.25 EGP for sugar, 1.15 EGP for Wheat flour and 1.13 EGP for rice which represents the lowest delivery cost. Afterwards, in 2008 / 2009, studies showed that the leakage average is almost the same as in year 2004 / 2005.

Furthermore, beside leakages in the previous subsidy system, there was inefficiency in the governmental work places (World Bank, June 2010). For example, the workers’

number in public mills is bigger than the required work force by around 4.5 times (ibid). This definitely led to illogical increase in the overhead costs which consequently led to more losses (ibid).

In addition, the former Egyptian food subsidy program costs around 30 billion EGP (USD 4.31 billion) in the beginning of 2014. Almost 23 percent of this number is wasted due to the corruption which is about 7 billion EGP (Reuters, Mar 2014). The main source of such corruption comes from the mafia of smuggling the subsidized flour (ibid). These smugglers include some bakers who get subsidized flour from the Ministry of Supply and Internal Trade and resell it again in the black market to reap a large and quick profit (ibid).

Furthermore, one of the other most significant negative factors in the previous system is the targeting process (Power, July 2013) , (IFPRI, 2001). To illustrate, the system failed to target the poor to the extent of delivering merely only one-third of their allocated subsidy (ibid). As a result, the poor experienced mal-nutrition and Egypt was affected by losing its financial resources.

As a result, there are many problems that face the consumers as well as the Ministry of Supply and Internal Trade (ibid). Therefore, the Ministry of Supply and Internal Trade looked for new solutions in order to solve such problems. In this context, the researcher will examine to what extent the government succeeded in applying such solutions.

A brief description of the new system

Due to continues and tremendous leakages in the previous subsidy system that were illustrated earlier in this study, a reform process was needed urgently and became an essential (Ramadan R. , 2015). Consequently, the current government took the initiative of changing the whole subsidy system on a gradual basis starting in March 2014 in Port-Said governorate as a pilot project (ibid). Afterwards, the Ministry of Supply and Internal Trade started gradually to apply the new system in other Egyptian governorates (ibid).

The new system has several new variations which rely on two core changes. The first one is related to the subsidized bread matrix; whereas, the second change is related to the subsidized goods that are distributed by the Ministry of Supply and Internal Trade to the vulnerable (ibid), (Ministry of Supply and Internal Trade, 2014). Besides, the Ministry issued new smart cards to be used electronically through new imported machines in order to systematize the entire new process (ibid).

Concerning the eligibility criteria of subsidized bread in the new system, the Ministry allows any citizen to issue a smart card for getting subsidized bread only; regardless of his/her level of living (Ministry of Supply and Internal Trade, 2014). In other words, anyone can follow the procedures and issue a smart card to be used in buying subsidized bread only even if he/she is rich (ibid). Therefore, both poor and rich consumers have the right to issue a subsidy card in order to get subsidized bread only.

In relation to other subsidized goods, the Ministry has classified Egyptian citizens into four categories in order to determine who is eligible to get the subsidized goods (Ministry of Supply and Internal Trade, 2014). To clarify, first, those who get a monthly income above 1500 EGP per month are not eligible for getting the subsidized goods (ibid). Second, those who are under the retirement age of 60 and get a monthly income of 1500 EGP or below are eligible for the subsidized goods (ibid). Third, for retirees, their monthly income should not

exceed 1200 EGP to be eligible for the subsidized goods (ibid). Fourth and finally, those who are very poor and do not work in any fixed term jobs, the Ministry delegates supply inspectors to do social investigations about them in order to make sure that their monthly incomes are not exceeding the amount of 800 EGP in order to give them the right of receiving subsidized goods (ibid).

In addition, to explain the major changes that happened in bread scheme, the new system provides five subsidized loaves for each family member on a daily basis through using a smart card (ibid). Therefore, the monthly bread amount allocated for an individual is equal to 150 subsidized loaves (ibid). The quantity of 150 loaves per month is costing the Ministry 45 EGP per month (150 loaves * 30 piasters paid by the Ministry to the bakeries for each loaf sold as a direct subsidy amount) (ibid).

Furthermore, in case the beneficiaries' households did not consume their full monthly quantity of subsidized bread (150 loaves monthly per person), the Ministry would compensate them with reward points to be added to their smart cards' balance (ibid). The reward points could be used in getting other subsidized goods such as sugar, rice, oil, and other new different products (ibid). The reward points are granted to the vulnerable beneficiaries only (ibid). Therefore, the rich or those who get above 1500 EGP per month are not allowed to receive the rewards points as they are not originally allowed to take subsidized goods as explained earlier in the eligibility conditions' paragraph (ibid).

In addition, to illustrate the new changes related to the subsidized goods, the Ministry of Supply and Internal Trade widened the range of subsidized goods from three products, which were sugar, rice and oil, to 33 goods currently available; and targets 100 goods in the future (Ministry of Supply and Internal Trade, 2014) , (Ashaab, 2014). These goods have been selected and offered to the beneficiaries based on certain monthly quotas which are

equal to the equivalent of 15 EGP for each family member per month (Mohsen, 2014) and (Ministry of Supply and Internal Trade, 2014).

Therefore, one can infer that the new system offers the equivalent of 60 EGP for any poor individual per month; 45 EGP in the form of subsidized bread and 15 EGP in the form of subsidized goods (ibid). On the other hand, the other Egyptian citizens who are paid more than 1500 EGP per month are eligible to get the equivalent of 45 EGP per month in the form of subsidized bread only.

Research question

Egypt has embarked new changes in its food subsidy system. This study will address the research question on the strengths, weaknesses, opportunities and threats of these newly applied systemic reforms. The analysis will take a comparative approach, comparing the new systemic changes to earlier identified challenges in the system.

Historical Background

This chapter will provide a historical and chronological background on food subsidy programs in Egypt since 1940s until now. It will also help in reaching a deep understanding of the importance and merit of food subsidy programs especially in Egypt which has a considerable amount of poverty. Moreover, this will indicate whether subsidy programs are really in an urgent need to a quick reform or not.

Historically, after World War II, the food prices have increased rapidly all over the world. This increased the fear of food shortage or even starvation in many countries (IFPRI, 2001). In Egypt, in 1941, the Egyptian government tried to deal with such tough circumstances through different ways. For example, they imported large quantities of flour and wheat from Australia in order to sell it with low prices to poor and needy people in their owned-shops (ibid). In addition, the Egyptian government started to implement a new system of “Food rationing” in order to help Egyptians facing the negative impacts of World War in terms of inflation and scarcity of food (IFPRI, 2001). The new rationing system was not designed to provide food to the needy only; it targeted all Egyptians regardless of their needs to food. The system included several products rather than food such as tea, cooking oil, kerosene, sugar, and coarse cotton textiles. (Trego, 2011).

During President Nasser's era

Following the war, in 1956, the former president Gamal Abdel Nasser started to support and develop the subsidy programs (IFPRI, 2001). Therefore, government involvement existed in many processes and activities as part of his socialist approach policies (ibid). In other words, the government's role was extended to include production, marketing and even selling a great chunk of agricultural products (ibid).

In 1960s, the food subsidy system was expanded in order to include additional subsidies in different fields such as water, electricity, health, education, transportation, housing, and some non-food products like cigarettes and soap. (IFPRI, 2001)

However, due to the war of 1967 in the late 1960s, the subsidized food was reduced to cut back the need of imported goods, as Egypt was enforced to use its foreign financial reserve to cover the rises in food prices (IFPRI, 2001). Certainly, in Nasser's era, Egypt spent a modest percentage of the government's budget in food subsidies and the main target of Egyptian food subsidies was to deliver reasonable food quantities to Egyptians and make sure of the availability of the essential and basic food for them rather than involving price subsidies (ibid).

During President Sadat's era

In 1970, former president Anwar El Sadat took the rule of Egypt. In fact, President Sadat reversed a number of Nasser's policies as he preferred the model of western free market compared to Nasser's model of Arab socialism (Adams, 2000) and (Trego, 2011). Nevertheless, Sadat encouraged the food subsidy programs (ibid). The subsidy system has significantly grown in its cost and scope in his era (ibid). In addition, the system was extended to contain additional and different kinds of food such as frozen meat and chicken, lentil, beans, yellow maize, rice, and frozen fish. It reached almost 18 food products in its peak. These products were available on monthly basis to the majority of Egyptians who have hold ration cards (ibid).

Such expansion in subsidy programs led to increases in Egypt's budget deficit especially in year 1973 where the price of imported wheat increased sharply to almost four times (Trego, 2011). It reached \$ 250.00 per ton compared to \$60.00 per ton in 1972. This pushed the Egyptian government to cover the price gap in order to stabilize the prices (ibid).

In 1976, the role of International Monetary Fund (IMF) started to appear when President Sadat began some discussions with them in order to deal with the huge budget's deficit or in other words the external debt (Trego, 2011). Thus, in 1977, the government declared subsidy removal for the tea and subsidy reduction for sugar, rice, refined flour, and one kind of bread (ibid). In response to these changes, the Egyptians went out in a public demonstration and violent riots (ibid). As a result, the subsidy cuts have revoked immediately and a new decision was taken to reinstate the previous subsidies. (ibid)

During President Hosni Mubarak's era

In 1981, former president Anwar El Sadat was assassinated and President Hosni Mubarak took the rule of Egypt. At that time, food subsidies reached almost 20 percent of the total government expenditures which affected the Egyptian budget deficit negatively taking into consideration that most of the population had ration cards and disburse food subsidies at that time (Gutner, 1999). This encouraged the government to try targeting the poor and vulnerable more than the highly-income citizens. Therefore, they issued ration cards with red colour for highly income professions in order to lower subsidies for them on some subsidized goods such as cooking oil, tea, sugar and rice (ibid). On the other hand, the government issued new green ration cards for poor citizens who are eligible to all kinds of subsidized food (ibid).

In 1982, President Hosni Mubarak started a new reform policy for Egyptian subsidies which resulted in some structural and urgent adjustments in order to change the policy of food subsidies, but within the frame of "slow-motion technique" (Gutner, 1999). In other words, the changes should be slowly and gradually in order to avoid any riots or demonstrations like what happened with Sadat in 1977 taking into consideration that the gradual changes will help citizens not to worry about their living standards (ibid). These

changes have been backed by approval of International Monetary Fund (IMF) and World Bank (ibid).

Indeed, the continuous pressure of subsidy costs on the country's budget and the increases in international food prices as well as in population's number have led to a significant increase in the Egyptian foreign debt in 1989. The debt became \$46 billion with a parallel increase in the ratio of debt-service to be 46 percent (ibid).

As a result, the government reduced the subsidized food. For instance, they increased the bread's price to be five piasters per loaf in 1988/1989 (IFPRI, 2001). Besides, they removed frozen fish, chicken, meat, tea, and rice from 1990 to 1992. Finally, the subsidized offered goods became four goods only in 1996/1997 to include sugar, rice, oil, and bread (ibid).

Furthermore, the government reduced the ration cards' participants to be about 70 percent in 1998 compared to 99 percent in early 1980s through eliminating those who passed away or travelled abroad (ibid). Afterwards, they reduced the quantity/size of some selected subsidized goods including bread loaves (ibid). Not only that, but also in 1996, the government started to introduce two new versions of bread in the form of white bread or what is called "Shamy bread" with an extraction of 76 percent of flour and "Feno bread" with an extraction of 72 percent of flour (ibid).

In spite of all these attempts and adjustments in improving food subsidy system starting from early 1980s, a number of considerable problems were not solved in the latest form of subsidy system. For example, most of subsidies rarely reach the poor and needy (ibid). Moreover, the leakage or corruption is tremendous which increases the prevention of a massive chunk of poor citizens from receiving their subsidies (Gutner, 1999).

During the revolution of 25th of January

In 2011, the revolution took place in Egypt with its famous slogan of “bread, freedom and social justice” (Hafez, 2013). The bread was the first demand which refers to several livelihood issues such bread itself, other food types, or employment opportunities to earn money in order to get various life’s needs. But, generally, the Egyptians expressed all these meanings in the name of bread. One believes that this was due to several reasons: first, the importance of bread to most of the Egyptians particularly the poor category of the population who may rely on it as a basic daily source of nutrition. Second, because of the poverty rate in Egypt which increased to 25.20 percent in 2010 / 2011 of the population compared to 21.60 percent in 2008 / 2009 (ibid), third, the noticed inflation increases in various food prices since 2008 which led to some social upheaval? All of these factors have led to the rising of many renewed hopes during the revolution in order for Egyptians; especially poor ones can get bread and other food products easily.

Although there were some improvements in both the availability and quality of subsidized bread after the revolution; yet, most of the subsidy problems still exist (ibid). Therefore, a reform of food subsidy system became essential. This reform will be as a result of domino-effect of multi- reform processes in different fields. For instance, the agricultural sector needs a quick reform in its conventional farming and irrigation systems as well as rebuilding and restructuring a grain reserve. Moreover, the government should apply strict regulations in order to differentiate among the needy and non-needy households.

Consequently, the Ministry of Supply and Internal Trade applied a new subsidy system in March 2014 in order to end the problems that occurred in the previous subsidy system (ibid).

Chapter Two

Literature Review

Food subsidy is a highly-polarized issue all over the world. Some opinions are supporting food subsidies strongly; whereas, other opinions are against this concept. For example, Adams, 2000 stated that food subsidy is very important as it secure the availability of food supply for poor and vulnerable households. It also maintains the basic foods prices in order to deliver it to the poor. Moreover, a study of the World Bank in 2010 showed that food subsidy is a significant tool to mitigate the negative effects of food shortage and the increase of inflation rate. On the other hand, other studies were against the idea of food subsidy such as Hopkins, 1988 who mentioned that food subsidy is being used by political leaders or parties to maximize political support and stability of the regime which is totally different from its main target to serve the poor. In addition, Harik, 1992 showed that in some countries, food subsidy is used as a tool to adjust wages rather than using it to provide support to poor consumers which led to multi economic drawbacks such as decreasing productivity and increasing the unemployment rate.

In fact, each of them has a strong justification behind its perception. Therefore, many researchers expressed their point of views towards food subsidies' programs by showing its importance including its main aim as well as its positive effects; whereas, other groups demonstrated its negative effects which can be shown vividly on the economic situations for some countries.

Thus, the literature section will focus on two main streams of research. First, the researcher will discuss the different views towards the concept of food subsidy. Second, the investigator will shed light on different modalities of distributing food subsidies in some countries.

The polarization of views on food subsidies

Opinions supporting subsidies:

First, mostly, the proponents of food subsidy idea state that subsidy programs are very critical and important as it achieves many positive targets and results especially for poor people (Adams, 2000). Also, they determine that the main aim of food subsidies' programs is to secure the availability of food supply for poor or special groups "at-risk groups" like poor households, pregnant mothers, or school children (ibid). Besides, other points of view have mentioned that food subsidies programs aim to maintain the prices of basic foods in order to alleviate poverty rate (ibid).

For example, in a country like Egypt, the main target of food subsidy programs is to mitigate the negative effects of inflation and food shortages after the World War II taking into consideration that at that time, the subsidy programs were not targeting any specific groups; counter wise, it was for all citizens regardless of their financial levels or financial needs (World Bank, 2010).

In some developing countries, some food subsidies programs are designed in the form of wage compensations to employees working in the public sector in order to maintain certain basic food types (ibid). This is not the only positive goal of food subsidies' programs. It also aims at reducing the basic foods' prices to be under the market prices in a way to improve the purchasing power of poor people in order to stabilize their living standards (Anderson, 1988).

In some other countries, the food subsidies programs are very significant to the extent that it may exercise massive effect on the country's economic indices. For instance, it affects the inflation rate and the performance of different sectors such as industrial sector, agricultural sector, etc. (Anderson, 1988). In addition, it helps in enhancing the internal and external trade as well as the country's economic growth rate (ibid).

Besides, food subsidies programs are usually available in the developing countries which contain massive number of poor and needy people more than the developed countries; however, in a country like the United States, one can notice that food subsidy programs substantially exist in the form of food stamps (Kirby, 2013). These stamps are very crucial to both US citizens and government, as the US government is relying on it to fight poverty (ibid). Eventually, around 46 million US citizens depend on SNAP “Supplemental Nutrition Assistance Program” which is the name of food stamps’ program (ibid). In fact, about 22.40% of the American children and around 16% of the American citizens are struggling with food insecurity (ibid). For instance, in 2012, the food insecurity percentage in Washington D.C. was almost 30%. This led the government to use the food stamps program significantly (ibid). According to a recent report written by Hamilton Project, food stamps, which were considered as a sort of food subsidy program, protected almost 4.90 million Americans, including nearly 2 million children in 2012 only. Therefore, it is considered now as the most significant tool in fighting poverty in the US (ibid).

Opinions against subsidies:

On the other hand, some negative views on food subsidies are also common in the literature. Some opponents to food subsidies idea argued that food subsidies’ programs contributed negatively to the country budget deficit as it poses a heavy burden over the governmental resources and at the same time the poor who should supposedly be targeted by these subsidies are not receiving their portion fairly (Adams, 2000). This means that large quantities of subsidies are leaked by going to those who do not deserve which results in exhausting the country’s budget and resources (ibid).

In addition, some researchers tend not to prefer food subsidy programs as they most probably deviate from achieving its main target which is serving the poor and vulnerable

(Alderman; Lindert, 1998). Hence, some poor people may be excluded from the subsidy programs due to the imprecise surveys' results (ibid). In fact, this kind of leakage is increasing over the time (ibid). In addition, in some cases, poor and needy who are living in remote or poor rural areas might not find the basic subsidized food items due to the far distance compared to urban ones (ibid).

Besides, some organizations like International Mutual Fund (IMF), reported that although food subsidies' programs are originally designed to support the poor and ease their lives, on the contrary, it was very problematic issue especially in some countries due to the lack of control or missing of significant procedures (ibid). Consequently, it needs an urgent reform (ibid). In Egypt for example, the cost of delivering the food subsidies products to who deserves is very high due to lack of control (ibid). In other words, the IMF found that there is a massive gap between the quantity of subsidized food products that are produced by the government and the quantity of such subsidized products that are consumed by vulnerable and poor households. This gap is around 28% on average (ibid). In this context, statistical studies show that the Egyptian government pay EGP1.39 in order to deliver EGP 1.00 in the form of food subsidies to the poor (Sdrlevich; Sab; Zouhar; Albertin, 2014). Therefore, the current subsidies programs lead to over-consumption of resources (ibid).

Furthermore, it is important to address that in many countries, food subsidies do not always reach the poor and vulnerable as often claimed, but are used as a political tool to maintain system legitimacy (Hopkins, 1988). In other words, politics is the main fundamental base of designing food subsidy programs for political leaders or parties in order to maximize the political support and stability which will consequently benefit the economic growth and productivity (ibid).

In addition, using food subsidies to control the political stability is not an emerging or modernized approach; this was started when Arab regimes began to follow the Russian's

model of centralizing the distribution of the bread during the time of cold war (Ciezaslo, 2011). This fostered Arabs to start building their social safety systems (ibid). In the fifties, it has been argued that the former president of Egypt, Gamal A. Nasser, started to implement the daily subsidized bread system in exchange for social safety as one way of gaining loyalty from the society (ibid).

Moreover, the abuse of food subsidies' programs led to several weaknesses in both Macro and Micro economic levels (Harik, 1992). To illustrate, the use of food subsidies' programs as a tool to adjust wages and goods' prices in some countries rather than using it to provide support to poor consumers led to numerous economic drawbacks such as increasing unemployment rate, decreasing productivity, weak economic conditions, dropping of economic indices, weak international and national trade and other weak points (ibid). Moreover, the public sector turned to make loss instead of profit and started to look for governmental budgetary support in order to cover the massive increase in its uses (ibid). In fact, this has happened in Egypt during fifties when the government decided to adopt a new monetary policy which aimed at adjusting both prices and wages at the same time (ibid).

International alternatives to delivering subsidies to the poor:

Many countries attempted to improve its subsidy delivery systems. The improvement attempts have been formulated in different shapes. Such shapes include the distribution of subsidized food products and cash transfers. According to a research paper conducted by International Food Policy Research Institute (IFPRI) in July 2013, there is no ideal model of delivering subsidies to the poor; it mainly depends on each case's conditions like the number of the poor, seriousness of the problem, the nature of consumers and their preferences. For instance, cash transfers had a strong positive influence in solving poor's problems in Yemen, Uganda and Ecuador; however, in a country like Niger, food subsidies transfers are most compatible with solving poor's problems (Merchant, 2013). In India, there is another example of offering subsidies through fair-price stores particularly in Chhattisgarh and Tamil Nadu. They simplified the criteria of targeting the poor, improved grains' offtake quota and used new technological and administrative tools to control the delivery process (ibid).

In this section, the researcher will discuss various examples of subsidy delivery systems in different countries such as the Targeted Public Distribution System in India, the In-kind Transfer System in Cuba, and the Targeted Food Program in Bangladesh. Besides, the discussion will include other improvement attempts of delivering subsidies, but in the form of cash assistance through depositing cash money into assigned bank account for each eligible citizen in order to withdraw it on monthly basis to buy his/her needs without the intervention of the authority.

In addition, the researcher will discuss other alternative of subsidy systems which is conditional cash transfers (ibid). In this type, the government deposits a specific amount of money in the poor's bank accounts, but with adding new rules which may, in some cases, prevent the poor from getting the subsidy's amount if he/she failed to follow it (ibid).

1. India's Targeted Public Distribution System

India has experienced an overall change in its food subsidies distribution system. The system was changed in 1997 to use targeted scheme under the name of Targeted Public Distribution System (TPDS) instead of general entitlement (Ashok Kotwa; Bharat Ramaswami, Sep 2012). In fact, the Indian administration of subsidies has classified the poor into three categories. The first one is for the Above Poverty Line (APL), the second one is for the below Poverty Line (BPL), and finally, the last one is for the Poorest of the Poor (POP). This classification was done based on some conditions such as housing type, employment type, and other considerations (ibid).

In addition to the poor's classification, the Indian government has delivered subsidized grains to the poor with different prices based on the category of the poor (ibid). For example, the category of "Above Poverty Line" is paying more than the "Poorest of the Poor". This procurement process is relying on holding food vouchers or coupons which is disbursed through the Ministry of Consumer Affairs (ibid).

Practically, such coupon system faced several drawbacks, such as,

- Old coupons can be reused.
- Some poor may sell their vouchers with high prices to the local merchants.
- Vouchers can be printed locally due to the lack of control. (AHLUWALIA, 2005)

Therefore, some new studies have introduced some solutions such as the following:

The distributing of the food vouchers should depend on the wide and huge network of postal offices in India, as the postman can efficiently and easily deliver such vouchers to poor especially in rural areas (Singh; Aggarwal; Kashyap; Ritanshu, 2014).

After delivering the food vouchers, the poor can go directly to the ration shops which are running through government to get their quota of subsidized goods. This will

encourage the government to develop a new way of disbursing the goods which will rely on applying a new technology of using the finger print through scanners (ibid). This new technology will help in fighting corruption in terms of ensuring the beneficiary's right of taking subsidized goods as well as making sure that each voucher holder receives his/her entitled subsidies' quantities (ibid).

In fact, the registration of food vouchers' numbers to poor as well as the collection of such vouchers by groceries should be reported and monitored by the Ministry of Consumer Affairs in order to control any corruption and stop the misuse of vouchers (ibid).

2. In-Kind Transfer

In **Cuba** for example, the government started to offer subsidized food products since 1962. In fact, in such subsidy system which known as "liberta", all Cuban citizens are assigned to the same food amount through using ration booklet. This booklet allows all citizens to take their quota of basic food products such as sugar, milk, eggs, rice, etc. Moreover, the booklet includes stubs in order to have a track record of what the family consumed during the year (Valdes, July 2013) , (Jodi, March 2014).

Eventually, the government reduced some subsidized food products like cigarettes, potatoes, peas, soap, detergent, and finally, the half of monthly eggs quantities (ibid). In addition, the Cuban citizens are complaining from frequent food shortages especially that Cuba is relying on importing most of its food and most of such food is destined mainly for tourists (ibid). This led to long queues for lots of hours in front of groceries in order to take subsidized food taking into consideration that sometimes citizens are standing in such long queues without having any idea about what is offered (ibid). As a result, some citizens are going to resell what they bought through their ration booklet (ibid).

3. Targeted Food Program

In **Bangladesh**, the World Food Program (WFP) and the Ministry of Education worked together to provide biscuits fortified with minerals and multi vitamins to school children at pre-primary and primary stages especially at vulnerable areas (World Food Programme, 2015). This national program for school feeding started in 2011 and supported around 55000 students at that time successfully (ibid). In 2013, WFP and the Bangladeshi government modified the program and included fresh meals to school children consisting of vegetables, protein rich beans and other types of food (ibid). Consequently, the program succeeded in alleviating the nutrition deficiencies and hunger among school children and enhancing the enrollment and attendance of the children particularly in high poverty areas. This encouraged WFP and the Bangladeshi government to widen their target to support 500,000 school children in 4300 schools in 2015 (ibid).

4. Cash Transfer

In **Kenya**, the government chose to apply the unconditional cash transfers in order to fight poverty. They justified their selection by describing that the in-kind subsidies are not flexible enough to give the poor households the choice of selecting their needs based on their priorities (Haushofer; Shapiro, 2011). In this context, in 2007, the government delegated an NGO named “Give Directly” in order to deliver the cash money to the poor households (ibid). The NGO identified the eligible households based on some criteria such as if the household’s house is constructed from non-solid materials like mud, grass, etc. (ibid).

In addition, the distribution of the cash subsidy was thorough the mobile phone services (ibid). They send a mobile message to the selected poor households with the cash amount. Afterwards, the poor people go directly to a local agent to exchange the credit cash

amount with goods (ibid). The exchanging process is done to any eligible poor regardless of his/her sex. In other words, a man or a woman in the poor household can exchange the money easily (ibid).

After one year of implementation, follow-up surveys were conducted in order to assess the program. The results of the surveys showed the following:

- Monthly spending of the recipients of the cash transfers increased by 23 percent in different categories such as food, medical expenses, home improvements, weddings and funerals (ibid).
- Food security measures were around 30 percent less in those who are going to sleep hungry, and 20 percent more in having an adequate food for the next day (ibid).
- No marked increases in health and education spending especially for the relatively low levels (ibid).
- Finally, there were no variances recorded between giving the cash money to man or woman (ibid).

5. Conditional cash transfer

In 2003, **Brazil** introduced a new alternative to food subsidy that includes cash transfers. To illustrate, the Brazilian government applied a new program under the name of Bolsa Familia Program (BFP) in order to improve the social progress and growth for poor and needy in Brazil (Lindert, 2005). The government integrated four different programs into one program to be managed through the Ministry of Social Development (ibid). Thus, the eligible poor households should follow some rules set by the government in order to receive their cash transfers.

In this regard, the poor households should prove that they send their children to schools and the absences percentage of their children is not exceeding 15 percent (ibid). In addition, they have to prove that they take their children to health care centres on regular basis in order to check their health status (ibid). Thus, the program is focused on the investment in human capital rather than maintaining the nutrition level of the poor.

The program spread all over Brazil rapidly to cover about 6.5 million families in January 2005 which accounted for 26.4 million Brazilians. At the end of 2006, the program covered 11.20 million families (44 million Brazilians) (Lindert, 2005). Moreover, the per capita income for poor households has been increased sharply since the implementation of the program in 2003 from USD 245 to USD 372 in 2009 (Souza, 2012).

In addition, the researchers as well as the economists reported some of the program's outcomes as follow:

- Improves the level of education for the poor children, as schools' administrations recorded an increase in the attendance for the children by 15 percent (Austin, 2013); (Lindert, 2005).
- About 95 percent of the poor children used the health cards; consequently, their health level has been enhanced (ibid).
- Stimulate interaction and cooperation among different public sectors like education, health, and nutrition (ibid).
- Decrease the number of poor families by around 8 percent (ibid).
- In response to the integration of the four previous programs into Bolsa Familia program, bureaucracy in public sector was reduced as well as the administrative costs of some public services (ibid).

Chapter Three

Research Methodology

This study depends on different qualitative techniques with some illustrative statistics and numbers as secondary tools in order to illustrate the findings in a logical and integrated way. The researcher conducted in-depth structured and semi-structured interviews with different parties in order to interact with people who are using subsidized food. In addition, the investigator selected an indicative sample in terms of age, sex, work position, work place, and background in order to represent different segments of people who are using subsidized food frequently and work in the whole matrix of food subsidies.

To illustrate, the sample included five consumers and four supply inspectors in order to apply triangulation concept which is confirming the collected data from different sources and determine the most agreed information from all sides. Furthermore, the sample included three top management employees at the Ministry of Supply and Internal Trade to get another perception of those who are working in the head of food subsidy matrix. The respondents have been selected randomly. By applying the above-mentioned techniques and using triangulation, validity and reliability of the research have been accomplished.

Moreover, the investigator used SWOT analysis in order to evaluate the new subsidy system in Egypt. This analysis stands for strengths, weaknesses, opportunities and threats that face the new subsidy system in Egypt. The applying of the SWOT analysis helped the researcher in determining and focusing on each section separately.

A brief description of SWOT analysis:

SWOT analysis is a major technique which identifies both the internal and external environment of a system, program or organization (Bryson, 2011). It focuses on analysing the internal issues through examining strengths and weaknesses points of the system (ibid). On the other hand, it takes into consideration the studying of external factors pertaining to the system through investigating both the opportunities and threats of the system (ibid).

As a result, the analysis provides invaluable information about the evaluated system which usually helps in understanding the strengths of the system and how such strengths can lead to future opportunities. In addition, the information of SWOT analysis assists in addressing the weaknesses of the system in order to minimize it before leading to future complications.

Therefore, in this study, the researcher used SWOT technique in order to analyse the new process of Egyptian subsidy system in terms of its strengths, weaknesses, opportunities and threats in order to assure whether or not the new changes have really addressed the basic needs of the needy sector in Egypt. The following table shows the main points under each part of SWOT analysis.

Strengths	Weaknesses
<ul style="list-style-type: none"> • What are the advantages of the system? • What does the system execute well? • What are the relevant resources? 	<ul style="list-style-type: none"> • What are the disadvantages of the system? • What does the system execute badly? • What should be improved?
Opportunities	Threats
<ul style="list-style-type: none"> • Where are the good opportunities in the wider context that are relevant to the system? • What are the useful opportunities in front of the new system? 	<ul style="list-style-type: none"> • What are the obstacles in the wider context? • Could any of the weaknesses seriously threaten the system? • What are the actual and expected threat sources?

Data Collection

First, the researcher started the data collection process by requesting the approval of Institutional Review Board (IRB) at the American University in Cairo. After getting the approval in May 2, 2015, the researcher started to conduct the interviews in the same month. The interviews included some questions which covered different research areas. The answers of these questions helped in answering the main research question of the study. For example, the answers showed the **different views** of stakeholders towards the changes of the new subsidy system which took place in March 2014. This includes the opinions of stakeholders regarding using new smart cards, and to what extent these smart cards solved the previous system's problems. Also, it depicted the views regarding the quality of the new subsidized offered goods and subsidized bread compared to the previous ones.

Some other questions tent to be **descriptive** in order to describe the new system in terms of the new actions that were taken by the Ministry of Supply and Internal trade to control the flour's black market in Egypt. Besides, it addressed if the new subsidy system was implemented in all Egyptian governorates or not yet. Furthermore, it showed the types of the new goods' portfolio which could be an indicator at the same time for assessing the system in terms of the diversity in subsidized goods offered to poor people.

Furthermore, other questions measured the **impact of the new system** on the poor through classifying the poor's feedback after implementing the new system. For example, it examined the issue of long and crowded queues in front of bakeries. Moreover, the opinions of the poor proved if the leakages are still lingered or were solved by the new system. For instance, if the rich people can still get the subsidized goods with few piasters; whereas, the poor cannot get it. Also, the interviews answered the questions of whether the way was closed in front of the flour smugglers or not.

Limitations of the study

Lacking of assessment reports or studies to the newly applied subsidy system in Egypt was a limitation to this research. However, the researcher conducted series of interviews with different and multi Egyptian citizens who either consume the subsidized food products, or even work in the subsidy system.

Besides, for those who are working in the subsidy system, they were diversified among managerial and staff positions, different ages and even different sex in order to triangulate the collected data. Hence, the research can be reliable, valid and reflects the reality.

In addition, the researcher used some secondary resources such as articles in examining the collected data which led to almost the same findings of the conducted interviews.

Chapter Four

SWOT analysis of Recent Systemic Reforms

In this chapter, the researcher will discuss and analyse the collected data from the structured and semi-structured in-depth interviews conducted with different and random interviewees along with some secondary resources. In fact, the data was triangulated and connected to the literature of this study. In addition, the researcher used SWOT analysis as an analytical tool in order to expose the findings of the study. As a result, the findings will be presented in the below table in four different categories which show the strengths, weaknesses, opportunities and threats of the newly applied subsidy system.

SWOT analysis table of the new system

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Tightened control regulations over the distribution of subsidized flour 2. The high-quality standards of subsidized bread 3. Determines better quality criteria for subsidized goods 4. Leads to Reduce long waiting queues in front of bakeries 5. Activates the use of smart cards in the distribution process 6. Encourages the consumers to consume less bread quantities 7. Improves the communication among consumers and bakeries' owners as well as subsidy grocers 8. A new customer services Center 9. Adds thirty new subsidized goods 	<ol style="list-style-type: none"> 1. Implementation of the system in some governorates only 2. Weak punishment for smugglers and system's violators 3. System loopholes:- <ol style="list-style-type: none"> a. Using smart cards illegally b. Lack of awareness among system beneficiaries c. Baking bread by using another low quality flour 4. The electronic system has many bugs 5. Crowdedness in front of supply offices 6. Beneficiaries' data is outdated 7. Poor performance of the companies issuing the smart cards

Opportunities	Threats
<ol style="list-style-type: none"> 1. Potential use of subsidized oil to Produce organic fuel 2. Diversify the distributed subsidized bread by adding French bread (Feno) 3. Improving nutrition by adding iron and vitamins to subsidized flour to Fight Anemia 4. Enhances the trust among the government and the consumers 5. Increases the investment opportunities 	<ol style="list-style-type: none"> 1. The corruption will exist in the governorates that have not implemented the new system 2. The chance of violations will be increased if not formulating quick and strict punishment for violators 3. Existence of network system bugs will result in system collapse 4. Insufficiency of supply offices' infrastructure due to the increasing of beneficiaries 5. Not updating the beneficiaries' database results in mis-targeting 6. The increase in Egypt's budget deficit will threaten the continuation of the new system 7. Challenges to monitor quality and integrity of the system when implemented in the rest of governorates

Strengths of the Newly Introduced System

In a SWOT analysis, strengths usually belong to the internal environment of the system (Bryson, 2011). Therefore, in this section, the researcher focused on some intrinsic system issues to be able to determine the strength points. For instance, the researcher investigated what the returns of the system are and what the system's good implications or positive applications are (ibid).

1. Tightened control regulations over the distribution of subsidized flour

One of the greatest benefits of the new system is limiting stealing flour sacks by black market's smugglers and some of the bakeries' owners (Interview with supply inspector, October 2015). To illustrate, in the previous system, the Ministry used to give the bakeries about 10 flour sacks only per day with the subsidized price which is around 8.50 - 10.65 EGP per sack (Interview with supply inspector, October 2015). Therefore, some of dishonest bakeries used to resell the subsidized flour sacks in the black market with the high market price to reap extra and quick profits.

An interview with one frequent consumer of subsidized bread and goods in the previous system showed that:

“A big proportion of the subsidized flour did not go to those who deserve because the bakery did not bake the received flour sacks. For example, they baked three to four sacks only out of ten sacks per day, and the rest were sold to the black market dealers”

(CONSUMER, 2015)

The idea has been triangulated by the same notion regarding the previous system by another consumer who noted:

“If you sat on a coffee shop beside any bakery at 7:00 am; you would not believe yourself as most of the flour sacks were sold outside the bakery to the black market dealers, so finally, the bakery baked only half of the daily flour quantity received and sold the rest. Do not be surprised, this happened previously in all governorates.”

(Consumer, 2015)

The quotes from an interview with a consumer confirmed that the former subsidy system had many leakages especially in the form of reselling the subsidized flour in the black market. This caused a massive budget loss and poor targeting to those who deserve food subsidy.

Eventually, in the new system, the Ministry started to sell the flour sacks to the bakeries with its market price which is about 155 EGP per sack “50kg” (Interview with Supply Inspector, 2015) and (Esterman, 2014). Therefore, the Ministry closed the door in front of the bakeries’ owners to resell the flour sacks again to the black market dealers.

Moreover, in order to deliver the subsidy amount to those who deserve, the Ministry started to pay the subsidy amount to the bakeries’ owners per loaf. For example, it pays 30 piasters to them for each sold loaf.

In addition, the Ministry removed the ceiling limit of buying flour sacks from 10 sacks per day to be opened without limit (Interview with Supply Inspector, 2015). Therefore, the bakeries’ owners now have the full right to buy any flour quantity from the Ministry. This step helped the bakeries’ owners who usually bake large amounts of bread per day to meet their consumers’ demand. Also, it encouraged them to buy the needed flour directly from the Ministry without the need to buy the flour from the black market.

Thus, all these decisions helped in inhibiting the stealing of flour and reducing corruption.

This point was supported by a report published by The Egyptian Centre for Economic Studies which showed that after implementing the new system, the corruption, especially in the bread matrix was diminished (Ramadan R. , 2015).

Besides, an interview quote that was taken from interviewing a supply inspector notes that the new system limits the corruption in subsidized flour:

“The newly applied system succeeded in limiting the corruption that used to exist on subsidized flour, especially, after delivering the flour sacks to the bakeries with its market price “155 EGP”, so there is no room to resell them again as before” (Interview with Supply Inspector, 2015)

This proves that the new systematic changes controlled the distribution of subsidized flour particularly after the applying of the new decision of selling the subsidized flour to bakeries with its market price. Thus the door is closed in front of black market dealers.

2. The high-quality standards of subsidized bread

Responded noted another positive outcome of the new applied system is the quality of the current subsidized bread (Interview with the Deputy Manager of Inspection, 2015). In fact, the quality was enhanced compared to the previous quality standards which were available before implementing the new system.

One of the factors that led to the improvement of bread quality is the new strategy applied by the Ministry of Supply and Internal Trade which gave the beneficiary the right to select any bakery in his/her governorate to buy their bread. To clarify, in the previous system, the consumer had to take his/her daily subsidized bread from a certain bakery which is located in his residency area (Interview with Supply Inspector, 2015). Therefore, it is a kind of obligation and no one can change their assigned bakery, even if the bakery's bread is very bad. Accordingly, there was no competition among bakeries.

In the new system, interviews showed that the Ministry gives the beneficiary the right to select any bakery in his governorate to deal with (Interview with Supply Inspector, 2015). Thus, this led to a sort of competition among bakeries as each bakery wants to sell more than the others in order to take 30 piasters per sold loaf from the ministry as well as five piasters from the beneficiary.

This encouraged some of the bakeries' owners not only to enhance the bread quality, but also to distribute free loaves among the poor beneficiaries in order to get 30 piasters per loaf from the Ministry regardless of the five piasters which should be paid by the beneficiary.

3. Determines better quality criteria for subsidized goods

As illustrated earlier that the previous subsidy system included only three subsidized goods to be distributed to the poor and vulnerable (IFPRI, 2001). These kinds of goods were delivered to the Ministry through certain vendors since many years ago. After several years, the quality of these goods decreased to have a very low quality level (Korayem, 2011).

This point fits with what was mentioned in the problem statement part of this study which stated that:

The quality of the subsidized goods in the previous system is so bad and did not match the qualified food standards. Therefore, a large number of citizens started to complain. (Cohen, Marc J.; Smale, Melinda, 2014) (Ramadan & Thomas, 2010).

This point was also confirmed by a frequent consumer of subsidized products in the former system who indicated that

“In the previous system, subsidized goods such as rice might contain small insects and the breakage percentage were very high” (Consumer, 2015)

This quote illustrates that the quality of the subsidized goods in the previous subsidy system was very poor to the extent of find small insects in the rice.

Eventually, in the new system, the Ministry of Supply and Internal Trade started to deal with different suppliers in order to enhance the quality of the subsidized goods (Interview with Supply inspector, 2015). In addition, the Ministry diversified the suppliers of each good in a way that creates a sort of competition among them. This diversity has led to an obvious enhancement of the subsidized goods' quality as well. For example, nowadays, the Ministry receives cooking oil from four different suppliers. Consequently, this motivated all suppliers to offer the best quality with the lowest prices in order to compete with other suppliers.

4. Leads to reduce long waiting queues in front of bakeries

Interviews showed that many of the bakeries' owners are currently working hard to deliver high quality bread that matches with the consumers' demands to a high extent (Interview with Supply Inspector, 2015). This is a result of paying 30 piasters per sold loaf by the Ministry of Supply and Internal Trade to the bakeries' owners as a direct subsidy.

Consequently, this led to the reduction of the long queues in front of bakeries which used to exist in the previous system for a long time. According to an article published on Al Ahram online:

Some of vulnerable Egyptians are now satisfied for not standing in queues in front of the bakeries in order to get their daily bread quota. In addition, they mentioned that they are no more worry about getting their daily quota since the implementation of the new ration card system which saves the daily quota of each beneficiary (Al-Ahram online, 2014).

Another interviewee who agreed on reducing the queues in front of the bakeries stated:

“Currently, I’m not staying for a long time in a queue for getting bread, as I can go to any other bakery that is not crowded with beneficiaries in my governorate” (Consumer, 2015)

This quote illustrates that eventually, after applying the new subsidy system, it is much easier for a consumer to get the subsidized bread without standing for a long time in a queue like the old system.

5. Activates the use of smart cards in the distribution process

The Ministry of Supply and Internal Trade improved the delivering of subsidized goods to those who deserve compared to what was done in the previous subsidy system (Nawar, 2014). Currently, no one can get his/her subsidized goods from any supply grocery without a smart subsidy card (ibid). Thus, we can say that the goal of the new subsidy system of enhancing the distribution process is somehow achieved (ibid).

To activate working with the new smart cards, the Ministry imported new machines specialized in dealing with the subsidized bread matrix and other machines for dealing with the subsidized goods (Interview with Supply inspector, 2015).

This point was identified by a supply inspector, who noted:

“Of course, the new smart cards controlled the whole distribution process as when you insert the card into the machine, the system automatically updates its records in seconds and no one can steal the goods as before.” (Interview with Supply inspector, 2015)

Another supply inspector who recognized the new changes, said:

“I think the new smart cards are controlling the process very well, why?, because if I did not take my monthly subsidized goods, no one could take them, as this new card is working like a visa card, no one can use it other than its owner” (Interview with Supply Inspector, 2015)

Interview with Supply Inspector showed that the applying of the new smart cards stopped the stealing of subsidized goods, as eventually, all data is registered electronically in the network system of the Ministry of Supplies and Internal Trade.

6. Encourages the consumers to consume less bread quantities

Another strength point of the new system is rationalizing the consumption of the subsidized bread used by the poor and vulnerable people (Interview with the Deputy Manager of inspection, 2015). In other words, the percentage of bread consumption level in the new system decreased significantly.

To explain, in the previous system, the beneficiaries used to get their daily quotas of subsidized bread in order to eat it (Trego, 2011). In addition, they used it in feeding the animals, especially, after the increase in the international grain prices that led to an increase in the animals' feed prices (ibid). Hence, the price of the subsidized bread became cheaper than the animals' feed (Trego, 2011). Certainly, this wasted many of the country's resources and prevented other poor citizens from getting their rights in receiving their share in the allocated subsidy.

After the implementation of the new system, the Ministry of Supply and Internal Trade figured out a new alternative as an incentive step for those who are not consuming their daily bread quantity (Ministry of Supply and Internal Trade, 2014) , (Interview with Supply Inspector, 2015) . The Ministry applied a new reward points' strategy in which five daily loaves of bread are assigned for each person in the family with a maximum of eight family members (ibid). In case the beneficiary did not consume his/her full assigned quantity of

subsidized bread, he/she can get reward points to be added to his/her smart card's balance (ibid). Afterwards, the beneficiary may replace such points with any other subsidized goods that can be selected from a group of 33 products currently available (ibid).

In reality, this new strategy encouraged the beneficiaries to save their bread quotas as much as they could in order to increase their reward points and use it in getting other free subsidized goods such as butter, beans, poultry products, meet, cheese and other diversified goods (Interview with Supply Inspector, 2015).

This was claimed in one of publications of Global Risk Insights which stated that the consumption of the subsidized bread is fell by 15 to 35 percent after implementing the new cards' system in some of the Egyptian governorates (Wille, 2015). Thus, this led to a considerable savings in the country's budget.

This also fits with what was published in one of Reuters articles that:

Reforms in the new system reduced the bread consumption level by about 30%, especially, in Port-Said where the inauguration of the new system began (Fick, Maggie, 2014).

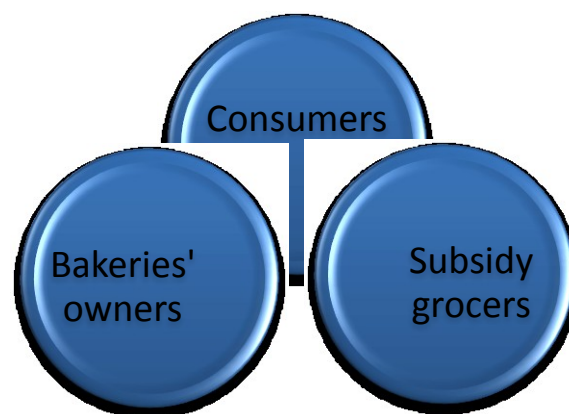
7. Improves the communication among consumers and bakeries' owners as well as subsidy grocers

Currently, the way of communication among consumers, bakeries' owners and subsidy grocers was improved after the implementation of the new system (Interview with the Deputy Manager of inspection, 2015). In other words, most of the bakeries' owners started to deal with consumers with great respect to encourage them to buy from their bread in order to get the subsidy amount of 30 piasters per sold loaf from the Ministry of Supply and Internal Trade.

In addition, because of the new decision taken by the Minister of Supply and Internal Trade to allow any consumer to buy bread from any bakery inside his/her governorate, a sense of competition was created among the bakeries' owners. Therefore, bakeries' owners are currently working efficiently and effectively in order to attract as many consumers as possible. This reflected positively on the way of communication between the consumers and bakeries' owners.

Besides, regarding the subsidized goods, the Ministry gives the beneficiary the right to select any subsidy grocery in his/her governorate as of starting October 1st, 2014 (Interview with Supply Inspector, 2015). Basically, the subsidy grocer is the one who operates a shop in order to get subsidized goods from the Ministry of Supply and Internal Trade and sells it to the subsidies' beneficiaries with subsidized prices. In the previous system, the beneficiary had to deal with the subsidy grocery that is nearest to his/her place of living. Recently, the Ministry cancelled this rule and allowed the beneficiaries to buy their subsidized goods from any subsidy grocery located in their governorates.

Therefore, this action resulted in the benefit of the beneficiaries through creating a competition among the subsidy grocers, as each grocer wants to sell more subsidized products in order to reap more profits. Hence, the way of communication among consumers, bakeries' owners and subsidy grocers was enhanced.



Source: By the researcher

8. A new customer services Center

The Ministry of Supply and Internal Trade has created a new customer service centre with a hotline number located in smart village (Ministry of Supply and Internal Trade, 2014). This is considered as a new initiative which was available for many years despite of its importance. “In fact, this action was taken in order to answer the beneficiaries’ questions and to respond to the complaints immediately” (Dr. Khaled Hanafy).

9. Adds thirty new subsidized goods

The reform process in the new subsidy system does not include the bread matrix only; it also takes into consideration different subsidized goods (Interview with Supply inspector, 2015). To explain, the previous subsidy system had three types of subsidized goods only to be distributed to the poor and vulnerable (IFPRI, 2001). These three goods were sugar, rice and cooking oil (ibid). This encouraged the Ministry of Supply and Internal Trade to add new subsidized goods in the new system in order to offer various types of subsidized goods to the beneficiaries. Some examples for the new goods are lentil, sun flower oil, soya oil, tomato sauce, meat, cheese, chicken, and so many other products (Ministry of Supply and Internal Trade, 2014) , (Al Mal Newspaper, 2014).

In addition, the Ministry of Supply and Internal Trade announced that they are targeting to increase the current 33 subsidized goods to be one-hundred types soon in order to help the poor and vulnerable to get most of their needs with subsidized prices (Ashaab, 2014).

This point was identified in one of Reuters’ articles which showed that:

The issue of widening the subsidized goods is crucial to many of the poor and vulnerable citizens who do not afford to buy various food types due to their low purchasing

power (Fick, 2014). Also, they mentioned that one of the world food program's research demonstrates that eventually the poor beneficiaries started to cut down their dairy products as well as protein foodstuff and began to rely on carbohydrates foodstuffs due to its low prices (ibid). Therefore, by increasing the types of subsidized goods, the poor will be able to get several protein and dairy products with subsidized prices.

Weaknesses of the Newly Introduced System

In a SWOT analysis, weaknesses are usually related to the internal environment of the system likewise as the strengths of the system (Bryson, 2011). Therefore, this part will focus on some internal issues which may help in assessing the weaknesses of the system. For example, what are the drawbacks of the system? What does the Ministry of Supply and Internal Trade do cursedly (ibid).

In this context, the implementation of the new subsidies' system faced some problems; most of which need immediate actions to solve them. For instance, the implementation of the new system in some governorates only, the weak punishment regulations in case of violations, using the new smart cards illegally, the lack of system awareness, the new electronic network system is weak and has many problems, the crowdedness of beneficiaries in front of supply offices, the beneficiaries data is outdated and finally, the poor performance of the companies that issuing smart cards. These problems will be illustrated as follow:

1. Implementation of the system in some governorates only

The new system has been implemented in some governorates only (Kamal, 2014). Therefore, Egyptians in other governorates are still away from receiving their rights of both subsidized bread and goods (ibid).

In addition, the governorates which are still working with the former system are still facing most of the problems mentioned in the literature review of this study including the stealing of subsidized flour, corruption, weak targeting process and other drawbacks.

The inequality among governorates is not a new weak point; on the contrary, existed since the former subsidy system. This was showed in the literature review of this study which

depicted in one of its paragraphs what was stated in the World Bank report published in 2010 concerning the inequality among Egyptian governorates in terms of subsidies, it mentioned:

“The allocation pattern of previous subsidy system led to inequality or a clear bias among different Egyptian governorates. For instance, plenty of studies show that the biggest poor governorates in Upper Egypt such as Sohag, Qina, Minya, Beni Seuf and Assuit are receiving fewer quantities of food subsidies than expected as most of the allocations do not reach the beneficiaries. Indeed, the studies demonstrate as well that the main reason behind the bias in quantities of subsidized food among governorates is the long process of distribution which contains the three following steps; procurement, storage and transportation.”

The above quote explains that the inequality among different Egyptian governorates is not a new issue. It was available in the previous food subsidy system as well, but in different form. In other words, some governorates in Upper Egypt were not receiving their assigned subsidy quantities due to the long distribution process which includes procurement, storage and transportation. However, in the new subsidy system, the inequality issue is because of not implementing the new systematic changes in some governorates.

2. Weak punishment for smugglers and system's violators

Another significant weakness is the current weak punishment system for smugglers; as there are no strict punishment regulations in the new system such as jail or deterrent fines for those who are stealing the subsidized food (Kamal, 2014). Therefore, the violation will always exist; unless formulating a new strict law in order to stop any kind of theft forever. The current Minister of Supply and Internal Trade mentioned in one of the talk show programs that in case of violations, the consumers should start a boycott to violators and stop buying subsidized products from them. In fact, such reaction is not adequate to prevent violations without applying strict penalties (ibid).

This weakness was identified by one supply inspector, who mentioned:

“Currently, there is no kind of disciplinary actions for violators, neither deterrent fines nor Administrative penalties” (Interview with Supply Inspector, 2015)

This is also reflected in the perceptions of many consumers who believe that the government needs to apply more strict laws. A consumer noted:

“The government should apply new strict laws which give them the authority to catch any of the black markets’ dealers and put them into jail from ten to Fifteen years at least instead of paying fines from 4000.00 to 7000.00 EGP at most. This will be along with accusing them of being traitors to the homeland” (consumer, 2015)

The same notion was repeated by a supply inspector, who also connects enforcing strict laws. He noted:

“The government should create and apply a strict new law immediately to stop the violations” (Interview with Supply Inspector, 2015)

It is obviously that the idea of formulating new strict laws to stop violations is very important as illustrated by the consumer’s quote and the Supply Inspector’s quote who stressed on applying new laws immediately to face violations.

3. System loopholes

a. Using smart cards illegally

The Ministry of Supply and Internal Trade discovered that some of the bakeries’ owners are renting subsidy smart cards and paying money to the cards’ beneficiaries who may not need the full daily quota of the subsidized bread (Interview with Supply Inspector, 2015). This happened in some areas in order to use the smart cards many times up to the maximum daily limit in their machines to register the maximum daily amount of subsidized bread. Thus, the bakery’s owner will get 30 piasters from the Ministry for each registered sold loaf. Moreover, the bakers do not give the full registered quantities of subsidized bread to the owners of such cards as they sell it separately to those who do not have smart cards.

This point was identified by a supply inspector who claimed:

“Sometimes the dishonest bakeries’ owners are using smart cards illegally; they may rent it even from different governorates in order to increase the quantity of subsidized sold bread”

In some cases, the dishonest bakeries’ owners collect many smart cards from their beneficiaries and pay an amount of money as a rent for these smart cards. Then, they use it in entering a huge bread quantity to the maximum limit of each card into the network system in order to get 30 piasters from the Ministry of Supply and Internal Trade for each loaf registered.

b. Lack of awareness among system beneficiaries

Another key issue that encouraged the bakeries’ owners to violate is the lack of the beneficiaries’ awareness of the new system’s rules (Interview with Supply Inspector, 2015). For example, most of beneficiaries do not take a receipt from the baker after buying their bread in order to revise their bread balance on a frequent basis. This drove some owners of the bakeries to enter a bigger bread quantity into their electronic machines than what they truly gave to the beneficiaries. Afterwards, the bakeries’ owners take the amount of 30 piasters per sold loaf from the Ministry of Supply and Internal Trade.

A Supply Inspector stated that:

“The Ministry should improve the awareness of consumers in order not to leave their smart cards to either the bakery’s owner or the grocer who provide the subsidized goods” (Interview with Supply Inspector, 2015)

The above quote mentioned by a Supply Inspector showed that awareness sessions are significant to explain the new system procedures to consumers in order not to let the dishonest bakers or supply grocers steal them. In other words, the consumers will know the importance of getting a receipt after buying bread in order to check the bread balance

registered in the receipt. Thus, no one will be able to steal extra quantity of the consumers' bread or even goods.

c. Baking bread by using another low quality flour

Furthermore, in the new applied subsidies' system, the Ministry of Supply and Internal Trade sells flour sacks to bakeries with the its market price in order to close the door in front of the bakeries' owners to resell the flour in the black market (Inteview with Supply Inspector, 2015), (Ahmed, Jul 2014). The Ministry discovered recently that some bakeries' owners buy low quality and cheap flour sacks from the market in order to use it in baking the subsidized bread and ignore the flour offered by the Ministry (Interview with Supply Inspector, 2015). After wards, the bakeries' owners request to receive the 30 piasters per sold loaf from the Ministry for the whole quantity sold and recorded on the smart cards' machines.

4. The electronic system has many bugs

The network system which is used to link all smart cards machines all over Egypt with the Ministry of Supply and Internal Trade goes down many times (Interview with Supply Inspector, 2015). This caused many problems, especially, when the baker is baking the bread and there are many people waiting to buy bread in front of him and the machine is out of order. For example, in Alexandria, the network system of the new smart cards machines stopped suddenly in many bakeries (Muhsen, Nov 2014). Thus, a number of citizens could not get their subsidized bread quotas by using their smart cards (ibid). In addition to this, the bakeries' owners were obliged to sell the dough to poultry and fish shops instead of baking the bread and not being able to sell it because the machines are out of order (ibid).

A Supply Inspector who agreed with the failure of network system stated:

“The system goes out of order so many times” (Interview with Supply Inspector, 2015)

This shows that the new network system that links the Ministry of Supply and Internal Trade with all bakeries and supply groceries are not efficient enough. Therefore, this leads to many problems in using it in selling bread and subsidized goods.

5. Low quality of the service... Crowdedness

The Ministry of Supply and Internal trade has around 1600 administrative offices all over Egypt in order to deliver the services to most of the areas; however, the quality of the services is very low (Kamal, 2014). According to the current Minister of Supply and Internal Trade, the average percentage of the services provided to the beneficiaries is almost 500 citizens per three or four employees at most (ibid). This puts the employees under pressure which leads them to be unsatisfied. Accordingly, the quality of the provided services was affected negatively (ibid).

In addition, the small number of offices all over Egypt led to more crowd in front of offices (ibid). Thus, the citizens' needs were delayed for long periods of time (ibid). For example, the researcher went to issue a new smart card for subsidized bread from one of the supply offices in Cairo in order to examine the quality of the services. He found that the process took a very long time without finalizing the smart card regardless of the long queues which is not considered to be inhuman.

Besides, the Minister mentioned in one of his television talks that offices are in an urge need to an immediate reform in terms of its objectives, shape and many other issues, and this reform will be done gradually (Kamal, 2014).

6. Beneficiaries" data is outdated

Around 68 million Egyptians who represent about 75 percent of the population have subsidy cards which allow them to take diversified subsidized food although some of them are not eligible for subsidies nowadays (Fick, 2014). On the contrary, averages of about four million Egyptians, who are considered very poor, are not able to benefit from the subsidies due to the system's drawbacks (ibid).

This point fits with the literature review of this study which stated that the targeting process is considered as one of the most major negative factors since the former system. In other words, the system failed to target the poor to the extent of delivering around two-thirds of the subsidy to those who do not deserve it (Power, July 2013) and (IFPRI, 2001).

7. Poor performance of the companies issuing the smart cards

The Ministry of Supply and Internal Trade has formulated an agreement with three local companies to be responsible for issuing smart cards for the beneficiaries (Interview with Supply inspector, 2015). In fact, the performance of such companies' workers is very poor in terms of dealing with consumers, reissuing new cards if any card was lost and many other issues.

This has been identified by a supply inspector, who noted:

"They are dealing with people with a very bad way"

This is also reflected in the perceptions of the head of one of Cairo subsidies' offices. He reported that the performance of such companies' employees is helpless (Interview with Supply Office Manager, 2015). In addition, most of the workers at these companies usually deal with the beneficiaries in an inappropriate manner. He stated:

“Employees at these companies are not dealing with the consumers with enough respect. If your card is lost for example and you go to reissue a new one, you may wait for months to get your new card.”

In addition, he also claimed:

“The idea of the new smart cards is amazing, but unfortunately, the task of issuing cards is affecting the system negatively. Therefore, it should be assigned to or supervised by a different reliable Egyptian authority like the Ministry of Defence for example, which I think it will do the task perfectly”

The performance of the companies that is responsible for issuing the new smart cards is poor. This is affecting the new subsidy system negatively. So, the Ministry should look for other Egyptian reliable authorities to handle this issue effectively.

Opportunities of the Newly Introduced System

In a SWOT analysis, opportunities refer to the external environment of the system (Bryson, 2011). It can be assessed through identifying the good opportunities within the system as well as the remarkable issues that could affect the system in the future (ibid). In this part, light will be shed on the new subsidy system's opportunities:

1. Potential use of subsidized oil to produce organic fuel

The Ministry of Supply and Internal Trade is studying a new idea to initiate a system named "Reverse Supply Chain" (Kamal, 2014). In this system, the ministry will collect the used frying oil from the beneficiaries of subsidies in order to produce organic fuel or diesel (ibid). In other words, the ministry will require from the beneficiaries of subsidized oil to refill the oil's bottles again with the used oil (ibid). Then, the beneficiaries should deliver these bottles to the subsidies' grocers (ibid). Consequently, the subsidies' grocers will add free reward points which are equal to an amount of money to those citizens to be used in buying other subsidized goods (ibid).

Therefore, one can infer that applying this system has many positive effects such as helping the Egyptian government in producing diesel from an organic source, and the beneficiaries who will join this system will receive extra free subsidized goods.

2. Diversify the distributed subsidized bread by adding French bread (Feno)

Another opportunity to the new subsidy system is what was announced by the Minister of Supply and Internal Trade in the mid of November 2014; that the ministry is currently meeting with the bakeries' owners in order to coordinate the addition of the French bread (Feno) to the new bread system (Kamal, 2014).

By applying this new suggestion, the beneficiaries will have the opportunity to buy either ordinary bread loaves, French bread loaves or both (ibid). This will be implemented through using the new machines and its smart cards (ibid).

Thus, the new subsidies system will achieve a huge success in terms of offering different kinds of bread to the beneficiaries.

3. Improving nutrition by adding iron and vitamins to subsidized flour to Fight Anemia

The Minister of Supply and Internal Trade announced that the ministry is currently studying a new suggestion of adding iron as well as multi vitamins to the subsidized flour in order to fight Anemia (Eid, Mostafa, 2014).

This point fits with what was published in a World Health Organization's report in 2007 which demonstrated the significance and the urgency of adding iron to the subsidized flour in Egypt (World Health Organization, 2007). Meanwhile, Egypt is facing a problem of malnutrition since a long time, which increased the percentage of Anemia, especially, among women and children (ibid).

Therefore, one can infer that if the ministry succeeded in fortifying the subsidized flour with iron and vitamins, it would definitely help in lowering the percentage of anemia in Egypt.

4. Enhances the trust among the government and the consumers

As illustrated deeply in the strengths section, the new subsidy system limited the stealing of the subsidized flour, improved the subsidized bread quality, enhanced the quality

of subsidized goods, reduced long queues in front of the bakeries, and improved the communication between the consumers, bakeries' owners and the Ministry of Supply and Internal Trade (ibid).

Therefore, the success and continuity of applying these new actions effectively will definitely build a strong and trusty relationship between the consumers and the Egyptian government which is considered as a win-win situation at the end.

5. Increases the investment opportunities

According to the savings achieved from limiting the stealing of subsidized flour as well as controlling many of the corruption ways in the new subsidy system (ibid), the Egyptian government may have the opportunity of having new saved funds which can be used in increasing various investment opportunities in Egypt. This will improve other economic indices such as lowering the unemployment rate, enhancing the consumers' purchasing power, lowering the inflation rate and many other opportunities.

Threats of the Newly Introduced System

In a SWOT analysis, threats usually refer to the external environment of the system (Bryson, 2011). It can be determined by addressing the severe system's problems that were not solved for a long time and they still exist (ibid). Therefore, below are some threats which appeared apparently after the implementation of the new system. For example,

1. The corruption will exist in the governorates that have not implemented the new system

The more the delays in implementing the new subsidy system in the rest of the governorates, the more the threats of corruption might exist. The literature review of this study mentioned that the previous subsidies system has severe corruption such as stealing subsidized flour, reselling subsidized flour in black market, inequality among different governorates and many other problems.

Therefore, if the ministry delayed the execution of the new system with its new rules and procedures in the rest of the Egyptian governorates, the governorates will keep facing the same previous problems. Thus, this will threaten the new system.

2. The chance of violations will be increased if not formulating quick and strict punishment for violators

First, based on what was mentioned in the weaknesses part of the new system that some of the bakeries' owners started to use the beneficiaries' smart cards in illegal ways. Moreover, some of other bakeries' owners found a new way to violate in buying flour (Interview with Supply Inspector, 2015). For instance, they buy low quality flour from the market with cheap prices instead of buying subsidized flour

from the Ministry of Supply and Internal Trade with its market price in order to reap more profits (Interview with Supply Inspector, 2015).

Second, according to what was mentioned by the Minister of Supply and Internal Trade regarding the new system that when any beneficiary finds a violation in the system, he/she should instantly stop dealing with that violator who may either be a subsidy grocer or bakery's owner and start buying from another honest one (Kamal, 2014). "This is considered a tough punishment for the violator" "The Minister said"

Although the new system succeeded in solving many of the previous violations' issues as illustrated in the strengths section, other sorts of violations started to exist. Therefore, unless formulating a new strict law to set an effective, strong and instant punishment for the violators, the problem of violations is expected to increase in the future.

3. Existence of network system bugs will result in system collapse

The ineffectiveness of the network system that is used to link the smart cards' machines with the Ministry of Supply and Internal Trade is another threat to the whole system (Interview with Supply Inspector, 2015). For instance, in November 2014, in Alexandria, the network system went down in many of Alexandria's bakeries at the same time (Muhsen, Nov 2014). Thus, the machines that are used in selling bread were stopped. Therefore, the bakers were not being able to bake the dough as no one can sell the bread without working network machines. Hence, the bakers were obliged to sell the dough to the shops of poultry and fish instead of throwing it in the garbage as without working network machines, no one can sell bread to consumers (ibid).

Accordingly, if the Ministry did not consider upgrading the system as soon as possible, the bakers will not be able to work efficiently and make profit. Hence, this will threaten the success of the system.

4. Insufficiency of supply offices' infrastructure due to the increasing of beneficiaries

As illustrated earlier that supply offices all over Egypt that are responsible for providing services to subsidy beneficiaries are 1600 offices only (Kamal, 2014). Most of them are not suitable and inadequate to serve the massive number of daily beneficiaries (ibid). Therefore, this would lead to the increases of the long queues in front of the supply offices over the time. In addition, the quality level of the services will be below the required level.

5. Not updating the beneficiaries' database results in mis-targeting

As illustrated in the weaknesses part of this analysis that the current beneficiaries' database is not updated (Fick, 2014). Consequently, many citizens who do not deserve the subsidies are benefiting from the subsidies' system; whereas, other vulnerable beneficiaries are not being able to get any subsidized goods including bread (ibid). Therefore, this would lead to a leakage in the new system if the Ministry did not start an immediate plan to update the beneficiaries' database with the new changes such as removing the people who passed away, and who get a monthly income above the determined income limit to get subsidies.

Besides, in case of delaying the updates of the current database, the Egyptian budget will be charged with the extra cost of delivering subsidies to those who do not deserve.

6. The increase in Egypt's budget deficit will threaten the continuation of the new system

According to the Central Bank of Egypt (CBE), Egypt's budget deficit was reported at EGP 96.7 Billion which is equivalent to 3.4% of GDP for the first trimester of the 2015 / 2016 fiscal year (Daily news Egypt, Dec 31, 2015). The deficit was reported at EGP 84.50 Billion for the same period in fiscal year 2014 / 2015 (ibid). This is due to the continuous increase of public expenditures which is expected to record another increase in the upcoming fiscal year. Consequently, the continuation of budget deficit will threaten the success of the new applied system. For example, the process of developing the supply offices all over Egypt will not be accomplished effectively. In addition, the increase in the number and type of the subsidized goods will be challenging.

7. Challenges to monitor quality and integrity of the system when implemented in the rest of governorates

After applying the new system changes in all Egyptian governorates, the number of beneficiaries all over Egypt will be increased considerably. Thus, the Ministry of Supply and Internal Trade should implement a comprehensive and coherent monitoring and evaluation system (M&E) in order to monitor both quality and integrity of the new system. In fact, this will be hardly implemented with the current low infrastructure of supply offices all over Egypt. Also, the number of supply inspectors will not be sufficient enough to travel and follow-up the system in all Egyptian governorates particularly in rural areas. In addition, weak financial resources and budget deficit will act as a challenge to implement a strong (M&E) system.

Discussion on SWOT Analysis

The newly applied subsidy system in Egypt has considerable of strength points which worked as successful factors to the system in addressing and solving some of the previous system's problems. Some of these strengths points have a great impact on both the government and beneficiaries. In addition, a lot of these strength points will lead to positive future opportunities. Therefore, the Ministry of Supply and Internal Trade should strongly focus on these opportunities in order to enhance and strengthen the new system.

These positive outcomes fit with a study that confirms the success of the new system in addressing many of the previous systems' problems (Nawar, 2014). This was shown in improving the targeting process to the poor in terms of protecting them from malnutrition and delivering basic food types to them (ibid).

Although the new system has many of strength points, it also has some weaknesses and future threats. But in fact, many of these weaknesses can be minimized if the Ministry of Supply and Internal Trade starts working on solving the problems available. There are no significant or severe weaknesses or threats that could end up the whole system. It is all about some administrative and procedural issues.

To sum up, the application of SWOT analysis provided an answer to the research question which is concerned with strengths, weaknesses, opportunities and threats of the newly applied systemic reforms of food subsidy policies in Egypt.

Chapter Five

Conclusion and Recommendations

Conclusion:

Food subsidies play a significant and essential role in Egyptians' daily life. Such role has been increased dramatically through years after the first implementation of subsidy system after World War II in order to alleviate the negative effects of the war. One of the reasons that enhanced the importance of subsidizing food prices through years is the increase of the inflation rates of all commodities all over the world and particularly in Egypt. Therefore, the Egyptian government has been trying for decades to amend the food subsidies as well as the redistribution system; however, these efforts did not paid off.

In March 2014, the current Minister of Supply and Internal Trade attempted to reform the system along with the Egyptian government in order to solve the massive number of intrinsic problems in the Egyptian subsidy system. Therefore, the main purpose of this thesis is to address the main research question: How do the changes of the new subsidy system address the severe problems related to food subsidy programs?

In order to address the research question, the researcher used the SWOT analysis technique in order to assess the new policy as well as the new process. Hence, a qualitative approach was used in the form of in-depth structured and semi-structured interviews that were conducted with a random indicative sample.

The analysis shows that the newly applied subsidy system added various benefits and solved many of the problems that occurred in the previous system. However, the implication of the new system has some weaknesses. Most of which are related to the administrative and procedural actions and not to the system itself. However, it is highly recommended that the

Ministry of Supplies and Internal Trade deal with such weak points rapidly before leading to the failure of the system.

In chapter five, the researcher discussed and showed the details of the applied SWOT analysis. Thus, below is a list of the main strengths, weaknesses, opportunities and threats of the newly applied subsidy system.

Strengths: The new subsidy system limits stealing the subsidized flour, improves the quality of subsidized bread, reduces the long queues in order to buy subsidized bread in front of the bakeries, improves the targeting process; rationalizes the consumption of subsidized bread, improves the communications among beneficiaries as well as between the subsidy grocers and bakeries' owners, saves money to the Egyptian budget, enhances the customer service quality in the Ministry of Supplies and Internal Trade through establishing a new customer service center in order to solve the consumers' complaints rapidly, adds new 30 goods to the previous three subsidized goods and targeting to 100 subsidized goods in order to widen the varieties in front of the consumers, and finally, improves the quality of subsidized goods.

Weaknesses: the new subsidy system does not cover all Egyptian governorates until now, the punishment in case of violation is very weak which did not stop those who are benefiting from violations, the system has some loopholes which allowed some violators to misuse the smart cards especially that many beneficiaries are not fully aware of the new system's rules and procedures, the network system that is used to connect the Ministry with other supply offices all over Egypt has many bugs, the quality of services introduced in different supply offices is not that much good due to many reasons such as the offices being always crowded, the database of the beneficiaries is not updated since a long time, and finally, the performance of the three companies that have the right of issuing and printing the smart cards for beneficiaries is unsatisfactory.

Opportunities: The new subsidy system produces organic fuel from the used cooking subsidized oil, diversifies the subsidized bread through adding French bread (Feno), adds iron and vitamins to the subsidized flour in order to fight anemia, builds and strengthens the trust among consumers and government, and finally, increases the investment opportunities.

Threats: The new subsidy system increases the possibility of corruption in governorates that are not covered by the new system until now, increases the possibility of violations due to lack of strict punishments, bakeries' owners may lose money due to the weak network system that links bakeries sales with the Ministry of Supplies and Internal Trade's system, leads to the continuation of the problem of the offices being crowded due to the shortage of these offices as well as the employees working there, increases the possibility of having more leakages in the new system due to the obsoleted database of the beneficiaries in the Ministry's system, and finally, increases the possibility of having more loopholes in the new system due to the lack of awareness of the beneficiaries.

As a result, SWOT analysis showed that the new system has several positive points and strengths that solved many of the problems in the previous systems. However, the weaknesses that are related to the weak punishment, system loopholes, electronic network system, old and few supply offices, old beneficiaries' database and the poor performance of third parties companies are all pertaining to improve the administrative strategy of the new system. Consequently, the Ministry should emphasize on modifying the administrative processes and steps of the new system rapidly. In other words, there are no significant problems compared to the previous ones such as stealing the subsidized flour sacks regularly in many of the bakeries all over Egypt which drained huge amounts from the Egyptian budget.

In the next section of this chapter, the researcher provided some recommendations that may help the Ministry of Supply and Internal Trade in solving the recent system's problems.

Recommendations:

After illustrating the current weaknesses of the new implemented subsidy system and explaining how it affects the new system negatively, a set of recommendations will be listed in this chapter. These recommendations will reflect the view of the author on how the Ministry of Supply and Internal Trade can try to solve problems and weak points rapidly before leading to a failure of the system.

In addition, the Ministry of Supply and Internal Trade may find some benefits from the listed recommendations before the implementation of the new fuel subsidy system in Egypt. To illustrate,

1. Apply the new system in all of the Egyptian governorates

The Ministry of Supply and Internal Trade should apply the new subsidy system in the rest of the Egyptian governorates rapidly in order to promote equality among different Egyptian citizens. Besides, to close the door in front of the smugglers and thieves who are manipulate in using the new smart cards.

2. Revise the beneficiaries' database

The Ministry of Supply and Internal Trade should revise the old database of the beneficiaries that include many people who do not really deserve or need the subsidy such as rich citizens who inappropriately get smart cards and take their monthly quantities regularly (Fick, 2014). On the other hand, there are countless of poor citizens who are in an urgent need to get the subsidized food rapidly.

3. Start an immediate awareness campaigns

The Ministry of Supply and Internal Trade should start awareness campaigns to all beneficiaries in order to explain the new system as well as to illustrate the beneficiaries' rights especially that some of the dishonest dealers such as some of bakeries' owners or subsidy grocers steal the beneficiaries' rights and the beneficiaries are not aware enough of such ideas.

4. Release a new strict law for punishment

Currently, there is no strict punishment such as large fines, jail, or other dissuasive punishments to those who violate the system. The available punishment now is to register a police case or pay a small amount of fine (Interview with Supply Inspector, 2015). So, it is highly recommended start applying a new list of punishments in case of breaking the rules in order to stop such manipulations and violations.

5. Update the network system

The Ministry should update the network system and fix the bugs immediately to avoid lots of delays and problems between consumers and bakeries. Besides, for those who work on the electronic system, the Ministry should train them on a regular basis so that they can cope with different situations and avoid a great number of problems.

6. Offer training programs to subsidy employees

The employees who work in the Ministry's offices all over Egypt are in an urgent need to different training courses in many areas, especially, in customer services. For example, the researcher tried to issue a new bread subsidy card for him in order to examine the full issuance process; so, he phoned one of the supply offices to ask about some information. An employee answered and said that the caller has to recall again after the arrival of the manager, and when the researcher started to ask about the appropriate time for calling the manager, and suddenly the employee hung up on the researcher.

This fits with what was mentioned earlier by the current Minister of Supply and Internal Trade that the customer service level needs modifications, especially, that each three to four employees are serving about 500 citizens per day, which affects the attitude of employees negatively (Kamal, 2014).

7. A quick reform of the subsidy offices is needed

The subsidy offices all over Egypt are around 1600 offices. Most of these offices are not either appropriate or effective in terms of its shape, new technological tools and many other issues. Therefore, the Ministry should plan for a quick reform of such offices in order to improve the quality of the services

In addition, the number of offices needs to be increased all over Egypt which will consequently help in shortening the queues of the beneficiaries in front of the employees. This will also enhance the level of the services' quality.

8. Replace the current companies responsible for issuing smart cards by other reliable companies ones

According to the conducted interviews with the subsidy officers, it was concluded that the performance of the recent three companies who are responsible for issuing the new smart cards is very weak. It is highly recommended that the Ministry of Supply and Internal Trade assign the task of issuing smart cards to another company or even another Egyptian authority so that the Ministry can avoid such problems that occurs due to the current companies, being irresponsible enough to handle such an essential task appropriately.

9. The subsidized bread should not be for everyone

The new subsidy system for subsidized bread allows anyone to issue a smart card for buying subsidized bread only, regardless of the beneficiary's financial level. In other words, there are no conditions for issuing smart cards that are used for buying subsidized bread even if the beneficiary can afford buying it without being subsidized. Therefore, it is strictly recommended that the Ministry of Supply and Internal Trade set new rules to regulate the distribution of subsidized bread in order to deliver it to those who deserve it only, and at the same time save the subsidy paid to the citizens who do not really need it.

10. Develop the Egyptian subsidy system in the future

In fact, the implication of the new system showed many benefits and strengths although there are some weak points which are mostly related to the procedural and

administrative issues. However, it is highly recommended that the Egyptian government find out other international applied systems that deliver subsidies in order to explore new experiences that may contribute to the Egyptian subsidy system in the future.

For example, the Brazilian model in delivering subsidies, which was deeply illustrated in the literature review part of this study, achieved a great success not only in the subsidy delivery system, but also in the education and health sectors (ibid), (Ramadan R. , 2015). To clarify, in 2003, the Brazilian government applied a new form of cash transfers called CCT which stands for Conditional Cash Transfers (ibid). The Conditional Cash Transfer system generally means that the government requires the poor and vulnerable to achieve some conditions in order to give them a subsidy cash amount (ibid). Thus, the Brazilian government linked the cash subsidy with both education and health of the poor (ibid). In other words, the poor citizens should prove that their children go to school regularly without exceeding the allowed limit of absences which is 15 percent (ibid). In addition, they have to verify that their children make check-ups on their health on a regular basis in healthcare centres (ibid).

After applying such system, several positive outcomes were achieved such as improving both the educational and health levels of the poor Brazilian children (ibid). Besides, the integration and cooperation among the public sectors' authorities were enhanced. Furthermore, the number of poor households decreased (ibid).

As a result, a positive lesson was learned from the Brazilian model that if the Egyptian government succeeded in linking between the education and health sectors with the provided subsidies, the outcomes will be very useful to all Egyptians. Therefore, further research is required on the Egyptian community to examine the effects and consequences of either applying the Brazilian experience as is to link the education and health sectors with

cash subsidy, or to link them with subsidized food (bread and other food products) instead of cash.

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APPENDICES

Approval of Institutional Review Board

CASE #2014-2015-124



To: Hossam Morsi
Cc: Mariez Wasfi
From: Atta Gebril, Chair of the IRB
Date: May 2, 2015
Re: Approval of study

This is to inform you that I reviewed your revised research proposal entitled "Food subsidy policies in Egypt: New policy assessment and evaluation" and determined that it required consultation with the IRB under the "expedited" heading. As you are aware, the members of the IRB suggested certain revisions to the original proposal, but your new version addresses these concerns successfully. The revised proposal used appropriate procedures to minimize risks to human subjects and that adequate provision was made for confidentiality and data anonymity of participants in any published record. I believe you will also make adequate provision for obtaining informed consent of the participants.

This approval letter was issued under the assumption that you have not started data collection for your research project. Any data collected before receiving this letter could not be used since this is a violation of the IRB policy.

Please note that IRB approval does not automatically ensure approval by CAPMAS, an Egyptian government agency responsible for approving some types of off-campus research. CAPMAS issues are handled at AUC by the office of the University Counsellor, Dr. Amr Salama. The IRB is not in a position to offer any opinion on CAPMAS issues, and takes no responsibility for obtaining CAPMAS approval.

This approval is valid for only one year. In case you have not finished data collection within a year, you need to apply for an extension.

Thank you and good luck.

A handwritten signature in black ink that reads "Atta Gebril".

Dr. Atta Gebril
IRB chair, The American University in Cairo
2046 HUSS Building
T: 02-26151919
Email: agebril@aucegypt.edu

A logo consisting of a yellow square on the left and a dark blue rectangle on the right.

Institutional Review Board
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Interviews Questions:

1. After applying the new subsidy system, are food subsidies going now to who deserves or not and why compared to the previous subsidy system?
2. Does the newly applied system close the door in front of flour smugglers?
3. What kinds of procedures or actions that have been taken through the Ministry of Supply and Internal Trade towards the control of flour's black market in Egypt?
4. In the new subsidy system, are there any strict laws or even rigorous regulations to penalize the violators in case of violation?
5. What are the opinions regarding using smart magnetic cards instead of old cartoon cards to get the monthly quantities of different food subsidies? And what are the advantages / disadvantages of using the new cards?
6. Does the Ministry of Supply and Internal Trade issued new smart cards for all subsidies' deservers, or lots of them are still suffering from not getting their smart cards?
7. Do you think that smart cards will be able to solve the problem of delivering subsidies to who deserved? What are the criteria to make sure of that?
8. Is the new subsidy system has been implemented in all Egyptian governorates or not?
9. Does the new subsidy system enhanced the quality of subsidized goods and subsidized bread, or the quality is still low as the previous one?

10. In the new subsidy system, is the goods portfolio is still consisting of three goods only, or it has been increased to mitigate the poor's needs.
11. Are the poor who deserves subsidized bread should stand in very long and crowded queues in order to get their bread portion as the previous system?
12. Does the new subsidy system helped in delivering the subsidized bread to who deserves only or some of rich citizens can get it as before?
13. In your opinion, what is the most effective subsidy system; "In-Kind subsidy", "Cash subsidy"? Or mixing between both of them?