

CONDITIONAL CASH TRANSFERS IN EGYPT  
EFFECTIVENESS AND IMPLEMENTATION

By

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## Abstract

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Poverty is a complicated dilemma that has been facing Egypt over years, especially over the last three years with the uprising. In spite of the already existing social assistance schemes in Egypt, a need is created for reforming these schemes or introducing new ones. Conditional Cash Transfers (CCTs) have been gaining popularity over the last decade in many countries all over the world as it breaks the cycle of intergenerational poverty through boosting the demand for education and health-related services. As CCTs did not have the chance to flourish in Egypt, due to the uprising in 2011, this research tests for the effectiveness of CCTs over unconditional yet targeted schemes in the Egyptian context. As Egypt is not a homogenous country, the results of the conditionality test vary from one governorate to another in spite of the general remarks concluded from the test. The research also presents a simulation for the different stages that a CCTs pilot scheme would go through if it is to be implemented in Egypt. Throughout the research, experiences of other countries implementing CCTs are included with a special focus on four countries; Turkey, Mexico, Nicaragua, and Morocco.

## ÖZET

### MISIR'DA ŞARTLI NAKİT TRANSFERLERİ: ETKİLİLİK VE UYGULAMA

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Yoksulluk, Mısır için yıllardır özellikle de son üç yıl içinde ayaklanmalar sonrasında daha açık biçimde karşı karşıya kaldığı karmaşık bir sorundur. Halihazırda belirli sosyal yardım programları uygulanmasına karşın Mısır'da yoksullukla mücadele alanında bu mekanizmaların yeniden yapılandırılması ya da yeni mekanizmaların uygulamaya konulmasına ilişkin bir ihtiyaç ortaya çıkmaktadır. Şartlı Nakit Transferleri (ŞNT), eğitim ve sağlık hizmetleri üzerinden yoksulluğun nesillerarası aktarımını kırmaya yönelik niteliği itibarıyla son on yıl içinde dünyada pekçok ülkede giderek daha fazla rağbet görmeye başlamıştır. Bu çalışma, 2011 yılındaki ayaklanmalar nedeniyle Mısır'da yaygınlaştırılma imkanı bulamayan ŞNT'nin Mısır bağlamında hedefli ancak şarta bağlı olmayan sosyal yardım programlarına karşı etkinliğini test etmektedir. Mısır, bölgesel olarak farklılıklar arz eden bir ülke olduğundan çalışmada uygulanan "şartlılık testi" sonuçlarının önemli bir kısmı genellenebilir olmakla birlikte bazı sonuçların her bölge için aynı olmayabileceği gösterilmektedir. Çalışmada ŞNT bir pilot uygulamasına ilişkin farklı aşamaların simülasyonu da sunulmaktadır. Yapılan analiz ŞNT uygulamasını yapmakta olan diğer ülkelerden Türkiye, Meksika, Nikaragua ve Fas ile karşılaştırmalara yer vermektedir.

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## LIST OF ABBREVIATIONS

AYB .....	Alshnek Ya Balady
CAPMAS .....	Central Agency for Public Mobilization And Statistics
CCTs .....	Conditional Cash Transfers
EPRI .....	The Economic Policy Research Institute
FISE .....	The Emergency Social Investment Fund
GDSAS .....	The General Directorate of Social Assistance and Solidarity
IDB .....	Inter-American Development Bank
IFPRI .....	International Food Policy Research Institute
RPS .....	The Red de Protección Social
SEDESOL .....	Secretaria De Desarrollo Social
SFD .....	Social Fund for Development
UCTs .....	Unconditional Cash Transfers
WFP .....	World Food Program

# 1. Chapter

## Introduction

Poverty has always been the dilemma facing many countries all over the globe. Several social assistance approaches have been initiated and used to eradicate poverty. Economic growth has been thought of as the engine for alleviating poverty. It used to be claimed that faster economic growth results in higher incomes and hence a lower poverty rate. However, the experiences that many countries have gone through showed that economic growth is not always the key for less poverty. Looking at Egypt as an example confirms this observation. GDP growth rate has been fluctuating in Egypt since the adoption of The Economic Reform and Structural Adjustment Program in 1991. Although the rate reached its peak in 2008 with seven percent, in 2010, before the uprising, it was still high at 5.1 percent (World Bank, 2013). This high GDP growth rate did not stop the people from revolting as it was not translated in less poverty or more equality. Over time, GDP growth has not been proven as an indicator either for poverty reduction or economic development.

Other approaches have been used to fight poverty. Providing the poor with social safety nets has been one of the popular strategies used to protect the poor against poverty. However this approach has always been criticized by international institutions, such as World Bank and The United Nations, and the majority of aid agencies. The reason for this criticism was the fear of creating a poverty trap that the poor cannot escape from as they become dependent on these social assistance schemes for living. This criticism has been the reason why governments are cautious in applying such social assistance schemes.

This line of thought was challenged when Mexico adopted a Conditional Cash Transfers (CCTs) scheme in 1997 under the name of *Progresa*. The aim of *Progresa* was to eliminate the intergenerational poverty in rural parts of Mexico through providing the households with the resources they lack to invest in their children's education and health. Beneficiary households were provided bimonthly allowances conditioned on sending their children to

schools and for regular health check-ups. *Progresas*, or later *Oportunidades*, resulted in a positive impact on reducing poverty, boosting education attainment, and decreasing the incidence of health problems suffered by children and young adults, such as child mortality and anemia. Soon the program was replicated in almost all the Latin American countries. Later it was implemented in different countries in Asia and Africa as well. This research focuses on implementing CCTs within the Egyptian context in particular.

CCTs were initiated in Egypt in 2008 under the name of *Menhat El Osrak*, or the family stipend. It was planned to cover one district in Cairo governorate and some villages in two governorates in Upper Egypt, namely *Assiut* and *Sohag*. Because of the uprising in 2011 and the program has been terminated. Assuming that Egypt has the resources needed, one question remains to be answered, should Egypt activate the CCTs or choose to shift to an unconditional but targeted scheme? Due to the scarcity of resources, the effectiveness of the two schemes should be tested and accordingly a decision can be made. This research tries to test for the effectiveness of CCTs over Unconditional Cash Transfers (UCTs) in the case of Egypt. This is done through applying what is known as the conditionality test. The conditionality test is initiated by The Economic Policy Research Institute (EPRI) in South Africa and is advised for the countries considering the implementation of CCTs. To make the test more effective, the experiences of additional four countries, implementing CCTs, are included in the analysis; Turkey, Mexico, Nicaragua, and Morocco. After carrying out the conditionality test, the guidelines for implementing the program in Egypt are discussed with simulation for implementing a pilot phase of the program in the Egyptian governorate, *Assiut*.

Researching the topic of the effectiveness of CCTs has its general limitations. Some of these limitations were present in this research. This comes in addition to some specific limitations related to the Egyptian context. For the conditionality test to reveal more accurate results, more detailed data is needed. Data shortage was the biggest limitation to this research. More information on the regional age distribution on the governorates' level was needed to estimate more accurately the number of school drop-outs. Data on the number of schools and their geographical distribution is also needed to evaluate more in-depth the supply of educational services. The same is needed for hospitals. The quality of the services provided by these facilities will always be challenging to evaluate as it should be done on a case by case basis. To be able to accurately identify the bottlenecks or the non-economic reasons hindering sending children to school, in-depth community research done on a case by case basis is

needed. This research can be done through surveying the community members individually and in focus groups. Here comes the importance of initiating the program with a pilot phase.

Another limitation analyzing CCTs schemes is to test for their impact. The conventional way to test for the impact of education-related conditions is through checking the enrollment and attendance rates for the beneficiaries and comparing them to the initial rates before initiating the scheme. In a few cases, due to the additional time and cost that this can entail, the research goes even further to include the exam scores of the children covered by the scheme. This always raises the question of whether CCTs impact the actual learning outcomes of children. A definite answer for this question can be misleading as it requires more long-term analysis. The same argument can be made for health-related conditions and whether they truly affect the health state of the beneficiaries. As it has been always argued in the literature of CCTs, time is expected to reveal more about their effectiveness (Saavedra, 2013).

The heterogeneity of the Egyptian context can be counted as another limitation to this research. The heterogeneity comes in the variation in the poverty rate, school enrollment rate, the health status, the supply of education and health services as well as the specific cultural features in the governorates all over the country. This can be inferred from the data provided by the Central Agency for Public Mobilization And Statistics (CAPMAS) on the regional level in Egypt<sup>1</sup>. This works as an obstacle when it comes to generalizing the research conclusions. Detailed and more in-depth field research can help in overcoming this obstacle. Applying CCTs with the same features all over Egypt may result in less impact and more cost.

Lessons have been drawn from the case studies included in the research especially with the special features each country has. However, this special context of each case should be taken cautiously if it is to be used to draw conclusions. What fits in one country for implementing CCTs may not be as effective as it is for implementation in another country.

The thesis is organized as follows; after the introduction in Chapter One, Chapter Two is composed of two main sections. The first section gives a snapshot of the nature of poverty in

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<sup>1</sup> Not all of this data showing the level of heterogeneity in the Egyptian context is presented in the thesis. However for a summary of the data indicators, see;

1) summary of data presented in

<http://www.capmas.gov.eg/pdf/Electronic%20Static%20Book2013/arabic/weather/untitled1/weather.aspx>

2) Data on schools and school enrollment rates presented by the Ministry of Education in

<http://portal.moe.gov.eg/Pages/default.aspx#>

3) Data on the availability of hospitals and clinics presented by the Ministry of Health and Population in

<http://www.moHP.gov.eg/default.aspx>

Egypt with an overview of the major existing social assistance schemes. The second section goes through the main features of CCTs implemented in the four countries included namely Turkey, Mexico, Nicaragua, and Morocco. The Third Chapter covers the conditionality test and its implication to Egypt, including the four countries mentioned earlier as benchmarks. The Fourth Chapter explains in detail how the program should be implemented in the Egyptian context including the stages that the program would go through. The chapter concludes with a simulation for a pilot CCTs scheme in the Egyptian governorate *Assiut*. The Fifth Chapter presents the concluding remarks of the research with a brief analysis of the research limitations of the thesis.



## **2. Chapter**

### **Poverty and Social Assistance Schemes in Egypt**

#### **Poverty in Egypt**

As the concept of poverty is relative, setting an absolute measure for poverty can be misleading. Eric Jensen (2009) defined Poverty as “a chronic and debilitating condition that results from multiple adverse synergistic risk factors and affects the mind, body, and soul” However poverty is defined, there is a general consensus that poverty is one of the so called complicated dilemmas that face many countries all over the world, as it is associated negatively with the level of development.

The severity of the phenomenon of poverty lies in the consequences it entails as it corresponds to low levels of human capital accumulation. As tackling the phenomenon of poverty in the short-run is the most important target for CCTs in general, poverty is the first indicator to look at for evaluating the effectiveness of the scheme in Egypt. This section of the thesis is divided into two subsections. The first subsection is an analysis of the nature of poverty in Egypt with the latest poverty figures estimated. The second subsection gives an overview of the major social assistance schemes already implemented in Egypt and their level of effectiveness.

## The Nature of Poverty in Egypt

Poverty is a persistent problem in Egypt. Several measures are used to estimate for poverty. The primary measure used by CAPMAS in Egypt is the national poverty indicator<sup>2</sup>. According to the national poverty indicator, a person is considered poor if his/her income does not cover the basic needs for subsistence. According to this measure, the poverty rate was estimated to be 25.2 percent for the year 2010/2011(CAPMAS, 2011). This entails that approximately one-quarter of the population lives below the poverty line. According to a World Bank report, *Poverty Assessment Report*, published in 2007 on the poverty in Egypt, about 44.4 percent of the Egyptian population is in the range of extreme poor to near poor. Out of this 44.4 percent, 21 percent of the Egyptian population was near poor, meaning that about 14.6 million Egyptians can obtain only their basic food requirements in addition to some basic services. On the other hand, 19.6 percent of the Egyptian population was ultra-poor, meaning that about 13.6 million Egyptians (one out of every five) had consumption expenditure below the poverty line and could not therefore obtain their basic food and non-food needs. At the far end of the poverty spectrum, 3.8percent of the Egyptian population was extreme poor, meaning that about 2.6 million of the Egyptian poor could not obtain their basic food requirements even if they spend all their expenditures on food (World Bank, 2007).

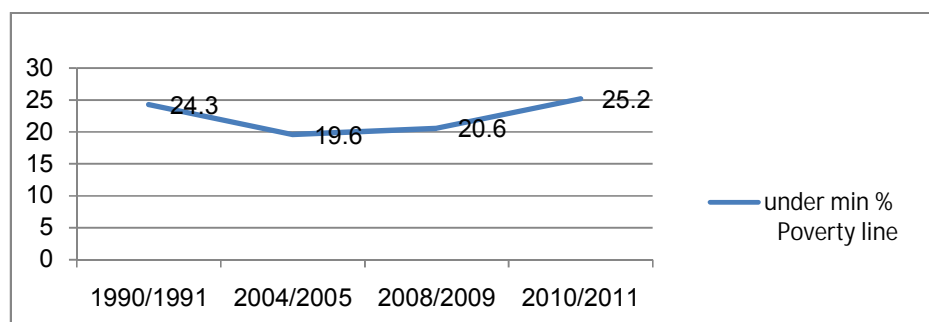
After the examination of the latest set of data published by the CAPMAS, the following points illustrated by graphs can be concluded;

- The poverty rate in Egypt has been fluctuating since the 1990s. At the beginning of the 1990s, the poverty rate was around 24.3 percent. It decreased to 19.6 percent. This trend of poverty rate reduction did not last for long with the rate increasing again in 2008/2009 to 20.6 percent. The rate increased even more in 2010/2011 to 25.2 percent explained by the political instability. This is shown in Figure 1.

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<sup>2</sup>National poverty indicator has two components; food component and non-food component. Food component is the cost of obtaining food that provides a person with the subsistence level. It differs from one geographic area to another. The non-food component looks at all the other necessary, but non-food expenditures.

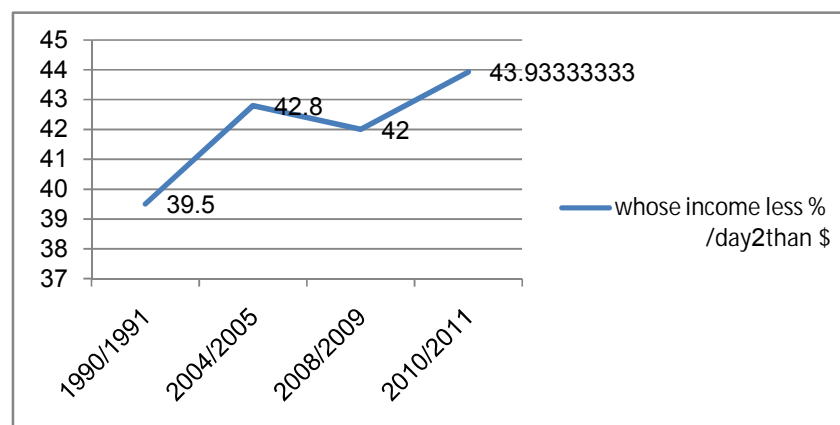
Figure 1: % under min poverty in Egypt (1990-2011)



Source: CAPMAS data (2013)

- Setting the poverty line as less than two dollars a day makes the picture even gloomier with more people considered as poor. As Figure 2 shows, the poverty rate, with the under-two-dollars measure, fluctuates between 39.5 percent in 1990/1991 and almost 44 percent with the uprising in 2010/2011.

Figure 2. % Egyptians whose income is less than \$2/day (1990-2011)



Source: CAPMAS data (2013)

Poverty has a strong regional dimension in Egypt. As El Gaafarawi (2011) mentioned, 57 percent of the total Egyptian population lives in rural areas. Seventy five percent of the poor live in rural areas in Egypt. Upper Egypt region has a higher percentage of poor according to the national poverty rate; it has both urban poverty (18.6%) and rural poverty (39.1%), while metropolitan areas are the least poor (5.7%). In Upper Egypt, families are larger with many dependants, high illiteracy rates, high infant mortality rates, poor access to safe water and sanitation, and more children who are underweight. Poor in Upper Egypt depend on agriculture as their main source of income. However, agriculture in this area provides the

people with neither food nor income security. Farmers in this part of the country have very small landholdings, compared to those in Lower Egypt. They cultivate crops that have a low market value and generate limited income.

Most of the time, the farmers are unable to finance the higher costs and greater risks of growing non-traditional crops. The market for micro-financing is missing in these rural areas with small farmers, microenterprises and rural women do not have access to a micro-finance system that responds to their needs. Alternative employment opportunities are lacking because of the limited development of small enterprises and microenterprises. According to a report published by the International Fund for Agriculture Development (2012), local markets are underdeveloped and marketing infrastructure, such as transport, storage and grading facilities, is poor. About 80 per cent of girls are taken out of school before the age of ten to do farm work. Gaafarawi (2011) pointed out that women head 20 per cent of the poor households. She added that 42 percent of the poor households' heads work as "casual wage labor" and only 22 percent have permanent full time jobs.

### **Poverty and Food Security in Egypt**

Food security refers to the availability of food implying that a person enjoys food security if he/she has access to basic food. Poverty is highly associated with food security. The poorer the household is, the harder it is to consume nutritious food. Poverty and food insecurity in Egypt have risen significantly over the last three years, according to a joint report released by the World Food Program (WFP) and the CAPMAS in 2013 under the title *Tackling Egypt's Rising Food Insecurity in a Time of Transition*. An estimated 13.7 million Egyptians or 17 percent of the population suffered from food insecurity in 2011, compared to 14 percent in 2009, according to the report. According to the World Food Program, more than 40 percent of the average household's expenditure in Egypt is spent on food. For the poorest families, it's more than half of their budgets and they often buy less expensive, less nutritious food. Egypt went through several crises starting from 2005 that affected the level of food consumption. Income poverty deepened and the poverty gap widened between 2000 and 2008. Gaafarawi (2011) mentioned that poverty gap increased from 3 percent in 2000 to 4.1 percent in 2008. Looking at the caloric in-take as a poverty indicator does not result in a less dramatic picture than the two-dollars-a-day measure. The percentage of Egyptians who are not able to attain

their basic needs of calories was fluctuating and finally it showed drastic increase in 2011 with 30.1 percent. Six percent of these people are children who are underweight.

GianPietro Bordinon, WFP Egypt Representative and Country Director, mentioned that “People’s inability to have adequate and nutritious food is largely attributed to rising poverty rates and a succession of crises from 2005, including the avian influenza epidemic in 2006, the food, fuel and financial crises of 2007–09 and a challenging macroeconomic context in recent years” (United Nations, 2013). Twice as many people moved into poverty as moved out, with less money to spend on food, this is according to the report (*WFP*)<sup>3</sup>.

### **Poverty among Children**

According to 2010 statistics, children constitute around one-third of Egypt’s population. Over one-fifth of these children are growing up in poverty, nearly seven million children. As mentioned in the report on *Child Poverty and Disparities in Egypt* published in 2010 by UNICEF, the risk of poverty is the highest, with approximately 26 percent, among children between 10-14 years and 28 percent among teens and young adults between 15 and 19 years. Children growing up in poor households are more likely to suffer from health problems, have less education, and lack the skills to support themselves in increasingly competitive global markets. This was confirmed by the statistics published in the *Child Poverty and Disparities in Egypt* report. According to this report, the children who belong to low income households are more severely deprived from accessing the basic education and health services. Around 47 percent, almost half, of the children who live in low income households experience at least one severe deprivation. This comes in comparison to only 14 percent in the case of non-poor children. In such cases poverty has an intergenerational dimension as it is usually inherited and the children are likely to become parents of poor children. The report shows that child poverty in Egypt has the same regional dimension as poverty in general. Data for the year 2008/09 shows that child poverty is more concentrated in rural areas, with 30.5 percent, comparing to 12.6 percent in urban areas. It was also mentioned that children who live in rural Upper Egypt are more likely to be poor, with 45.3 percent, than children who live in urban Upper Egypt, with 21 percent. On the other hand, 7.9 percent of the children who live in urban Lower Egypt and 17.6 percent in rural Lower Egypt are poor (UNICEF, 2010).

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<sup>3</sup> The report is based on analysis of the CAPMAS 2011 Household Income, Expenditure and Consumption Survey (HIECS).

As mentioned in the report *Child Poverty and Disparities in Egypt*, poverty has an indirect gender dimension too. As poverty does not differentiate between male and female children, education does. It was mentioned in the report that in rural areas, girls are least likely to go to school which in its turn increase their likelihood to be trapped in poverty (UNICEF, 2010).

According to UN World Health Organization (WHO), in 2005, stunted children under the age of five years accounted for 23 percent in Egypt. The rate increased over time to reach 31 percent by the year 2013 (WHO, 2010). WHO considers the range of 30-39 as “high”. World Food Program mentioned in a news release that “In nine governorates across Egypt in 2011, just over half of children under five were estimated to suffer from anemia, classified as a ‘severe public health problem’ by the WHO” (WHO, 2010).

These statistics show that poverty is a severe pressuring problem in Egypt that needs to be tackled effectively. Apart from the political instability, before the Jan. 25 revolution, the poverty rate in Egypt was not decreasing. This shows the relative ineffectiveness of the policies implemented to tackle poverty in Egypt. Revising these policies is crucial at this stage of Egypt’s transition. CCTs are expected to fill in this gap, most importantly in the short-run, as they provide the poor with the direct financial support they need to move out of extreme poverty.

### **Social Assistance Schemes Implemented in Egypt**

Analyzing the social assistance schemes already existing in Egypt is very crucial to this research for two reasons. First it completes the picture of poverty in Egypt. It gives an idea about how the consecutive governments perceive the problem of poverty and how it should be tackled. Second, for implementing the CCTs scheme, resources are needed. Due to the scarcity problem, as Paes-Sousa, Regalia, and Stampini (2013) mentioned, resources are usually reallocated within the social assistance envelope, through the cancellation and consolidation of programs. Given that some of the social assistance programs cannot be as efficient as they were planned to be, continuous re-evaluation of the social assistance map is important. As discussed in the *Workshop on Conditional Cash Transfers* that took place in Puebla, Mexico in 2002, the concept of “merging transfer programs” is always recommended. They used the example of The Programme of Advancement Through Health and Education

(PATH) in Jamaica and how it unified all the transfer programs that were already in place but functioning independently. It was stated that “PATH was able to unify these programs, establish the family as a unit, and provide benefits to the different members of the family through a single program” (AYALA Consulting Co., 2003). In the Egyptian case, some assistance schemes have been criticized for their high leakage. The World Bank estimated that 73 percent of the resources allocated to food subsidies can be saved and redirected in a way that can contribute more effectively to the reduction of poverty (AYALA Consulting Co., 2003).

The predominant form of social assistance in Egypt is subsidy, especially food subsidy. Research shows that supporting the needy with food subsidies in Egypt goes back to 1940’s when the food prices went up with the Second World War (Fareed, 2009). At that time the government imported flour and wheat from Australia and resold it to the public through public outlets with low prices. This food subsidies system was then extended over time to cover everyone, providing for more subsidized goods such as sugar, fuel, oil, tea, and rice. Since liberalizing the economy with the adoption of the Open Door Policy in 1970’s, the governments that came in power have been striving to reform the subsidies system mainly to cut the budget deficit. However this intention has not been welcomed by the Egyptian people, reflected in the first uprising known by “bread riots” in 1977. These riots sent a message not just to the government at that time, but to all the governments that came afterwards that gradual approach in cutting the subsidies is a must to sustain political stability.

### **The Social Fund for Development (SFD)**

With the adoption of The Economic Reform and Structural Adjustment Program in 1991, subsidy policy has been partially reformed in Egypt. The reform entailed the elimination of subsidies of many products. Badawy (2010) stated that “Currently, only basic foods, energy, transport and medicines are still subsidized by the government” (p. 10). The Economic Reform and Structural Adjustment Program was accompanied with the establishment of the Social Fund for Development (SFD). SFD was defined in the report *Welfare in the Mediterranean Countries* published in 2004 by the Centre for Administrative Innovation in the Euro-Mediterranean Region as a semi-autonomous governmental agency under the direct supervision of the Prime Minister. The aim of SFD was to support the most vulnerable groups during the transition that the economy was going through at that time.

Apart from the privatization wave that marked this decade, the economy was also going through a crisis resulting from the Gulf States' war. The war forced many of the Egyptian laborers working in the Gulf countries to return back trying to find jobs. SFD provides financial, non-financial, and community development services. However, the focus of most of these services is sustainable development projects and not short-run assistance. The community development finances projects aiming at alleviating poverty. These projects target the poor on a geographical basis. Abo-Ali, El-Azony, El-Laithy, Haughton, and R. Khandker (2009) mentioned that these projects usually fund literacy classes, primary health care services, and small environmental projects. Gaafarawi (2011) pointed out that in spite of the positive impact that SFD has had in different areas, such as education, health, and infrastructure, it has been criticized for being not cost effective in some projects. Recently the Secretary General of SFD said that the political transition that Egypt has been going through lately is an obstacle for the SFD to expand the financial services it provides (El-Meehy 2009). The following sub-sections are dedicated to the most important social assistance schemes implemented in Egypt.

### **Food Subsidy Program**

Food subsidy program is a major component of the social safety net in Egypt such that in 2008/09, the fiscal cost of the food subsidies program was 2 percent of GDP in Egypt (Gaafarawi, 2011). The program is composed of two different schemes. Abdel wahab et al. (2013) explained that the first scheme is called "*baladi bread*" which subsidizes the bread wheat to make one loaf of bread costing around 5 piasters or \$0.01 dollar. According to the report on *Welfare in the Mediterranean Countries* (2004), this accounts for about one third of its actual cost of production.

The other program is Ration Cards. These cards provide their holders with fixed quotas of basic food, cooking oil, rice, macaroni, sugar, and tea with low prices, comparing to market prices. These food items are usually sold through private groceries. Gaafarawi (2011) estimated that 60 percent of sugar consumption, 73 percent of oil consumption and 40 percent of rice consumption of poor households are covered by the ration cards. The Food Subsidy program has a positive impact on the incidence of poverty in Egypt. The food subsidies program in Egypt enabled Egyptians to sustain their food consumption above the poverty line.



On the other hand, Food subsidies have been criticized for their inefficiency in reaching their target and for their leakage. In 2008/09, it was estimated that 28 percent of the scheme benefits did not go to the intended consumers, which accounts for 5.5 billion Egyptian pounds. The leakage in the food subsidies was estimated by the World Bank to be 5.5 billion Egyptian pounds; 3.7 billion are just in the bread scheme. Gaafarawi (2011) mentioned that most of this leakage was in the *baladi* bread scheme, 68 percent, and 20 percent in the ration card scheme. According to the International Food Policy Research Institute (IFPRI), food subsidies in the form of a ration card system in Egypt are not designed to resolve all poverty-related challenges. Abdel wahab et al. (2013) mentioned that nearly 70 percent of the population receives ration cards but 19 percent of the most vulnerable population is excluded. However, the program was responsive to the increase in food prices that took place in 2005 with extended coverage. As mentioned by Gaafarawi (2011), the number of beneficiaries has increased from 38.5 million in 2007 to 63 million in 2010, accounting for 12 million households. The food subsidies have also been criticized for being geographically biased (Khader, 2010). In spite of the fact that poverty is higher in rural Upper Egypt, more subsidies go to Cairo and the urban areas (Khader, 2010).

Food subsidies have always been a controversial topic to address in Egypt. As Badawy (2011) mentioned, the idea of transforming the subsidies system from in-kind to cash system has been raised recently. The aim of this transformation is to target the poor more effectively. Badawy (2011) mentioned that the use of “smart cards” to manage some subsidized food distribution has been instituted since 2006 and now covers 19 governorates. This smart card tool is used to “monitor and identify where cash welfare payments need to go and minimize the abuse of food subsidies, leakage to black markets, and maybe rationalize the use of other services provided in the future such as health insurance, transportation, and pension” (Badawy, 2011).

### **Cash Transfers**

Cash transfers in Egypt are administered by the Ministry of Insurance and Social Affairs. It was mentioned in *Welfare in the Mediterranean Countries* (2004) that “these cash transfers that go to the disadvantaged include social security payment, Sadat pension, and Mubarak pension” (p. 5). Around 1.2 million poor families benefit from unconditional cash transfers in Egypt. However, as Gaafarawi (2001) pointed out the scheme constitutes only 0.1 percent of

the GDP. Families receive these transfers on a monthly basis in the form of a social pension. Gaafarawi (2011) specified that “most of these transfers target the elderly, the disabled, prisoners and their families, orphans, divorcees, and women reaching the age of 50 without ever being married” (p. 10). In the report on *Welfare in the Mediterranean Countries*, it has been argued that these transfers reduce poverty, but they are generally underfunded.

### **Fuel Subsidies**

Petroleum products are subsidized in Egypt. The amount of subsidies has been increasing over time. Comparing now to 40 years ago reveals the clear picture. Rizk (2012) claimed in his blog on law and politics that the cost of petroleum products’ subsidies increased from 290 million Egyptian pounds in 1970 to more than 40 billion Egyptian pounds currently. Fuel subsidies in Egypt have been always criticized for being inefficient and in need of reform. Volkmar (2013) mentioned that 80 percent spending on fuel subsidy goes to the richest 20 percent of the Egyptians who consume more fuel than the poor and who can do without the subsidy. Fuel subsidies include also gas and electricity subsidies. Many argued that the inefficiency with the gas and electricity subsidies comes in subsidizing the factories that heavily consume these energy sources (Kamal, 2013).

To sum up, tackling the problem of poverty in any economy has four main pillars that complement each other. GDP growth is the first of these pillars. However it does not do much on its own. High rate of economic growth can benefit the economy only if the fruits of this growth are distributed in favor of the most vulnerable groups. The second pillar is providing the basic services for the poor. Basic services usually entail education and health services. The other two pillars can be achieved through implementing a CCT scheme. One is developing social safety nets to protect the most vulnerable groups, while the other is investing in human capital to break the intergenerational poverty and increase the future earnings of the poor.

## Conditional Cash Transfers: Country Cases

### Overview of Conditional Cash Transfers

Salih (2009) has argued that the classical forms of social security schemes used over time have been proven insufficient in fighting poverty in many countries. As a result, governments started to initiate other forms of social assistance schemes that can help eradicate poverty and boost economic development. CCTs are one of the social assistance schemes started and developed in the less developed world, and have been initiated in Mexico in 1997, as a result of the financial crisis that hit the Latin American countries by the end of the 1980's.

CCTs are basically transfers received by the poor eligible households conditioned on them abiding by certain behavior. In most of the cases this behavior is linked to more investments in human capital of the children through sending them to schools and for regular health check-ups. Usually the assistance is given to the families in monetary form, as the name of the program entails. However, assistance can also be in-kind through, for example, supplying the children with their school materials. The program has a gender dimension as the transfers' recipients in most of the cases are the female leaders of the beneficiary households.

CCTs, as mentioned earlier, were initiated in Latin American and Caribbean countries. Rawlings and Rubio (2005) argued that the first large scale of CCTs, with both education and health care elements, was initiated in Mexico under the name of *Progresa* in 1997. Soon *Progresa*, and *Bolsa Ecola* in Brazil, grew into large national scale programs. Some CCT programs such as in Brazil, Mexico and Argentina were designed domestically by national governments; however, direct involvement of international financial institutions has been increasing over time. As the program gained popularity, Torres (2010) mentioned that CCTs have become "at the center of the World Bank's poverty relief strategy" (p. 8). This was supported by the fact that in 2008 and as a response to the food and financial crisis, the World Bank dedicated USD \$2.4 billion to countries either initiating or expanding CCTs (World Bank 2009). Paes-Sousa, Regalia & Stampini (2013) argued that Conditional cash transfers (CCTs) programs are key social protection programs in 18 Latin American and Caribbean

(LAC) countries, as they were covering about 129 million individuals in 2010, which accounts for 24% of the population.

CCTs can be classified under three generations, as Haynes and Birnbaum (2008) explained. First generation of CCTs initiated in Latin America has the typical structure of CCTs that have both education and health care components. CCTs belonging to this phase are the most common forms of CCTs. The second generation of CCTs was initiated in South and East Asia. This generation focuses on education and boosting education enrollment especially for females. Health care component is not part of this generation of CCTs. Third and most recent generation of CCTs, Kalanda and Magwire (2006) explained, prevails in international emergency settings to cover domestic urban development programs. Dugger (2004) gave the example of Michael Bloomberg, former Mayor of New York, when he proposed a CCT as part of his new anti-poverty program in 2006. Other states, including Alabama, Arkansas, Connecticut, Kentucky, Virginia, and the District of Columbia are also testing for the educational outcomes of CCTs.

CCTs are now implemented, under any of the three forms explained earlier, in more than thirty countries all over the world (Fiszbein and Schady, 2009). The experiences of four of these countries; Turkey, Mexico, Nicaragua, and Morocco, are illustrated below. Cases are chosen to represent variety of CCTs and different stages of development. Three of the four cases belong to the first generation of CCTs, except for the case of Morocco that belongs to the second generation. Both the oldest and one of the most recent CCTs implemented are included, Mexico and Morocco respectively. In one of the cases, Nicaragua, the program is terminated.

### ***Şarhı Nakit Transferi (Turkey)***

#### **Background**

Turkey belongs to the group of Upper Middle Income countries. In 2011, GDP per capita was estimated to be \$10,605. The poverty headcount ratio at the national poverty line in 2009 was estimated to be 18.1 percent (World Bank, 2009).

CCTs started in Turkey with the financial crisis in 2001. As Duman (2012) argued the main aim of the program was to protect the poorest six percent of the Turkish population strongly affected by the crisis. CCTs started in Turkey in six districts as a part of the Social Risk Mitigation Project initiated with a loan from the World Bank and then inherited to become one of the national social assistance schemes. CCTs are managed in Turkey by The General Directorate of Social Assistance and Solidarity (GDSAS) under Ministry of Family and Social Policies. As Duman (2012) mentioned in his paper on the advantages and disadvantages of CCTs in Turkey, CCTs in Turkey have similar objectives to most of the CCTs implemented in other countries. CCTs in Turkey have basically two main objectives; preventing poor households from becoming poorer and improving their children's future productivity and incomes. Duman (2012) added that CCTs primarily aimed at raising the school attendance rates for the poor, particularly the secondary school rates, and to decrease the school dropout rate.

The program started with a pilot phase in 2002 and then it was implemented nationwide starting in May 2004. Salih (2009) mentioned that by 2004 the program was covering 1.1 million beneficiaries. The coverage continued to increase substantially to 2.63 million people by the end of 2007, Duman (2012) said. By the end of 2012, approximately 2.9 million children were enrolled in the program and total yearly payments reached 690 million TL (approximately US\$390 million).

GDSAS is funded through the national budget. The money that goes to GDSAS is then distributed to what is called Social Assistance and Solidarity Foundations established all over the sub-provincial districts of Turkey. These local institutions have an executive committee headed by the centrally appointed district governor and a majority of its members are centrally appointed local bureaucrats. The selection of beneficiaries of the CCTs scheme is the responsibility of this committee.

As was mentioned earlier, the program targets the poorest six percent of the population. Duman (2012) mentioned that benefits go to families with target group members. Salih (2009) specified the target group members to be mainly newly born children under the age of six, children at the school age, 6 till 17 years, and women of child-bearing age.

## **The Application Process**

First, individuals apply to the local foundation in their district by filling in a questionnaire. This questionnaire is a proxy-means test based on a poverty-scoring formula. Individuals also have to submit supporting documents about their financial situation. A computer program assigns a “poverty score” for each application. Applicants with scores below a certain threshold become “potentially eligible”. They become “formally eligible” only after information given in the questionnaire is verified in house visits by the officials from local foundation.

Second, the executive committee evaluates all applicants (eligible as well as ineligible). Applicants with poverty scores above the threshold are not automatically excluded from consideration, and they can still be enrolled at the discretion of the executive committee.

Finally, approved applications are entered into the system, and the GDSAS takes over the responsibility for payments.

## **Benefits and Conditions**

According to 2009 data, Salih mentioned, monthly payments amounts for the education grant were as follows;

- 20 TL, \$10, for boys attending primary school.
- 25 TL, \$12.5, for girls attending primary school.
- 35 TL, \$ 17.5, for boys attending secondary school.
- 45 TL, \$22.5, for girls attending secondary school.

Salih (2009) also added that the value of the payment decreases proportionally as the number of children in the family increases.

Explaining where the payments are done, Salih (2009) mentioned that in places where *Ziraat* Bank Branches exist, payments are done through the bank. However, in places where there is no branch for *Ziraat* Bank, payment is done through the branches of the Postal and Telegraph Organization.

It is worth mentioning that the mothers are the recipients of the transfers. Payments are made to women in poor households as they were required to send their school-aged children to

schools and have their younger children regularly visit healthcare facilities and get vaccinations.

### **The Impact of the Program**

According to Salih (2009), CCTs boosted secondary school enrollment rates from 48.5 percent to 61.1 percent for males and from 39.2 percent to 52 percent for females.

Salih (2009) estimated the positive impact that CCTs have on boosting female enrollment rate in secondary schools, however he argued that the magnitude of the positive change is not enough as the actual enrollment rate is still very low.

It was mentioned in the report *Qualitative and Quantitative Analysis of Impact of CCTs in Turkey* (2012) published by the Ministry of Family And Social Policy in Turkey that the empirical analysis indicates that CCTs have positive impact on reducing child labor in Turkey. It was also mentioned in the same report that households take their children for more health check-ups than before introducing the CCTs.

### **Program Weaknesses**

In spite of the positive impact that CCTs have in Turkey, some argue that there are still some weaknesses that are hindering the full potential of the program. Here is a list of the most commonly mentioned weaknesses.

- Late and irregular payments to beneficiaries.
- Lack of beneficiary awareness about the program features such as the amount of transfers and payments' frequency. This is criticized for its impact on the program transparency and the potential impact.
- The existence of more than one program that serves the same beneficiary group.
- The difficulty of acquiring Management Information System (MIS) data to facilitate the impact evaluation process, as was argued by Salih (2009).
- The districts committees have the authority to override certain formal eligibility requirements for enrollment, and thus can enroll individuals who are formally not eligible but considered "needy". Aytac (2013) was arguing that this autonomy of the

local executive committees and its composition of mostly centrally appointed local bureaucrats can easily misuse the program during elections. The fact that there is room for discretionary enrollment by the executive committee exposes it to political pressure. The committee, which is largely composed of centrally appointed local bureaucrats including its head, could be pressured by the local operatives of the (national) incumbent party to increase the number of beneficiaries in the district by enrolling applicants into the program who would be formally ineligible.

## *Oportunidades (Mexico)*

### **Background**

Mexico belongs to the group of Upper Middle Income countries. In 2011, the GDP per capita was estimated to be \$9,699. The poverty headcount ratio at the national poverty line in 2010 was estimated to be 51.1 percent, according to the World Bank data.

*Oportunidades* is the first large scale CCTs program not just in Latin America, but also in the world. Medeiros, Osorio, F. Soares, S. Soares, & Zepeda (2007) claimed that *Oportunidades* is the best known CCTs program in the world. Holmes and Slater (2007) mentioned that by the mid-1990s, social policy programs were highly criticized in Mexico. Levy (2006) stressed that most of these programs were food subsidies, and they were criticized for their inefficient design and operation. A new social assistance scheme was demanded. Medeiros et al. (2007) mentioned that it started with the name *Progresa* and it came as a substitution for *Solidaridad* Program, implemented by the former administration to the one which initiated *Oportunidades*, as *Progresa* was controversial.

CCTs in Mexico are managed by the Secretariat of Social Development (SEDESOL). This is the government department responsible for social development programs. CCTs began operations in 1997, covering 300,000 households in more than 5000 communities. Rawlings and Rubio (2003) mentioned that in 2002, the program coverage expanded to reach more than



4 million families, the equivalent of 20 percent of the Mexican population. The annual budget of the program was almost \$1.8 billion.

The main objective of the program, similar to other CCTs, is to support the families that live in extreme poverty through investing in the human capital of the family members. Holmes and Slater (2007: 5) listed the aims of CCTs in Mexico as follows;

- To help children and young adults in poor households complete their basic and secondary education.
- To facilitate the access of the poor households to better quality education, health care and nutrition services.
- To improve the health of poor pregnant women.

Medeiros et al. (2007) discussed that at the initial stage, the target group was the poor rural municipalities with fewer than 2500 inhabitants and with the basic education and healthcare facilities necessary for applying the conditions. Levy (2007) mentioned that the program was covering 0.3 million households in 6344 localities in twelve states at that stage. By 2000, as Medeiros et al. (2007) explained, CCTs expanded to cover a total of 2.5 million households. In 2001, the program was expanded to cover small urban locations with 2, 500 to 14, 999 inhabitant and in 2002, it was expanded to cover all poor urban areas. In 2004, it covered five million beneficiaries and it expanded to cover 5.8 million beneficiaries (“According to 2010 statistics, the program covers around 100,000 localities throughout the country, 99 percent of these localities are rural and semi-urban (SEDESOL, 2010).

Education grants go to poor households with children between 8–18 years old enrolled in primary (first to third grade) and secondary (third grade and higher) school. Nutrition supplements recipients are pregnant and lactating women, children between the age of 4–24 months old and malnourished children between the age of 2–5 years old.

### **The Application Process**

Medeiros et al. (2007) explained that *Oportunidades* has a three-stage targeting process;

First, it starts with the geographical targeting. Municipalities are classified based on what is called the marginality index. The marginality index looks at certain indicators such as the poverty rate within the municipality, the school enrollment rate, and the availability of the

health care facilities. Each municipality can have one of five rankings based on this index. Priority is usually given to municipalities with a very high, high, and medium marginality score.

Second, households are then chosen within the municipalities selected earlier. It was calculated that in high marginality municipalities, around 90 percent of the households are covered. However the percentage goes down to six percent in low marginality municipalities.

Third, community feedback is collected to check for the eligibility of the families selected. The entire application process takes five months.

### **Benefits and Conditions**

As explained by Medeiros et al. (2007), the program offers the beneficiaries two types of transfers; conditional and unconditional. The unconditional transfers amount to 250 pesos, the equivalent of \$32, per elderly adult in the household. The conditional transfers have two parts. First, the household receives 189 pesos, the equivalent of \$24, for food support conditioned on attending awareness sessions about nutrition and health. Second, transfers go to children and young adults in grades 3 to 12. This second kind of Conditional Transfers is conditioned on sending the children to schools and for health check-ups.

The benefits increase with the education grade and for females. The lowest amount goes to the males in primary education, which is 120 pesos (equivalent to \$15), and it reaches the highest amount of 760 pesos (equivalent to \$98) for females in grade 12. Beneficiary households with children and young adults in school are also provided with cash transfers at the beginning of each school year for school supplies (SEDESOL, 2010). It was also mentioned in the same report that infants between the age of 6 to 23 months, undernourished children between the ages of 2 and 5 years and pregnant or breastfeeding women are provided with nutritional supplements. Adults over the age of 70 years belonging to beneficiary households are provided with cash transfers too. Cash transfers also cover energy consumption expenses. However, every beneficiary household receives a maximum of 3 child benefits (SEDESOL, 2010).

Medeiros et al. (2009) mentioned that the payment is done on a bimonthly basis and transferred electronically. Payments are received by the female heading the household.

The program conditions are school enrollment and minimum attendance rate of 85%, both monthly and annually, and compliance by all household members with the required number of health center visits and mother attendance at health and nutrition lectures.

### **The Impact of the Program**

As reported by SEDESOL (2010) in “*Oportunidades, a program of results*”, the impacts of the program are as follows;

School attainment increased by 0.85 school years for women and 0.65 for men.

- Scores in mathematics exams increased by 10 percentage points
- Social-emotional and behavioral problems decreased for 0-3 year old children.
- Language and speech development skills improved for 0-3 year old children.
- Maternal-infant mortality rate and overweight and obesity incidence in women decreased
- Morbidity and incapacity decreased. By 2007, anemia incidence in beneficiaries younger than 2 years was reduced by almost 35.8 percent, compared to 61 percent in 1999

Holmes and Slater (2007) added that the usage rate of the public health care services increased and private health services usage rate was reduced while the height and weight of the beneficiary children increased.

### **Program Weaknesses**

Most of the criticism of the program goes to its gender aspect. In spite of the impact that the program has on empowering women, it has been criticized for enhancing the traditional role of women as the ones responsible for raising the children. As women are the transfers’ recipients, they are implicitly responsible for their households’ abidance by the conditionalities. As stated by Benderly (2011), the program depended on the traditional maternal roles instead of encouraging other possible endeavors that could expand the women’s own opportunities.

## *The Red de Protección Social (RPS) (Nicaragua)*

### **Background**

Nicaragua belongs to the Lower Middle Income group. In 2011, the GDP per capita was estimated to be \$1,632. The poverty headcount ratio at the national poverty line in 2009 was estimated to be 42.5 percent (World Bank data, 2009). Moore (2009) argued that the idea of CCTs came along the poverty reduction plan that the Nicaraguan government initiated in 1998. These efforts were encouraged by international institutions. Funding organizations were showing interest in financing CCTs in Nicaragua.

In 1999, as Moore (2009) explained, the officials in the Nicaraguan government along with the Inter-American Development Bank (IDB) began designing RPS. The design was inspired by *Oportunidades*, in terms of the conditionalities and benefits system. In 2000, IDB loan was approved. Moore (2009) explained that the program, in its first phase RPS-I, was under The Emergency Social Investment Fund (FISE). It was mainly relying on the Coordinating Councils of FSS (Supplementary Social Fund) and FISE (The Emergency Social Investment Fund), on mayors and municipal technical units in municipalities as well as on community-level school councils and health service providers. Moore (2009) added that the program evaluation was done by International Food Policy Research Institute (IFPRI), an independent entity established only for this purpose. Surveys were the main tool for evaluation.

In the second phase of the program, RPS-II, the Ministry of Family (*Ministerio de la Familia*) was in charge of the program. This shift was done upon a request from the government for two reasons, as Moore (2009) explained. First, to gather all the social assistance schemes provided by the government under one umbrella. The second reason was to facilitate the communication between the different social assistance schemes for the benefit of the beneficiaries. This was expected to facilitate the exit process by informing the beneficiaries about the other programs they can join after exiting RPS.

RPS was designed to be funded by two separate external loans. As a result, the program was designed to be implemented in two phases.

Moore (2009) explained that RPS-I, pilot phase, lasted from 2000 to 2002 covering around 10,000 beneficiary households. The budget for this phase was \$11 million which is equivalent to 0.2 percent of Nicaragua's GDP (Moore, 2009).

RPS-II, second phase, started in 2002. It was funded by three entities; IDB, the Central American Bank for Economic Integration, and the government of Nicaragua, as Moore (2009) added. A total of \$27.2 million was the budget for this phase, according to BID statistics published in 2002. Benefits were decreased during this phase and a new component, Vocational Training (*Formacion Ocupacional*), was added. Moore (2009) also mentioned that this component aimed at providing the primary school graduates with a vocational training.

Moore (2009) listed the main program objectives as;

- supporting the extreme poor group financially over a period of three years aiming at increasing their income and hence their food consumption.
- supporting children under the age of five years and young women at the age of child-bearing.
- decreasing the school drop-out rate in the first four school grades.

The target groups of CCTs in Nicaragua are mainly the poor children between the age of 6 and 13 years old, young adults, and women at the age of pregnancy.

Moore (2009) mentioned that RPS-I covered around 10,000 households while RPS-II covered 30,000 households. In the second phase three new municipalities were included. During this phase, the initial 10,000 households were no longer receiving the demand-side benefits<sup>4</sup>; they were receiving only the supply-side benefits for two additional years (IDB, 2002).

### **The Application Process**

Moore (2009) explained that RPS was implemented in rural areas known by their high poverty rates, low level of human capital accumulation, and availability of human capital facilities.

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<sup>4</sup> The demand-side and supply-side benefits are explained more in detail in Table 1.

## **RPS-I**

Six municipalities were chosen for the implementation of the program. As it was explained in detail by Moore (2009), priority was given to municipalities close to the capital city of Managua and for municipalities applying what is known by Participatory Micro-Planning Project. The aim of the program was to train the municipalities' heads to plan and execute plans for investing in education and health related projects. Municipalities were chosen based on their scores in the marginality index. The scores were calculated using the national 1995 census data. Municipalities scoring high on the marginality index were chosen. Moore (2009) stressed that some households were excluded when it was proven that they own a vehicle or land.

Moory (2009) added that targeting the households within the selected municipalities was done using proxy means testing techniques based on household's per capita expenditures.

## **RPS-II**

In the second phase of the program, the eligibility criteria was modified and tailored to each poverty level. The targeting process was based on the updated poverty map published by the government in 2000. Rural municipalities with poverty rate more than 35 percent were covered according to Moore (2009). New municipalities were added as they had low school enrollment rates for primary education and shortage in the basic health services. Priority was given to municipalities that have potential opportunities in some sectors selected by the government (IDB, 2002).

## **Benefits and Conditions**

RPS had two categories of benefits; demand side benefits and supply side benefits. The demand side benefits were basically granted to the program beneficiaries. The supply side benefits were given to the services providers. Benefits and conditions changed from the first phase to the second phase of the program. Table 1a and 1b provide summary information on the benefits and conditions of RPS-I to both beneficiaries and services providers respectively.

Table 1a. RPS-I Demand Side (Benefits & Conditions)

<b>Demand side</b>	<b>Beneficiaries</b>	<b>Benefits in \$</b>	<b>Conditions</b>
Food Transfer ( <i>Bono de Alimentacion</i> )	All beneficiary families	\$ 224/year for each family. Regardless of the size or the composition of the family.	<ul style="list-style-type: none"> <li>- Attendance of bi-monthly training sessions.</li> <li>- Immunization for newly born children till the age of five years.</li> <li>- Monthly check-ups for children under the age of two years.</li> <li>- Every other month check-up for children aged 2-5 years.</li> <li>- Adequate weight maintained by children.</li> </ul>
School Transfer ( <i>Bono Escolar</i> )	Beneficiary families that have at least one child between the ages of 7 and 13 and who has not yet completed his/her fourth grade.	\$ 112/year for the family.	Children between the ages of 7 and 13 must complete their education till the fourth grade with 85 percent attendance per month. In case of additional absences, health excuse has to be submitted.
School Pack ( <i>Mochila Escolar</i> )	Beneficiary families with children enrolled in school between the first and the fourth grade.	\$ 21 per eligible child.	Eligible children must be enrolled in school once the school year starts.

Table 1b. RPS-I Supply Side (Benefits & Conditions)

<b>Supply side</b>	<b>Beneficiaries</b>	<b>Benefits in \$</b>	<b>Conditions</b>
Education Transfer ( <i>Bono a la Oferta Educacion</i> )	<ul style="list-style-type: none"> <li>- Local school advisory committee or teacher</li> <li>- Teachers keep half of the money and the rest used to buy materials for the school</li> </ul>	\$ 4.75/year for each student.	<ul style="list-style-type: none"> <li>- The eligible children must attend school.</li> <li>- Teachers must participate in the local parent association, sponsored by the Ministry of Education.</li> </ul>
Health Transfer ( <i>Bono a la Oferta-Salud</i> )	Contracted private health care health services providers	\$54/year/family	Specific coverage goals have to be met by the health care services providers.

Source: IDB. 1999; Maluccio and Flores

Maluccio and Flores (2004) mentioned that on average, annually, the total amount of the transfers would cover 18 percent of the expenditures of an average household.

Table.2a. RPS-II Demand Side (Benefits & Conditions)

<b>Demand side</b>	<b>Beneficiaries</b>	<b>Benefits in \$</b>	<b>Conditions</b>
Food Security Transfer ( <i>Bono de Seguridad Alimentaria</i> )	All beneficiary families	<ul style="list-style-type: none"> <li>- \$ 168/year/family for the 1<sup>st</sup> year</li> <li>- \$ 145/year/family for the 2<sup>nd</sup> year</li> <li>- \$ 126/year/family for the 3<sup>rd</sup> year</li> </ul>	<ul style="list-style-type: none"> <li>- Attendance of bimonthly training sessions.</li> <li>- Immunization record by the Ministry of Health fulfilled by children between the ages 0-9 years</li> <li>- Attendance of required doctor's appointments for children, adolescents and women of childbearing age</li> </ul>
Educational Transfer ( <i>Bono Educacional</i> )	Beneficiary families that have at least one child between the ages of 7 and 13 and who has not yet completed his/her fourth grade.	\$ 90/year/family	Children between the ages of 7 and 13 must complete their education till the fourth grade with 85 percent attendance per month. In case of additional absences, health excuse has to be submitted.
School Pack ( <i>Mochila Escolar</i> )	Beneficiary families with children enrolled in school between the first and the fourth grade.	\$ 25 per eligible child.	Eligible children must be enrolled in school once the school year starts.



Table 2b. RPS-II Supply Side (Benefits & Conditions)

<b>Demand side</b>	<b>Beneficiaries</b>	<b>Benefits in \$</b>	<b>Conditions</b>
Supply-Side Education Transfer ( <i>Bono a la Oferta Educacion</i> )	<ul style="list-style-type: none"> <li>- Local school advisory committee or teacher</li> <li>- Teachers keep half of the money and the rest used to buy materials for the school</li> </ul>	\$ 8/year for each student.	<ul style="list-style-type: none"> <li>- The eligible children must attend school.</li> <li>- Teachers must participate in the local parent association, sponsored by the Ministry of Education.</li> </ul>
Supply-side Health Transfer ( <i>Bono a la Oferta-Salud</i> )	Contracted private health services providers	\$90/year/family	Specific coverage goals have to be met by the health care services providers.
Vocational Training ( <i>Formacion Ocupacional</i> )	<ul style="list-style-type: none"> <li>- Request entry into the program</li> <li>- Be between the age of 14 and 25 years old</li> <li>- Attended the educational seminars offered by RPS</li> <li>- Completed primary school or be literate</li> </ul>	<ul style="list-style-type: none"> <li>- Free classes for 3-months, depending on the vocation</li> <li>- \$15/month and \$ 200 at the end of the training</li> </ul>	<ul style="list-style-type: none"> <li>- To receive the monthly transfers, beneficiaries must attend the classes</li> <li>- To receive the one big transfer, beneficiaries must create an approved business plan</li> <li>- The cash transfers must be used to start a microenterprise</li> </ul>

Source: IDB, 2002; IFPRI, 2005; Largaespa da Fredersdorff, 2006.

Transfers were distributed every two months. The exact date of distribution was not announced far in advance. Moore (2009) explained that the date was usually announced over the radio. He also added that several national security companies were hired to handle distributing the transfers to beneficiaries and this was usually done in schools or any other community facilities. The payments are received by the female heading the household.

## **The Impact of the Program**

### **RPS-I**

- Transfers increased the average household's expenditures to around 18 percent. Maluccio and Flores (2005) argued that most of this increase was used to cover food expenditures. This, as Moore (2009) explained, helped the families especially with the income they lost during this period of economic recession.
- Average school enrollment for children between the first and fourth grade was increased by 13 percent (Maluccio and Flores, 2005).
- Child labor, for the ages between 7-13 years, was decreased by six percent (Maluccio and Flores, 2005).
- Much of the hygiene-related education provided for the beneficiary households was assimilated (Adato and Roopnaraine, 2004).
- Rate of stunting was decreased by more than five percent, according to IFPRI (2005).
- Vaccination coverage for the children between 12-23 months increased (BID, 2002).

### **RPS-II**

As Moore (2009) listed, the following are the changes that were created by the second phase of CCTs in Nicaragua;

- Annual per capita income of the beneficiary families was increased by 25 percent on average based on IFPRI published data in 2005. Moore (2009) added that most of this increase went to food consumption.
- School enrollment rates increased.
- Expenditures on education related items increased.
- The number of children under the age of five who went to a preventive check-up in the last six months before the evaluation was carried out increased by 15 percent.
- Child stunting decreased by 7.4 percent.
- Use of maternal healthcare services increased.

### **Program Termination**

RPS was resisted by politicians in Nicaragua since its inception. This resistance remained even with the positive impact that the program had because it was not reported as Moore (2009) argued. The restrictions forced by the lending entity, IDB, was one of the reasons why

the program was criticized by politicians according to Moore (2009). He added that the high cost of the program was another reason for criticizing it. For the program to continue, more effort and more domestic resources were needed. Moore (2009) concluded that due to the lack of the political will, it was hard for the program to last.

### **Program Weaknesses**

Although the program did not continue operating, some weaknesses were noticed. The most important of these weaknesses are the following;

- Administrative costs accounted for around 40 percent of the whole program budget. Caldes et al. (2004) argued that this was considered as a big percentage especially that it was 33 percent in Honduras and 9.6 percent in Mexico.
- In spite of the nutritional supplements that were distributed, around a third of the children in the beneficiary families were still suffering from anemia, as Moore (2009) claimed. Adato and Roopnaraine (2004) explained this by the mothers' reluctance to give their children the supplements as some children reacted poorly to them.
- Conflicts, Moore (2009) added, arose between the central-level officials in charge of the program but working in different institutions.

## ***Tayssir (Morocco)***

### **Background**

Morocco belongs to the group of Lower Middle Income countries. In 2011, the GDP per capita was estimated to be \$3000, according to the World Bank data (2011).

Education levels in Morocco are considered to be low. Devoto, Duflo, & Dupas (2008) explained that while the average primary school enrollment rate is high, the completion rate is low especially in rural areas with less than 60 percent completing their primary education. Boosting school enrollment rate was the main objective behind introducing CCTs in Morocco. Devoto, Duflo and Dupas, (2008) explained how the program was initiated by the Moroccan

Higher Council of Education (CSE) together with the National Ministry of Education (MEN). The program is funded by the Ministry of Education with technical assistance from World Bank.

The program started with a pilot phase lasting between 2008 and 2010. Over 2010 and 2011, the program was expanded to cover more geographical areas.

Devoto et al (2008) mentioned that families live in districts with poverty rate equivalent to 30 percent or more and school drop-out rate of 8 percent or more as the target group of CCTs in Morocco. This criterion had some minor changes over the life span of the program. The pilot phase of the program covered the poorest areas within five regions, out of a total of sixteen regions in Morocco. Currently the program covers 757,000 students in around 436,000 households, (Devoto et al, 2008).

### **The Application Process**

Geographical targeting is the base for CCTs in Morocco. The five poorest regions of Morocco were chosen for the pilot phase. Benhassine et al. (2013) mentioned that within those regions, the poorest rural municipalities with high primary education drop-out rates were selected.

Parents have to enroll each of their children in the program. Benhassine et al. (2013) added that Headmasters in the schools were responsible for informing the parents about the procedures for the enrollment process.

The enrollment phase started in September at the beginning of the school year and lasted for three months, as Benhassine et al. (2013) mentioned.

### **Benefits and Conditions**

Benhassine et al. (2013) mentioned that payments are done bimonthly. Payments are done at the post offices. Areas that do not have a post office have instead a mobile cashier in charge of distributing the transfers.

Benefits range is as follows;

60 Moroccan dirhams, \$8/month/child, children in grades 1 and 2 (6-7 years old).

80 Moroccan dirhams, \$10/month/child, children in grades 3 and 4 (8-9 years old).

100 Moroccan dirhams, \$13/month/child, children in grades 5 and 6 (10-11 years old).

The values of these transfers represent around five percent of the average household's annual consumption.

Devoto et al. (2008) explained that as the pilot phase of the program aimed at testing for the impact of the gender of the transfers' recipients, in half of the beneficiaries, mothers were the recipients and in the other half fathers were the recipients.

The pilot phase of the program included two different versions; one with conditions and one without conditions (Baird, Ferreira, Özler, & Woolcock, 2013) Labeled Cash Transfer (LCT)/ Education Support Program:

As the families enroll their children in *Tayssir* program through schools, children have to be registered already in the school. However, Devoto et al. (2008) stressed that being eligible for the transfers do not require the children to attend their classes.

1) Conditional Cash Transfers (CCT):

These transfers go to different households within the same target group, but conditioned on sending their children regularly to schools without missing more than four days each month.

### **The Impact of the Program**

After two years of implementing the program, Benhassine et al. (2013) mentioned that the drop-out rate of the LCT beneficiary students was reduced by 70 percent. They also added that the re-enrollment rate of these who had dropped out of school before introducing the LCT program almost doubled. However, Benhassine et al. (2013) stressed that ironically LCTs had greater impact on school attendance than what CCTs had.

These results showed that making the transfers conditioned or not conditioned did not affect the impact of the program. However, the impact was higher with the non-conditional scheme. One of the explanations of this paradox is that the conditions discouraged the parents along with the teachers from enrolling the weak children in the program. Devoto et al. (2008) added that the results showed that the gender of the transfers' recipients did not show a difference.

Household surveys showed that parents in the beneficiary households started to value investing in the education of their children more than before (Devoto et al. 2008). Benhassine et al. (2013) also mentioned that parents started to believe more in the quality of the primary schools they have in their districts although the quality was the same. The main weakness mentioned in the literature about CCTs in Morocco is that the beneficiaries were not completely aware whether the program was conditioned or not. This was clear when the beneficiaries were surveyed. This can be expected to affect the program impact evaluation as the impact of the conditioned and unconditioned transfers overlapped.

### Summary Table

Table 3. Summary of CCTs in the Four Countries Included

	<i>Şartlı Nakit Transferi</i> (Turkey)	<i>Oportunidades</i> (Mexico)	<i>Red de Protección Social (RPS)</i> (Nicaragua)	<i>Tayssir</i> (Morocco)
<b>Start year</b>	2002 Current	1997 Current	2000 Terminated	2008 Current
<b>Target group</b>	Households belonging to the poorest 6%	Almost all the households considered poor by the national standard	Families with; - Poor children 6–13 - Women at the age of pregnancy - Young adults	- Families live in districts with poverty rate $\geq 30\%$ & school drop-out rate $\geq 8\%$  - Families have to have children aged between 6 & 15 years old

<p><b>Conditions</b></p>	<p>Send school-aged children to schools</p> <p>Send the younger children regularly to visit healthcare facilities and get vaccinations.</p>	<p>School enrollment with 85% minimum attendance rate of both monthly and annually.</p> <p>Compliance by all household members with the required number of health centers visits and mother attendance at health and nutrition lectures.</p>	<p>Attendance of bi-monthly training sessions.</p> <p>Immunization for newly born children till the age of five years.</p> <p>Monthly check-ups for children under the age of two years.</p> <p>Every other month check-up for children aged 2-5 years.</p> <p>Adequate weight maintained by children.</p> <p>Children between 7-13 must complete their education till the fourth grade with 85% attendance/month</p>	<p>Sending children regularly to schools without missing more than four times per month</p>
<p><b>Benefits</b></p>	<p>Education grant &amp; Health grant</p> <p>20 TL, \$10, for boys attending primary school.</p> <p>25 TL, \$12.5, for girls attending primary school.</p> <p>35 TL, \$17.5, for boys attending secondary school.</p>	<p>Education grant &amp; Health grant</p> <ul style="list-style-type: none"> <li>-Education grants for children &amp; young adults between 3<sup>rd</sup>&amp;9<sup>th</sup> grade</li> <li>-in-kind support for school supplies</li> <li>- Basic health care for all family members</li> <li>- Nutritional</li> </ul>	<p>Education grant &amp; Health grant</p> <p>\$126/year/family (Food Transfer)</p> <p>\$90/year for the family (School Transfer)</p>	<p>Education grant</p> <p>60 Moroccan dirhams, \$8/month/child, children in grades 1 and 2 (6-7 years old).</p> <p>80 Moroccan dirhams, \$10/month/child, children in grades 3 and 4 (8-9 years old).</p>

	45 TL, \$22.5, for girls attending secondary school.	supplements for children between 4 & 23 months & pregnant women	\$25/eligible child (School Pack)	100 Moroccan dirhams, \$13/month/child, children in grades 5 and 6 (10-11 years old).
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### **3. Chapter**

## **The Conditionality Test and its Implication to Egypt**

### **Conditionality Test**

Conditional Cash Transfers schemes are targeted social assistance schemes that aim at breaking intergenerational poverty through investing in human capital. The target group is identified and offered cash allowances on a regular basis, conditioned on abiding by certain behavior. The conditions are basically school attendance for the children at school age and regular check-ups for children under five years and for mothers. The program has a gender element, as the money usually goes to the mothers aiming at empowering them, given that many of them do not enjoy an independent source of income. As many argue in favor of unconditional cash transfers combined with investments in the infrastructure, this chapter tries to test for the effectiveness of applying the conditional scheme in Egypt. It starts with a detailed analysis of the common conditions used, comparing the arguments for and against the conditions. Then it moves to the conditionality test, in which the other four countries, Mexico, Turkey, Nicaragua, and Morocco, are used for comparison purposes.

#### **Common Conditions Used in CCTs:**

##### **1) Education-Related Conditions:**

To receive the education grant, there is a set of conditions that most of the countries implementing CCTs ask for:

- School enrollment.
- School attendance, usually 80 to 85 percent of school days per month or two months.
- Occasionally some measure of performance, such as exam scores and after-school-study sessions.

Education-related conditions generally target children within the age bracket for primary schooling. However, in some countries, such as Colombia, Mexico, and Jamaica, it includes secondary school students as well. CCTs sometimes can cover a narrow segment of education (Fiszbein & Schady, 2009). For example, some only cover secondary (Bangladesh's Female Secondary School Assistance Program [FSSAP], some only primary (Bolivia, Kenya, and proposals in Nigeria and Tanzania), and occasionally both (Indonesia's *Jaring Pengamanan Sosial* [JPS] program) (p. 38).

## **2) Health & Nutrition Related Conditions**

As mentioned in the ("Workshop on Conditional,"2003), health-related conditions are stricter than education-related conditions as they require 100% compliance to be eligible for receiving the transfer.

- Periodic checkups.
- Vaccinations for children under the age of 5 years.
- Prenatal care for mothers/ Pregnancy care support.
- Attendance by mothers at periodic health awareness sessions.

A scheme usually does not include all the conditions mentioned above. However, the conditions are chosen based on the objectives set for the program and the household conditions.

### **Conditions or no Conditions**

The aim of this section is to elaborate on the arguments for and against imposing conditions on targeted cash transfers. This will be done through comparing two hypothetical social assistance schemes. The two are targeted, yet one imposes conditions while the other does not. The unconditional cash transfers can be thought of as non-contributory pension schemes, child allowances, or income support schemes. In almost all the countries implementing CCTs, higher rates of school enrollments and positive impact on the health state of the target groups have been recorded. However, as was mentioned by Quene, Niekerk, and Samson (2006),

these studies are unable to explicitly separate the effect of the conditionalities themselves from the impact of the cash transfers and the investment in health and education.

Conditionality is a controversial issue that has always been debated. As conditions have explicit positive impact, they are costly to implement. Well-structured arguments have been developed both for and against the conditionalities.

The following reasons are valid to support the for-conditions' argument;

- 1) Using such conditions (as opposed to adopting UCTs) can be explained as an incentive for households to invest in the human capital of their children. CCTs scheme is a tool that can be used to boost investing in two different priorities simultaneously; education and health. Baird et al. (2013) argue that investment shortage (in human capital) can be caused by inadequate information, differences in discount rates, or intra-household bargaining problems. Parents, especially in households with fewer resources, may also sometimes not act in the best interests of their children, or with myopia, trading off the future returns for the current benefits. The conditions in these programs create costs for caregivers but long-term gains for children and for the society as a whole. Even when caregivers act in their own children's best interests, greater investments in health and education create important spill-over benefits for the rest of society (EPRI, 2011).

Evaluations of the already existing CCTs programs in the countries included in the research reveal the positive impact of the program on both education and health attainment in these countries. *Oportunidades* in Mexico can be taken as an example. Over 14 years of implementing the program, school achievement increased by 0.85 school years for women and 0.65 school years for men (SEDESOL, 2010). On the health level, anemia incidence on beneficiaries younger than 2 years reduced by almost half, 35.8 percent as compared to 1999 figure of 61 percent (SEDESOL, 2010).

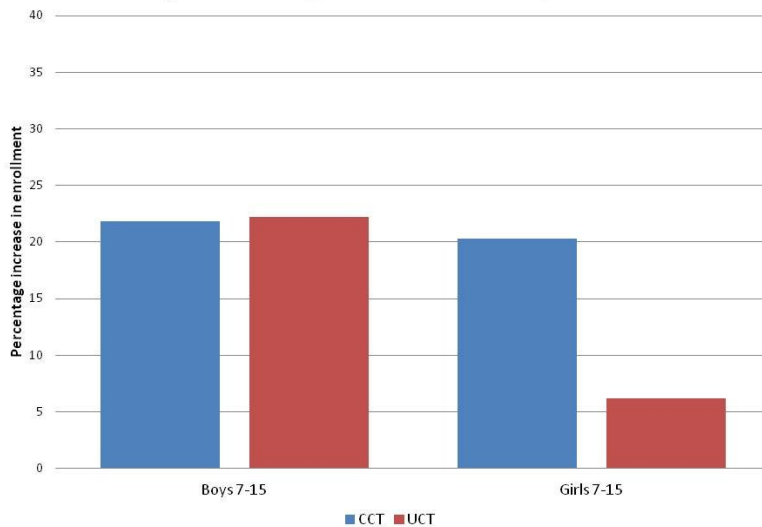
- 2) The biggest problem that faces social assistance schemes is funding. Due to the scarcity of resources, policy makers have to choose between a variety of social assistance programs. The most common source of funding for these social assistance programs is taxation. Conditions help in gaining public support and funds for the

program, from the tax payers and the voters (EPRI, 2011). This idea of giving money to the poor in return for nothing does not appeal to the public as money in return for some effort exerted. It is more of a social contract. However, the nature of this social contract also depends on three factors; the severity of the problem of poverty in the country, the ideology of the government whether it is for or against a rights-based approach for social assistance, and the level of awareness of the voters and taxpayers.

If the level of poverty in the country is severe and the government is adopting a rights-based approach, tax payers can be convinced of the importance of giving monetary transfers to the poor without asking for a certain behavior in return. For the case of Egypt where the level of tax payers' awareness is relatively low, what the government sets as a priority will prevail anyway. In the Egyptian case, gaining the public support may not be an important factor to decide on the program conditions.

- 3) CCTs have been argued to have positive impact on children known as “marginal children”. A random experiment study was done on the Nahouri cash transfers pilot program in rural Burkina Faso. The study was using the pilot program to test for the effectiveness of Conditional in comparison to Unconditional Cash Transfers schemes. The results published show that “CCTs are more effective than UCTs in improving the enrollment of “marginal” children”. “Marginal children” is a term which was introduced in this study, and it refers to children who are less likely to go to schools in the environment under study, which is the rural Burkina Faso. There can be a general consensus that girls, younger children, and lower ability children are the marginal children in most of the countries. However, it has to be mentioned that the term needs to be redefined whenever used to fit with its context, including and excluding other groups. Walque (2013) mentioned in his review that this pilot program, “CCTs led to statistically significant increases in enrollment of 20.3 percent for girls, 37.3 percent for younger children, and 36.2 percent for low ability children relative to mean enrollment in those sub-groups”. Figure 3 compares the effect of CCTs on school enrollment on gender basis.

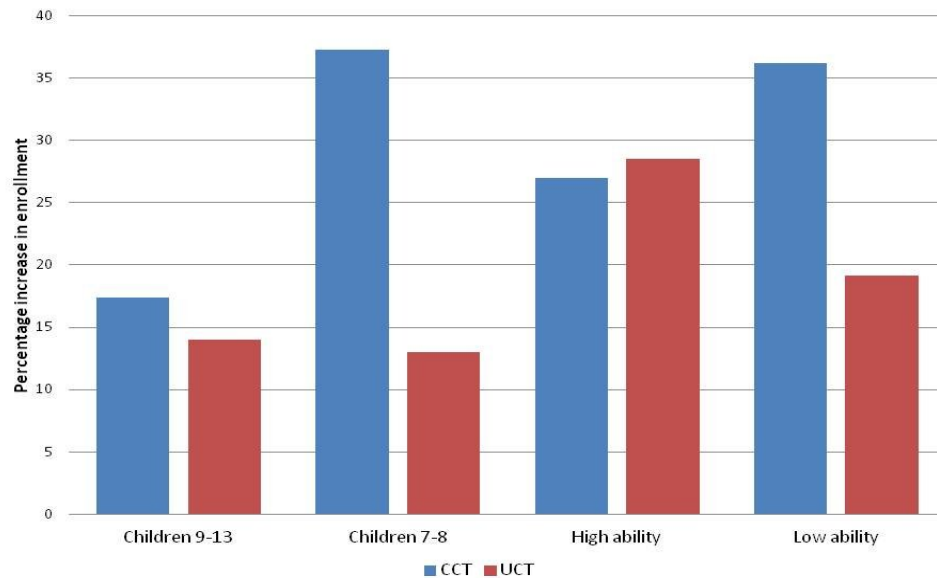
Figure 3. Percent Change in School Enrollment by Gender in Nahouri Program of Burkina Faso



Source: <http://blogs.worldbank.org/impac evaluations/for-which-children-do-conditions-matter-in-conditional-cash-transfers>

Both the CCTs and UCTs have almost the same impact on boys. Boys in the study, in rural Burkina Faso are considered as non-marginal children. On the other hand, as girls belong to the marginal children group, according to the study, their enrollment rates are highly affected by conditional cash transfers in comparison to unconditional cash transfers. This observation is also confirmed by Marco Stampini's, evaluation of the impact of *Bolsa Familia* Program in Brazil on school enrollment rates. Stampini (2013) mentioned that although males and females are given the same amounts of transfers in Brazil, the impact on enrollment rates for females is greater than for males. Figure 4 compares the effect of CCTs and UCTs with respect to the age distribution and the ability to process information of the children.

Figure 4. Percentage Change in Enrollment by Age Group and Ability in *Nahouri* Program of Burkina Faso



Source: <http://blogs.worldbank.org/impac evaluations/for-which-children-do-conditions-matter-in-conditional-cash-transfers>

As low ability children are considered as minor children, Figure 4 shows that CCTs can be more effective than unconditional cash transfers. Needless to mention, the results of this study are difficult to generalize. Another experiment done in another country can reveal different results. The difference in results can be attributed to the difference in the contextual definition of “marginal children” and the willingness of the target group to change their attitude.

- 4) CCT programs can be used as a tool for bridging the gender gap within the households included in the target groups. Apart from how CCTs can boost female school enrollment rates, as mentioned above, they can also help in empowering the female leaders of the households. The gender gap within a household in most of the cases is due to the financial dependency of females on males. This affects the balance of the intra-household dynamics as the female does not contribute to the decision-making process in the household as the man does. CCTs, especially with females as the primary recipients, work as an additional source of income managed by the female in the household resulting in more bargaining power for them. Pregnant women also receive special health care services that contribute to their well-being. Workshops and

awareness sessions are other important tools used in CCTs to boost gender equality. Stampini (2013) mentioned that *Oportunidades* in Mexico was the first to introduce this approach which was replicated by many other CCTs programs. It was also mentioned by Larranga (2013) that CCTs in Mexico play the role of a protection factor against intra-household violence.

There are important critiques against utilizing conditional schemes as well.

- 1) CCTs programs are viewed by many as paternalistic; they are used by the state as a tool to force the poor to change some of their ideas or to behave in a certain way. This can be considered as a violation of the main assumption in economic theory that humans are rational and are expected to act rationally. Humans' rationality entails that if they are given the resources they lack, they are expected to act in the best of their own interest and their own household's interests. Gabel and Kamerman (2011) mentioned that many see CCTs as contractual arrangements between beneficiaries and society that miss a very important element, the beneficiaries' participation in formulating the contract. In some cases, the use of CCTs, along with other social assistance schemes, by governments can go to the extreme in a politicized paternalistic manner. Social assistance schemes are used in some countries as a tool to mobilize the minorities as many of them are poor.

For instance, for the Turkish case, Yoruk (2013) argued in that CCTs, along with other social assistance programs, in Turkey are serving the Kurdish minority in a paternalistic attitude in seeking to turn poor Kurds into the mere poor while "erasing Kurdishness in the process" (Yoruk, 2013: 157). Providing minority groups with money conditioned on some ideological or behavioral change can affect the objectivity of the program.

- 2) Conditions entail costs. Costs can be either investment costs or administrative costs. The government may need to invest in social service facilities, education and health, to meet the increase in demand expected with CCTs. In other words, this may require the government to invest more in building new schools and hospitals and hiring more teachers and doctors. This can be a burden if the government does not have the required resources. Administrative costs are costs associated with monitoring regularly whether the conditions are met or not. This "follow-up" process requires

both labor and money. Holmes and Slater (2007) mentioned that for each one peso spent in *Oportunidades* in Mexico, 3 centavos are spent for administration. Bassett (2008) also confirmed that this process is more costly in countries with weak administrative capacity. Baird et al. (2009) mentioned that conditionality represents a substantial share of the administrative costs of a CCT program.

Taking the eligibility checking as one of the administrative stages of CCTs, Coady, Grosh and Hoddinott (2004) mentioned that the cost of means testing and proxy means testing ranges from one dollar per applicant, in Armenia, to 12 dollars per applicant in Mexico. CCTs, compared to other social assistance schemes, are more expensive to operate. Example confirming this argument is *Progresain* Mexico. Adaro and Hoddinott (2007) mentioned that in its first year of operation, 1998, \$1.34 was allocated toward administrative cost for every dollar spent on transfers to beneficiaries. Bassett (2008) mentioned that the compliance verification process ranged in Mexico, Honduras, and Nicaragua from 2 to 24 percent of the total administrative costs. This cost can be saved if the government chooses to adopt universal cash transfers program.

- 3) Conditions affect the enrollment and attendance rates, but this does not necessarily result in improving the actual learning outcomes. Evaluating the actual impact of CCTs on the education outcomes for the targeted children is very challenging as it involves more of a long term analysis. Exploring the literature of the CCTs applied all over the world reveals the limitation of testing for the impact of CCTs on education and learning outcomes (Saavedra, 2012). The same argument can be used for health. CCTs have increased the likelihood that households will take their children for preventive health checkups, but that does not always lead to better child nutritional status. To maximize the potential effects of the conditionalities on the accumulation of human capital, CCTs should be combined with additional efforts to improve the quality of the supply of health and education services; other supporting services should be provided too. In their effort to increase the effectiveness of CCTs, some countries go further in the outcomes' assessment process to include variables such as exam scores and children's weight and height, such as Mexico.
- 4) The conditions chosen for applying the scheme are linked to the general objectives of the scheme in the given context. If increasing school enrollment rates and vaccination



rates are not included as the main objectives of the CCTs, UCTs can be more efficient and more cost effective in tackling poverty. In a systematic review conducted by Campbell Collaboration (2013), it was mentioned that both types of programs, UCT and CCT, improve the odds of children being in school with 23 percent for the UCT programs and 41 percent for CCT programs. However, the difference between the two has a p-value of 0.183 which is statistically insignificant. For the case of Egypt, this will be analyzed in more detail later in the conditionality test section.

Choosing to implement CCTs over UCTs program is a decision based on the country's context. Quene, Niekerk and Smason (2006) discussed that the trade-off between UCTs and CCTs can be analyzed from a fiscal point of view. CCTs can be less of a fiscal burden, comparing to UCTs, if the conditionalities will screen the applicants for the grants, resulting in fewer eligible people. If the amount saved from this screening process is more than the cost of monitoring for the conditions, then CCTs combined with investment in health and education is less of a fiscal burden. The case will be the exact opposite if the money saved from applying conditions is less than the additional administrative costs caused by the conditions. Quene et al. (2006) paraphrased the question as follows: "If government provides cash transfers to the poor and simultaneously improves the educational system, yet does not impose education conditionalities on the transfers, how much will human capital investment improve?". The answer to this question is dependent on the country's political and economic context. For example, as the labor markets are flexible in Latin American countries in general, child labor is a striking phenomenon. Applying CCT in such countries is more efficient as it entails reduction in the child employment rate resulting from the conditions set on the transfers for the households to send their children to schools. On the contrary, in African countries, the enrollment rates are already high, the unemployment is high and the administrative costs are high. This decreases the benefit of including education as a condition on CCT. The conditionality test, discussed below, analyzes this question in the context of Egypt.

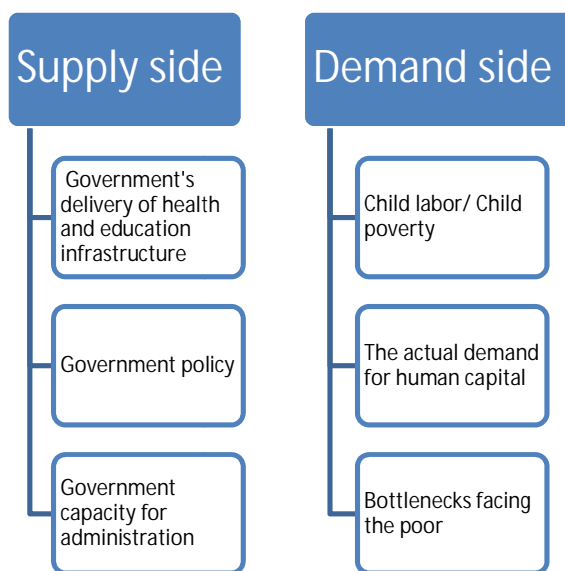
A CCT program was introduced in South Africa in 2005. Although the program design is very much in line with most of the CCTs implemented in other countries, it has some unique features related to the South African context. The most important of these features is the role of the program in fighting HIV/AIDS epidemic. The Economic Policy Research Institute

(EPRI), based in Cape Town in South Africa, came up with what is called the conditionality test. The test should be used by countries that are considering the implementation of CCTs as they need to check on how the conditions can affect the program efficiency. The level of accuracy is affected by the level of data accuracy. Due to some missing data, the test may give tentative conclusions that are not 100 percent accurate. However, this does not disprove the validity of the test; the conditionality test can still be used as an indicator and a starting point before implementing CCTs scheme in Egypt. In the following section the test is explained in detail and the test elements are elaborated clearly.

### The Conditionality Test for Egypt

The conditionality test, as mentioned before, was introduced by The Economic Policy Research Institute (EPRI) in South Africa. The test looks at certain characteristics and data of the country tested trying to draw some conclusions about the expected returns of implementing such a program.

Figure 5. Elements of the Conditionality Test

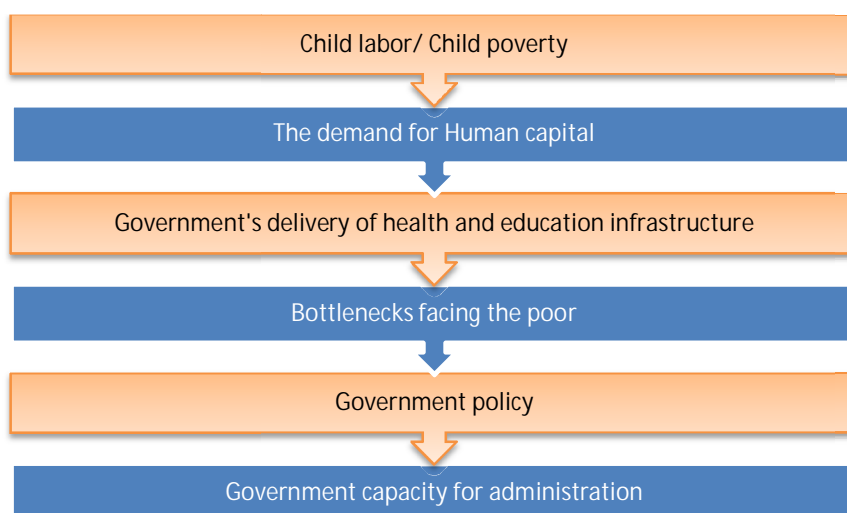


The unconditional yet targeted transfers are the baseline for comparison in this test. The test examines the two sides affecting the human capital accumulation process in a country, the supply side and the demand side. The supply side looks at the availability and accessibility of the education and health related services, to the poor, or the intended target group with the

CCTs. The supply side analysis of the conditionality tests basically tries to answer the question of “can the poor easily access such services if they want to?” It is important to answer such a question while considering the implementation of conditional cash transfers in a country. If the answer is “no”, then more resources should be allocated to increase the supply of such services to facilitate the human capital accumulation for the poor. On the other hand, the demand side of the test looks at the actual trend of the demand for the human capital-related services. It tries to answer the question of “do poor people in their country need to be directed to demand human development services as they should?” In some developing countries, statistics can show relatively high rates of school enrollment and clinic visits, even without CCTs implemented.

The following are the points that should be examined in the conditionality test. Most of these points were originally introduced by the EPRI except for one point newly added, child labor/child poverty, and another point was removed from the test, program design. Child labor/child poverty was added to the test in this research although it was not included in the original test introduced by EPRI. The reason to add this point is its importance in the analysis within the framework of the conditionality test. Looking at the school enrollment rates may not give a complete picture of the demand for human capital. If a country already has a high rate of child labor, introducing a cash transfers scheme conditioned on sending children to schools may contribute to the reduction of child labor rate. The program design point however was shifted to the following chapter as it discusses the implementation process of the program.

Figure 6. Stages of the Conditionality Test



## 1) Child Labor/child poverty

Child labor as a factor, as was mentioned earlier, was not included in the conditionality test introduced by the EPRI. Knowing that child labor as a problem can effectively be tackled by the education-related conditions in CCTs, the current child labor state in the country under study should be included in testing for the effectiveness of conditionalities. If alleviating poverty is one of the government's priorities, child poverty, which in most of the cases result in child labor, should be tackled as they contribute to the persistence of poverty. Child labor has been a widespread phenomenon across the developing world, as mentioned by Gee (2010). Barrientos and Dejong (2004) noticed that childhood poverty is strongly associated with less schooling and lower educational attainment where it had long-term effects on future productive capacity and standard of living in the country. The level of severity of child labor as a problem varies with the country's context. Before going into a detailed analysis of the problem of child labor in Egypt in comparison to the other countries under study, the term "child labor" is defined. The term child labor used in this section is defined as "children aged 5-14 who are engaged in work that deprives them of their childhood, their potential and their dignity, and that is harmful to their physical and mental development". This is a combined definition from the definitions given by UNICEF and the International Labour Organization (ILO).

Child labor in the context of this study refers to the children engaged in the labor market even if it is domestic work. Analyzing the impact of child labor on school attendance reveals that many children, especially girls in rural areas, can be deprived of their right to be educated because they are forced to take on the household work. The simplest example for this is when older children in the family are forced to stay at home to take care of their younger siblings. This kind of domestic work is accounted for in the UNICEF data used in this section.

Households generally face a trade-off between educating their kids through sending them to schools, and sending them to the labor market so they can contribute to the household income. In other words, there is a trade-off between the long-run returns of investing in the children's human capital and the monetary gains in the short-run. The higher the social and economic class that the household belongs to, the more they value the long-run returns over the short-run gains and hence the more likely that households send their children to school. When it comes to poor households, which is the common target of CCT programs, the decision is relatively harder as the cost of sending the kids to schools is relatively higher and in some

cases can be unaffordable. In cases where the financial constraint is the only constraint for sending the kids to schools, CCTs can have a positive impact in solving the problem.

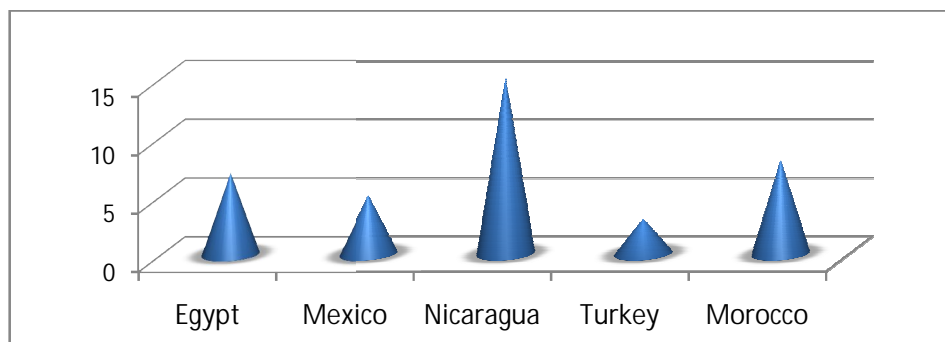
CCTs can contribute to solving the problem of child labor in two ways. The first way is through the financial support that households receive which can be used for paying the school expenses, such as school uniforms and materials. Some CCT programs even are targeted for this and provide the children in the households with their school needs in an in-kind form. The second way through which CCTs can encourage the parents to send their children to schools is through compensating them for the money forgone from not sending them to the labor market, or the opportunity cost of sending the child to school. The severity of the phenomenon of child labor in the country analyzed helps in determining whether conditionalities will be an effective solution of the problem or not. There is evidence from different country cases. For instance Patrinos (2007) found out that the effects of CCTs on the incidence of child labor have been assessed positively in Bangladesh where child labor rates decreased by 4 to 14 percent. For Cambodia, Fiszbein and Schady (2009) mentioned that the program, which gives transfers to children in transition from primary to lower-secondary school, was found to reduce child labor by 11 percentage points. The general link between CCTs and child labor is that when CCTs require the household to send the children to schools, it reduces the free time these children have and hence the probability of engaging in any work activity. This consequently reduces the child labor rate in the area targeted by the transfers. Gabel and Kameman (2011) noted that CCTs may not directly reduce child labor incidence but may have impacts on the frequency, duration (hours per day) and working conditions.

In this first section of the conditionality test, the phenomenon of child labor in Egypt is analyzed and a comparison between Egypt and the other four countries included in the research is drawn. Egypt has one of the highest rates of child-labor, ranking the 29th in 2010 in the Child Labor Index estimated by UNICEF. Egypt belongs to the group of 68 countries that face extreme risk of child-labor. Brazil and Mexico belong to the same category too with their ranking being the 45th and 62nd respectively (UNICEF, 2013).

The problem of child labor in Egypt has been addressed legally in the new constitution of 2013 by prohibiting employing children before the age of 15 years old which is the age of completing the compulsory two stages of education; primary and preparatory education (Article 19 and Article 80 of the Constitution of the Arab Republic of Egypt). However the problem can still remain if the legal framework is not enforced, as was always the case.

Figure 7 shows child labor in Egypt in comparison to the other countries included in the study. The data used to draw Figure 7 is provided by the UNICEF database for the year 2013.

Figure 7. Total Child Labor Rate in The Four Countries Included (2013)



Source: UNICEF Global Databases for the year 2013

\* Child labor. As defined in the UNICEF website, is "Percentage of children aged 5 to 14 years of age involved in child labor activities at the moment of the survey. A child is considered to be involved in child labor activities under the following classification: (a) children 5 to 11 years of age that during the week preceding the survey did at least one hour of economic activity or at least 28 hours of domestic work, and (b) children 12 to 14 years of age that during the week preceding the survey did at least 14 hours of economic activity or at least 42 hours of economic activity and domestic work combined.

As can be seen in the graph, the total child labor rate in Egypt is almost six percent. This implies that six percent of the children, who are at the age of schooling, are not actually in schools, or at least they are not just in schools, but they are also engaged in some kind of work activity. The figure also shows that the countries already implementing CCT program still have quite different rates of child labor. In some countries, such as Morocco and Nicaragua, the child labor rate is higher than Egypt even with the implementation of the scheme. However, the rate for Egypt is quite high too. The other countries implementing CCT program, Mexico and Turkey, have lower rates of child labor. Using the data provided by the CAPMAS reveals a darker picture of the problem of child labor in Egypt where the rate is more than double, namely 15 percent. The rate is much higher for boys in comparison to girls, 24 to 7.5 percent, respectively. The following table shows the breakdown of the activities done by the children within the age range of 5 to 17 years old (CAPMAS, 2013).

Table 4. Children's activities, ages 5-17, by sex (percentage of all children 5-17)

	Number in '000s	All	Boys	Girls
School	1,4761	86.1	86.2	85.9

Economic Activity*	1,828	10.7	16.0	5.0
Unpaid Household Services	11,528	67.3	62.7	72.0
School + Economic Activity + Unpaid Household Services	955	5.6	8.0	3.0
School + Economic Activity	265	1.6	2.9	0.2
School + Unpaid Household Services	9,400	54.8	49.3	60.6
Economic Activity + Unpaid Household Services	368	2.2	2.7	1.6
School only	4,140	24.2	26.1	22.1
Economic Activity only	240	1.4	2.5	0.2
Unpaid Household Services only	804	4.7	2.7	6.8
Inactive (none of the above)**	970	2.1	2.3	1.9

Source: Results of the 2010 National Child Labor Survey (CAPMAS)

Notes:

\* Includes all employed children and unemployed children 15-17.

\*\* Estimate is limited to ages 6-17 to exclude children under school age.

As shown in Table 4, when child labor is broken down in two components, economic activities and unpaid household services, the gender factor intensifies. 67.3 percent of the Egyptian children are engaged in unpaid household services as the second most prominent activity for Egyptian children after schooling (CAPMAS, 2012). Females work more for unpaid household activities than males, as expected, with 72 to 62.7 percent, respectively. However, as seen in the Table 41.8 million children participate in economic activities accounting for 10.7 percent of the total Egyptian children. As can be expected, males engage more than their female counterparts in the economic activities with 16 versus 5 percent. It is worth mentioning that in 2010 the population between the age of 5 and 17 was estimated to be 17.1 million children who constituted 22 percent of the total Egyptian population in the same year (CAPMAS, 2012). This high percentage reveals the significance of the problem of child labor in the Egyptian context.

Child labor in Egypt has a strong regional dimension. The rural to urban ratio of child labor reveals that child labor rate and how it grows with age is higher in rural areas comparing to urban areas (CAPMAS, 2012). In the rural parts of Egypt, child labor rate for boys grows from 18 percent by the age of 11 to 33 percent by the age of 14 years old. In urban areas, the rate for boys is two to three times lower with 6 percent by the age of 11 and 12 percent by the age of 14 years old. The problem of employing kids in rural areas is more intensified with the fact that agriculture-related work in most of the cases is hazardous.

Some researchers argue that the implementation of CCTs scheme with schooling conditions can impact child labor rate from two sides. As argued by Gee (2010), CCTs have an effect on both the incidence and duration of child labor. Parker and Skoufias (2000) also mentioned that

evaluations of CCT programs, such as Mexico's *Oportunidades* Program, report reductions in the probability of a child engaging in work as a consequence of a CCT offered; yet, for children who are currently working, their weekly working hours do not necessarily decrease.

A study was conducted, in 2010, by Brown University on four Latin American countries using CCTs schemes analyzed the impact of CCTs on the incidence and duration of child labor in Latin American countries using CCT schemes as follows; first, CCTs contributed to the reduction of the probability of a child engaging in any work activity by 10.7 percent which is a relatively high percentage. Second, if the child is already engaged in a market work and CCTs did not result in a full withdrawal from the labor market, it can contribute on average with almost four hours reduction in the total number of work hours. The results of this study can be linked to the situation in Egypt. In Egypt children routinely combine activities. About two thirds of economically active children combine work and school (CAPMAS, 2012). This means that applying the CCTs scheme in Egypt can have high impact on the duration of child labor.

However, to increase the efficiency of CCTs in tackling the problem of child labor in Egypt, some conclusions need to be drawn. Rural areas have higher rates of child labor than urban. This entails, as Holtman et al. (2012) discussed that if CCTs is to be implemented in Egypt with education-related conditions, more priority should be given to rural areas as the majority of children work in agriculture. It was also mentioned that as Egypt has a lot of rural areas, approximately 84 percent of the working children in Egypt live in rural areas, specifically in Upper Egypt governorates which have the highest rates of poverty too. As a result, the rural parts of the governorates in Upper Egypt should be prioritized when it comes to implementing CCTs schemes.

Assuming that money is the only determinant for sending kids to school, sending males results in a higher monetary opportunity cost, in comparison to females. This can be the general case as males are more engaged in economic activities that provide them with monetary returns. In reality the economic factor is not the only factor in determining whether females should be sent to schools or not as other factors affect the parents' decision. The opportunity cost for girls can still be very high especially if it involves other non-economic factors. It has been known that the MENA region has a traditional gender paradigm shaping the intra-household roles and relationships. A report published by the World Bank in 2004 *Gender and Development in MENA: Women in the Public Sphere* discussed the main



elements of this paradigm. It was argued by the report that in the MENA region, a girl gets married early to start her contribution to the household as a wife and a mother. As men are expected to work outside the house and earn money, women are expected to stay at home and raise the kids (World Bank, 2004). Although this paradigm may be as popular as it was in some countries, as in Egypt, it is still persistent in some parts, especially in rural areas. This entails that a sociological and psychological field research should be done on the specific area targeted before implementing the program, to get an idea about the true reasons for not sending the females to schools, and hence design the program incentives and conditionalities accordingly. If the money is the only reason, cash transfers conditioned on sending the kids, including the girls, to school can work effectively. If more cultural reasons are involved, raising awareness through organizing awareness sessions to the community is crucial, in addition to the monetary reward, to eliminate the problem over time.

## **2) The Demand for Human Capital**

Investing in human capital has positive social and economic returns, not just on the person concerned, but also on the whole society that he/she lives in. The positive externalities of investing in developing the human capital of a person generally compensates for the money, time, and effort exerted in the process. Investing in human capital contributes also to the economic growth of the country as a whole. This justifies why in the developed world, it has always been a priority for governments to invest in developing their people (Hanushek, 2013). Human capital is composed primarily of two main components; education and health. Since many people cannot afford demanding the services related to these two components, sometimes government intervention is required to boost their demand. This can be done through either investing in the supply side, by building more public schools and public hospitals that poor people can afford, or through investing in the demand side by providing the people with the money they need. The demand can be increased through directing some changes of behavior on the target group to guarantee a minimum level of demand for the services. This behavior is set as a condition for continuously receiving the cash transfers.

This section evaluates the actual level of investment in human capital in Egypt compared to the cases of the other countries included in the research. It tries to examine the impact that conditionalities can have in the Egyptian case. To examine the efficiency of these conditionalities, certain indicators are analyzed.

### Demand for education-related services

There is a set of indicators that help in assessing the people’s demand for education. The most important of these indicators is school enrollment rates, and fortunately it is the easiest to obtain.

As reported in CAPMAS (2012) the predominant activity for children in Egypt is schooling, with 86.1 percent of children attending school. Primary and preparatory education in Egypt, known as basic education, is compulsory and it consists of nine years in total. However the secondary education consists of three years and it is optional. In the secondary stage, the student chooses between a general (university-bound) track and a technical track.

Looking at the data provided by the CAPMAS reveals that in both primary and preparatory, education, enrollment rates in Egypt are relatively high, and especially in comparison to pre-primary and secondary enrollment rates as demonstrated in Figure 8.

Figure 8. Percentage of School Enrollment in Egypt, by gender (2011-2012)

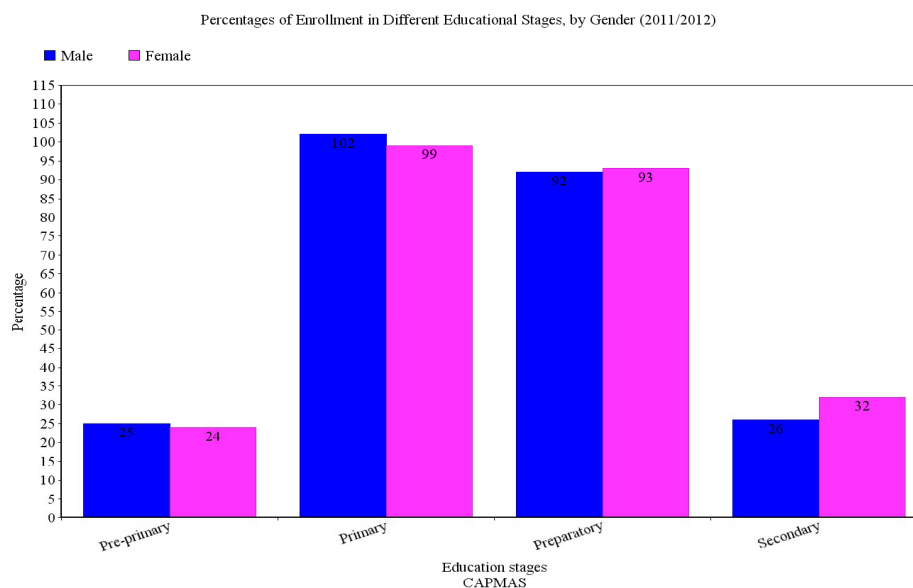


Figure 8 also shows that the overall gender gap in the enrollment rates in the different education stages is relatively small. The growth of the primary schools enrollment rate in Egypt is illustrated more in detail in Figure 9.

Figure 9. Primary School Enrollment Rate in Egypt (2000-2011)

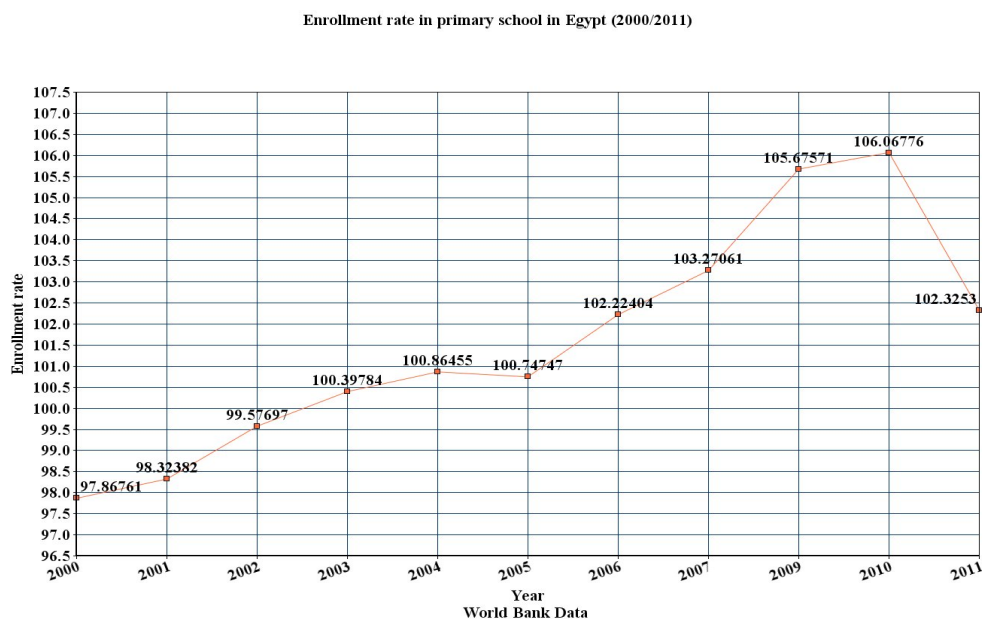
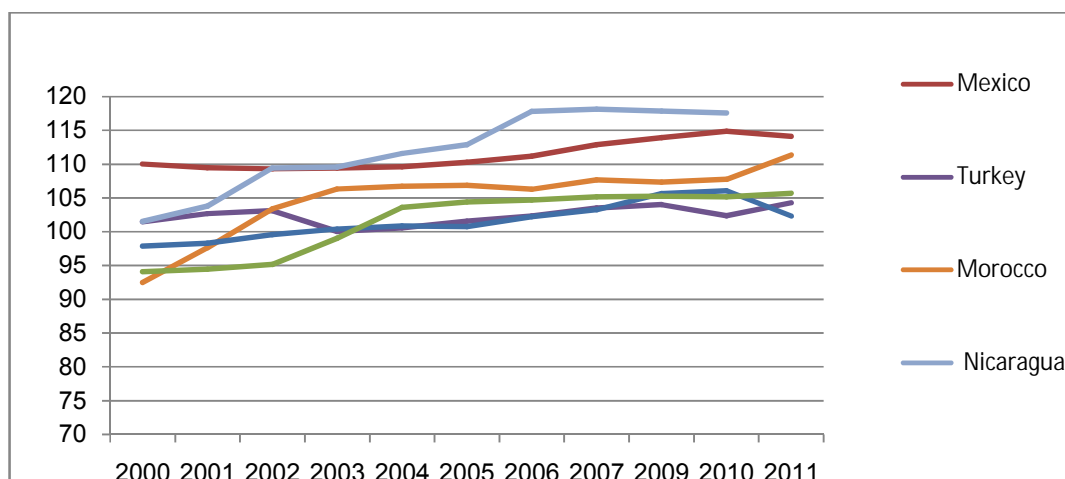


Figure 9 shows that the enrollment rate for primary education in Egypt has been increasing steadily over time. It reached its peak in 2010 with 106 percent and then it declined back again in 2011, which can be explained by the instability resulting from the uprising. Even with the decline in 2011, the rate is still high. To complete the picture, in Figure 10, Egypt is compared to the average of the countries belonging to the same Lower Middle Income and the other countries included in the research.

Figure 10. Primary School Enrollment Rate ( percent age gross) (2000-2011)

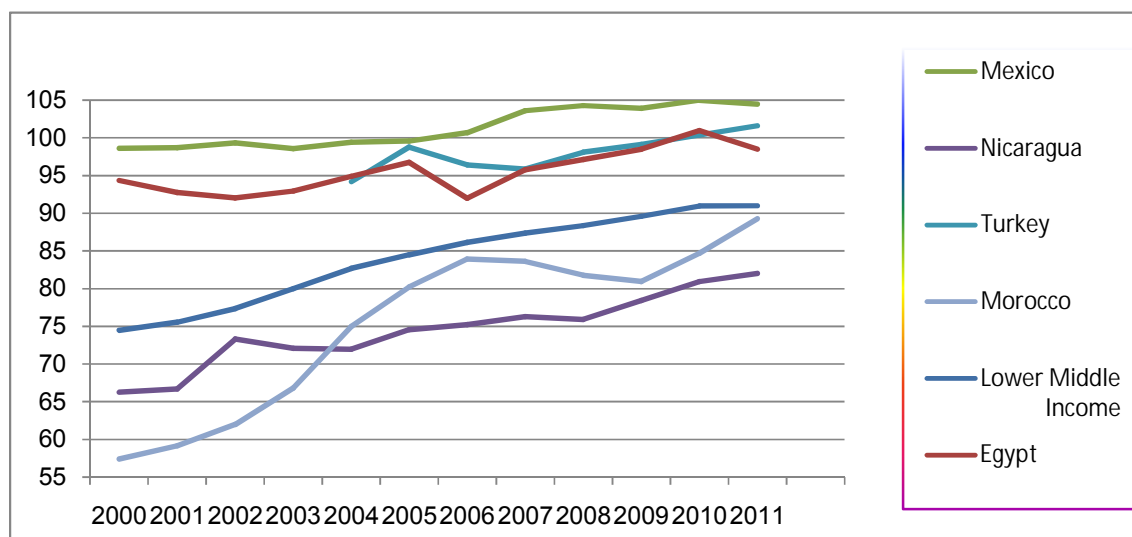


Source: World Bank Data (2013)

The graph shows that Egypt is performing almost along the line of the rest of the countries in the same income group. Comparing Egypt to the other four countries included in the study already adopting CCTs has essentially the same conclusion and confirms that Egypt is not lagging behind with respect to primary school enrollment rate. The graph shows how Egypt is performing alongside of the rest of the countries included. Turkey is the closest to Egypt, as it can be seen from the graph, bearing in mind that CCTs were used widely in Turkey in 2004. Even with the rest of the other three countries, the difference is within the ten percent range.

As enrollment rates do not draw a complete picture for the demand for education, other indicators are analyzed too. The following indicator analyzed is primary education completion rate. Figure 11 depicts the primary education completion rate in Egypt in comparison to the Lower Middle Income countries and the other four countries.

Figure 11. Primary School Completion Rate, Total (% of relevant age group) (2000-2011)

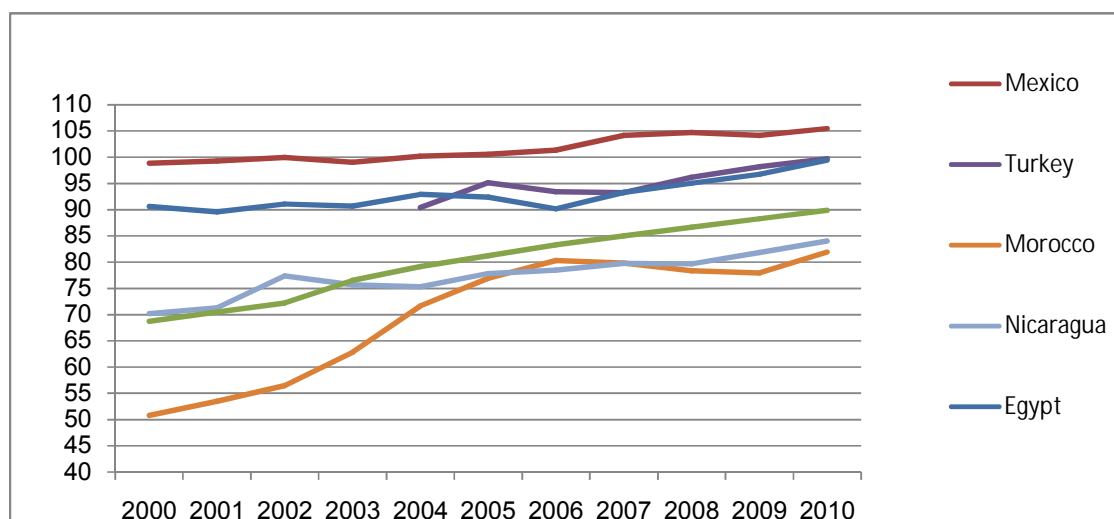


Source: World Bank Data (2013)

The graph illustrates that Egypt is improving over the average of the other countries in the same income group. However, the two rates were converging in 2006 and beyond. This gives a positive idea about the nature of the demand for primary education in Egypt as it shows some level of consistency over the six years of primary education. Another way to evaluate the completion rate in Egypt is to look at it in comparison with the rest of the four countries included in the study. As shown in Figure 11, Egypt is performing better than Morocco and Nicaragua with regard to primary completion rate while performing along the line with Turkey.

To make sure that the total rates included in the study do not miss the gender dimension, additional two indicators are included; female primary completion rate and female primary repeaters rate as shown in Figure 12 and Figure 13, respectively. These two indicators give an idea about how successful females are in completing the primary stage of education. With regard to female primary completion rate, Egypt is also performing essentially on the same line with Turkey, closer to Mexico. On the other hand, Nicaragua and Morocco are lagging behind.

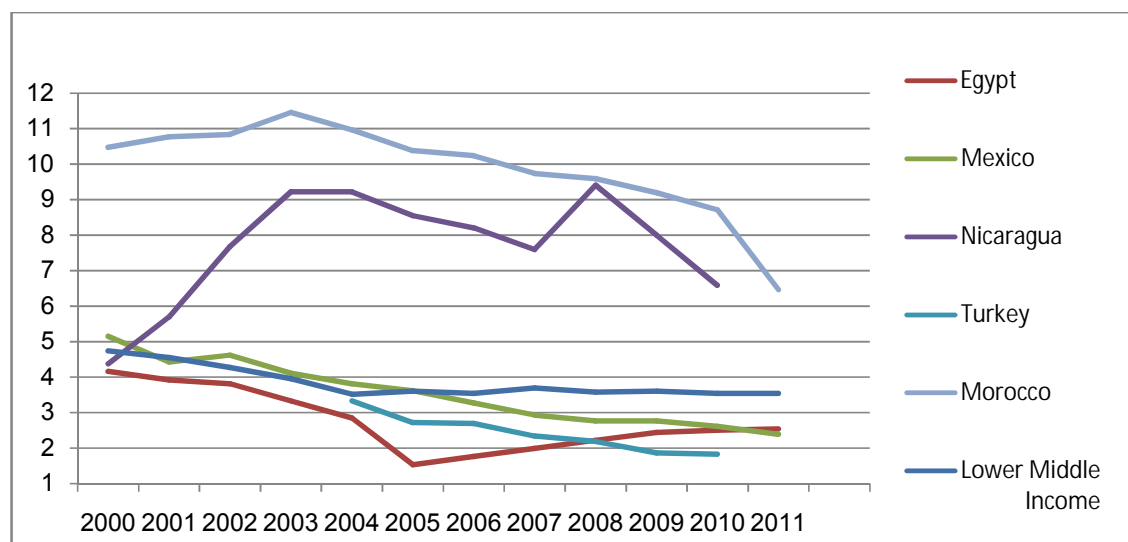
Figure 12. Primary School Completion Rate for Females (2000-2010)



Source: World Bank Data (2013)

Figure 13 also shows that Egypt is surpassed only by Turkey when it comes to the percentage of female repeaters in primary schools.

Figure 13. Repeaters, Primary School, Female (% of female enrollment) (2000-2011)



Source: World Bank Data

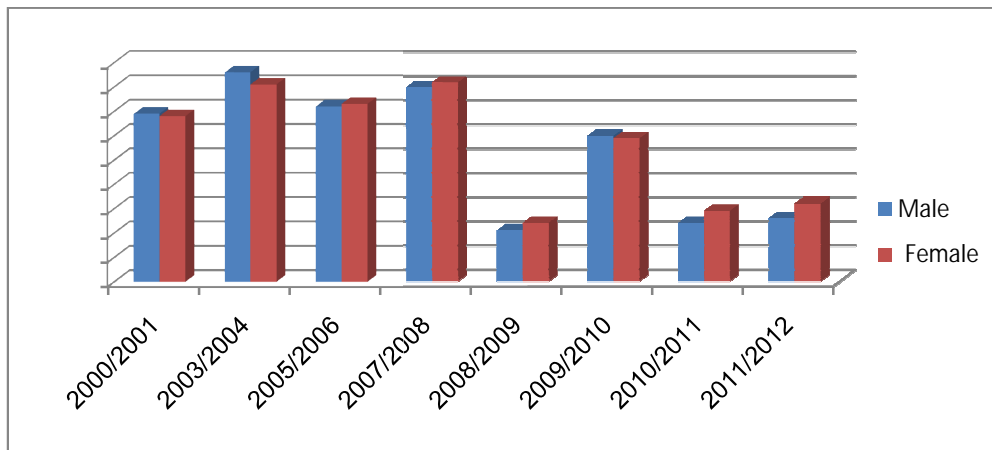
Primary education statistics analyzed above show that Egypt is neither at the end of the line of the other countries in the Lower Income Group nor lagging behind the countries already

implementing CCTs included in the study. Given that most of the CCT programs focus more on primary education with their conditions, the results drawn above questions the effectiveness of the education-related conditions that CCTs can have in Egypt. As it was argued by Gabel and Kamerman (2011), CCTs can impact enrollment rates if the rates are low. In other words, the lower the actual enrollment rate in a country, the stronger the impact CCTs can have in this country on boosting the rate. To confirm this idea, Turkey, Colombia, and Mexico were used as examples as they already had high enrollment rates in primary schools, and therefore CCTs did not change much. It was stated in the article that above 90 percent enrollment rates is considered high and hence can hardly be affected by implanting CCT programs. On the other hand, CCTs showed greater effects in countries where school enrollment rates were between 60 and 80 percent. Examples of CCT programs in Bangladesh and Nicaragua show significant raise in primary school enrollment by 9 and 13 percentage points, respectively. In these cases, the programs were particularly effective because both countries had a large proportion of children who were not enrolled in primary school (Gabel and Kamerman 2011).

In some CCT programs, such as Colombia and Mexico, education-related conditions are not only tied to primary education, but to secondary education as well. Saavedra and Garcia (2012) conducted a meta-analysis study evaluating the impact of CCTs on educational outcomes.. Interestingly, they showed that although CCTs, in general, have positive impact on enrollment, attendance, and dropout rates, the impact is statistically significant and larger in magnitude for secondary education in comparison to primary education. In numbers, the impact on primary education enrollment rates was a six percent increase while it was ten percent for secondary education. The difference is even more significant when it comes to attendance rate. The average effect is around three percent for primary school attendance rates while it is close to twelve percent for secondary school. The study also found that after implementing CCTs, secondary schools' dropout rates deteriorate twice as much as the deterioration in the case of primary schools.

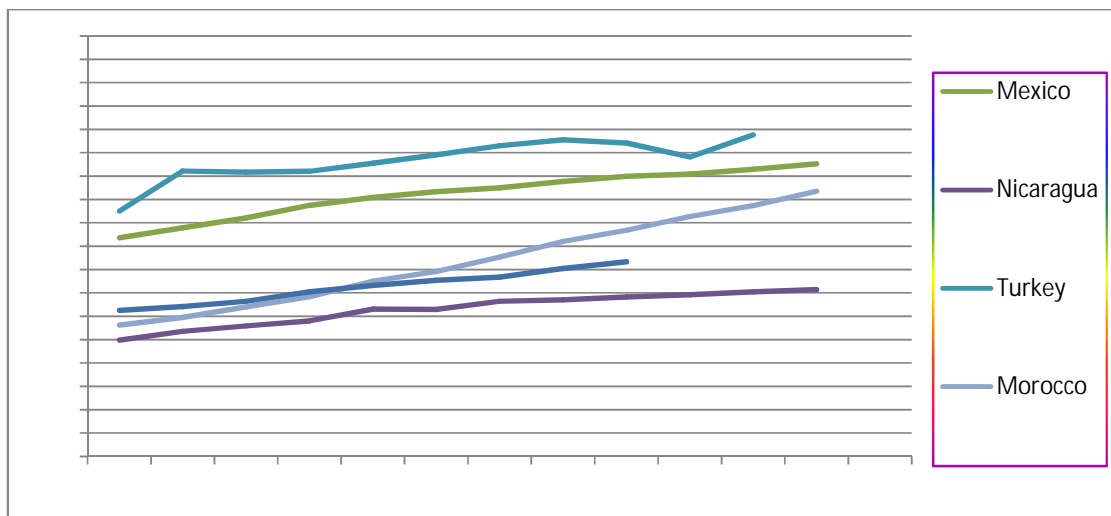
To check for the impact that CCTs can have on secondary schooling in Egypt, the prevailing conditions should be analyzed. In this section we look at the secondary enrollment rates for female and males in Egypt over the last 12 years. Figures 14 and 15 show the enrollment rate in secondary schools in Egypt and in the other countries included in the study. Due to the unavailability of the data for Egypt in the World Bank data, the CAMPAS data is used.

Figure 14. Secondary School Enrollment Rate in Egypt (2000-2012)



Source: CAPMAS Data (2013)

Figure 15. Secondary School Enrollment Rate (2000-2012)



Source: World Bank Data (2013)

The figures show deterioration in the secondary school enrollment rates over time. The decrease is more significant in the last two years with the uprising. Comparing the rate to the enrollment and the completion rate for primary education reveals the magnitude of the difference. It shows the huge number of students who dropout from school in their way from primary to secondary education. The following graph gives a brief idea about the average enrollment rates in secondary schools in the countries included in the study. Comparing the



two graphs for Egypt with the graph of the other countries reveals that Egypt is lagging behind all the countries included. This was not always the case in Egypt, but it is due to the unexplained massive decline that took place starting from the academic year 2008/2009. The decline was before the upraising. Looking from a gender dimension, the enrollment rate in high schools is higher for females than for males. Linking this to the point of child labor discussed earlier, females are more dominant in domestic labor which many children manage to balance with their studies. On the other hand, as males are more dominant in the economic activities outside household, it is hard for them to manage a job with their studies, especially when the job cannot be performed from home. They are forced to choose, and in many cases, they choose the job.

Given this low enrollment rate in Egypt for secondary schools, implementing CCTs scheme conditions on students completing their secondary education can tremendously boost the enrollment rate. The question is whether investing in secondary school education is a priority for the government in place or not. This will be determined by whether the government is willing to allocate some of the resources available to implement cash transfer scheme and condition it on secondary school attendance or not. The answer to this question is not easy to figure out due to the famous argument that the social and economic returns resulting from investing in secondary education are far less than the returns of investing in primary education. This can easily explain why primary education is compulsory and free of charge in many countries in comparison to high school education.

To sum up, CCTs impact on education outcomes is negatively correlated with the initial state of demand for education in the country. As it was mentioned earlier, CCTs can have stronger impact in the cases where the level of demand for education-related services is relatively low. In other words, the cost of implementing a scheme of CCTs is most likely to be compensated for, by positive outcomes, if the enrollment and attendance rates were quite low in the country before introducing the program. However, the significance of this impact decreases if these rates were already high before the implementation of the program, as also confirmed by Saavedra and Garcia (2012) demonstrating that the worse the initial schooling conditions, the greater the positive effect that CCTs can have.

After examining the schooling conditions in Egypt, some conclusions can be drawn. The actual demand of primary education in Egypt, in comparison to the countries in the Lower Middle Income group and the other countries included in the study, are not lagging behind

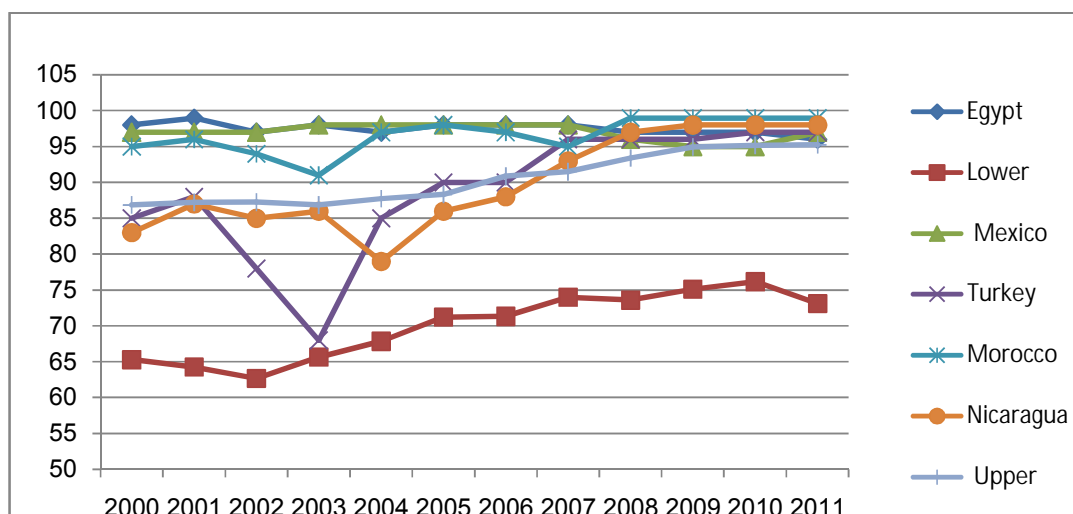
and it can be argued that the rates are high. With regard to the gender element, the gender gap is relatively low. The general conclusion that can be drawn is that if CCTs are to be implemented in Egypt, less attention should be paid to primary schooling conditionalities. Saavedra and Garcia (2012) stressed that to see a real impact on primary education outcomes, the transfers have to be quite generous and coupled with more investment in the supply side, infrastructure and teachers. This entails more cost. As it is not easy to generalize this remark for the whole country, a field research and a more in-depth analysis of the area targeted is crucial.

## **B) Health**

The other equally important component in the equation for human capital accumulation is health. Testing for the effectiveness of health-related conditions necessitates the analysis of certain indicators, the immunization rate, child mortality rate and maternal mortality ratio (EPRI, 2011).

For the purpose of checking where Egypt stands in comparison to other countries with regard to immunization, World Bank data is used in this research. The data shows that Egypt is performing well with this regard. It surpasses not only the Lower Middle Income countries, but also the countries in the Upper Middle Income group. Figure 16 shows Egypt performing along the line of not only the countries implementing CCTs included but also the average of the Upper Middle Income countries.

Figure 16. Immunization Rate, DPT (% of children ages 12-23 months) (2000-2011)

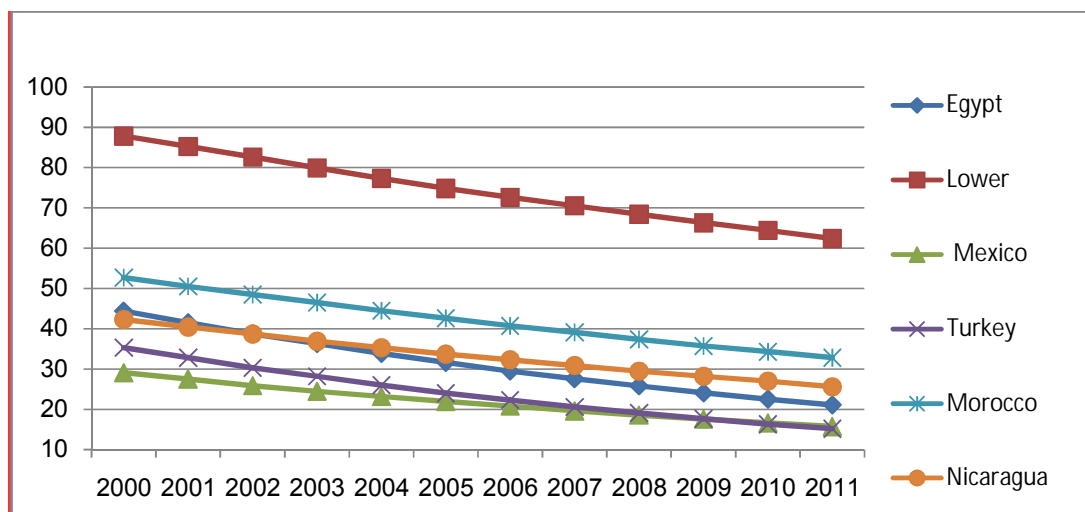


Source: World Bank Data (2013)

The graph depicts a convergence over time in the immunization rates of the five countries. Egypt, along with Mexico, has relatively constant rates while the other three countries show improvement over time. It can be argued from the graph that on average there is no need for imposing conditions over immunization if a CCTs scheme is to be implemented in Egypt.

As mentioned earlier, child mortality rate is not included in the conditionality test introduced by EPRI. However, it is included in this research since new borns and children under the age of 5 or 6 years are the target group by the health conditions in most of the CCTs. With the aim of decreasing the child mortality rate, observing the actual rate gives a more complete picture about the effectiveness of adopting health-related conditions in the CCTs program in a country. The rate analyzed in this section is the mortality rate of the children under five years old, which looks at the number of children who die under the age of five, out of every 1000 newborns. As shown in Figure 17, the rate in Egypt is also outstanding with respect to the other countries in the same income group. With respect to the other countries included in the study, Egypt is not leading the group. However it is performing alongside them.

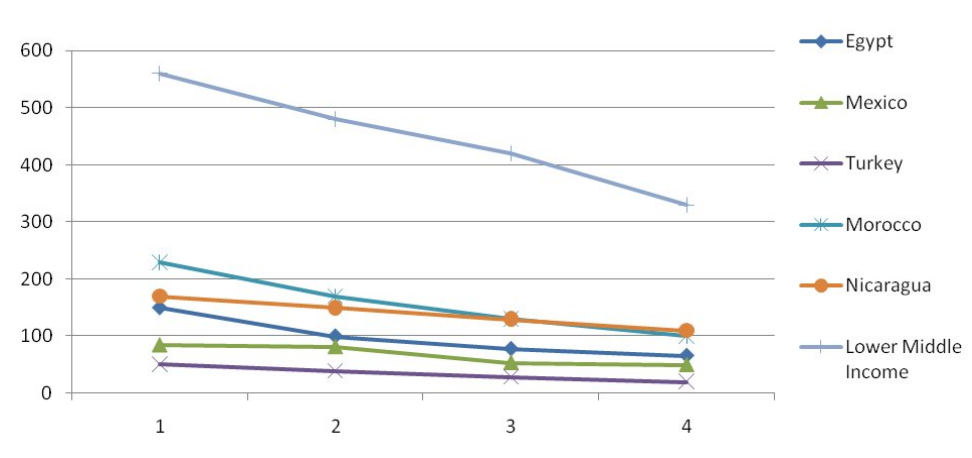
Figure 17. Mortality Rate, Under 5 Years (per 1,000 live births) (2000-2011)



Source: World Bank Data (2013)

Maternal mortality is measured as the number of women who die either during pregnancy or childbirth, per 100,000 live births (World Bank, 2014). Looking at the maternal mortality ratio, Figure 18 shows that Egypt is performing considerably better than the Lower Middle Income group and along with the other four countries included in the study. Egypt is performing along these four countries, better than Morocco and Nicaragua and worse than Mexico and Turkey.

Figure 18. Maternal Mortality Ratio (modeled estimate, per 100,000 live births) (2001-2004)



Source: World Bank

Looking at these three different health-related indicators suggests that the cost of adopting CCTs with health-related conditions will most likely be greater than the marginal benefits or the positive change expected.

### **3) Government's Delivery of Education and Health Infrastructure**

This section of the conditionality test shifts the focus of analysis from the demand side of the human capital accumulation equation to the supply side. At this stage of the test, the quality and availability of the basic services, namely education and health, are assessed. It should be emphasized that the concern is the poor and the poor areas that would most likely be targeted by CCTs schemes. Changing the perceptions and the attitudes of the poor towards the importance of human development necessitates the provision of adequate infrastructure to accommodate for the expected increase in demand. The demand is expected to increase once the program is introduced and people start abiding by the conditions. Two elements are addressed under this section, the availability and the quality of the service. If these two factors are in shortage in a country, more investments need to be injected before initiating a CCTs scheme. As explained by Paes-Sousa, Regalia and Stampini (2013) there is evidence that limited coverage of services coverage in many countries has weakened the efficiency of the transfers or resulted in a relaxed interpretation of the conditionalities.

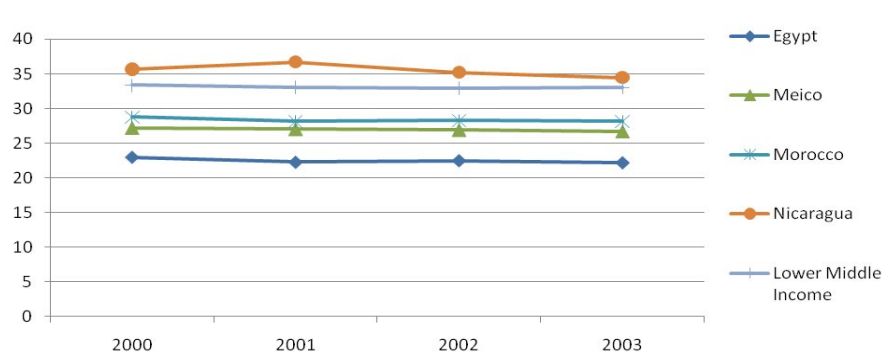
As it will be explained further, the availability is always easier to measure, as it looks at discrete existing figures. This part of the test basically provides a snapshot of the schools and hospitals in Egypt and the quality of the services they offer. If the target area already has an adequate number of public schools for all the education stages and hospitals/clinics, then setting conditions for receiving the transfers can be effective. If the actual (or baseline), supply of these services before adopting the program is not adequate, but the government is planning and willing to improve it, the conditions are still expected to be rewarding. In some cases, governments may choose to relax conditions if there are still supply side problems, just as in the case of Mexico where the government decided to transfer the eligible beneficiaries in some areas with limited service coverage into a non-conditional cash transfer scheme (Benderly, 2010).

Assessing the supply of education-related services in a country is not an easy task. To determine this for Egypt, we look at the related data provided for all the 27 governorates by the two ministries; the Ministry of Education and the Ministry of Health and Population.

## Education supply

The education system in Egypt is known to be one of the largest in the MENA region. The school education system in Egypt is divided into three stages, pre-primary, basic education, and secondary education. Pre-primary is a two-year non-compulsory stage. Basic education is a nine-year compulsory stage and secondary education is a three-year non-compulsory stage. Caregivers are committed by law to send their children to schools for basic education. Schools in Egypt lay under two main categories, public and private. Public schools can be either Arabic schools or experimental language schools. On the other hand, private schools can be Arabic, language, religious, or international schools. Almost all of these schools are managed by the Ministry of Education. However, the international schools can implement their own systems, yet they have to be approved by the Ministry of Education. Egypt has a total of 7446 pre-primary school, 15587 primary schools, 9154 preparatory schools, and a total of 4545 secondary schools (CAPMAS 2012). Determining whether the conditions can be met does not depend only on the availability of the facilities. Examining the pupil-to-teacher ratio for Egypt in comparison to the rest of the countries included in the study can give an idea of where Egypt stands with regard to the quality of supplying education services. As shown in Figure 19, the pupil-to-teacher ratio in primary schools for Egypt is the lowest in comparison to the rest of the countries included in the graph.

Figure 19. Pupil-Teacher Ratio for Primary Education (2001-2003)



Source: World Bank Data (2013)

Turkey is not included in this comparison due to unavailability of comparable data. As the pupil-to-teacher ratio is an average ratio, some regions in Egypt can enjoy oversupply of teachers while others can suffer from teacher shortages (CAPMAS, 2013). The figure in itself is not adequate to evaluate the supply of education as the quality of the schools and the teachers are not accounted for. The quality of both the school facilities and the teachers is very crucial to the learning outcomes. Another problem resulting from using only this figure is that it compares the number of schools to the number of actual registered students which does not account for the residual number of children who are supposed to be enrolled in schools but they aren't, and who constitute the target group by CCTs. Therefore the figure for pupil-to-teacher ratio can be misleading in indicating the quality of education.

The quality of primary education is one of the indicators presented in the Global Competitiveness Report issued annually by World Economic Forum. The way this figure is measured is through surveying people from various sectors within the business community in a country with the question “How would you assess the quality of primary schools in your country?” In the most recent report issued, for the year 2013/2014, Egypt is ranking the 148th out of 148 countries with regard to Quality of Primary Education. The ranking is shocking and many arguments have been made against it. One of these arguments is that although business people are important stakeholders in education as they hire these school graduates, their insights would be more valuable with regard to secondary and university education. On the other hand, to assess for the quality of primary education, education specialists or others could be more accurate. Even with the current level of demand, well-targeted investments aimed at improving school facilities are needed. As mentioned by Loveluck (2012) the quality of education is also affected by unqualified teachers as well. One of the common tools used for assessing the quality of education through the outcomes is with Trends in Mathematics and Science Study (TIMSS) examination. TIMSS is a science and math exam for fourth and eighth graders. Many countries participate in this study where countries are ranked according to the exam scores. Egypt took part in this exam in 2007 among 48 other countries. Egypt ranked the 38<sup>th</sup> in Mathematics and the 41<sup>st</sup> in science. Although the other countries included in the paper, except for Turkey, did not participate in the study, Egypt’s ranking is clearly low. Observing TIMSS scores is important as it focuses on the quality of education and how this quality affects the outcomes of the education process.

The public resources allocated to education give an idea about how much a given country is prioritizing education. According to the international standards, public expenditure on

education in Egypt is high. In the group of countries with comparable incomes, education expenditure as a proportion of total public spending in Egypt is topped only by Jordan (World Bank, 2013). Due to data shortage, comparing Egypt to the rest of the countries included in the research is not feasible. It was also mentioned that the cost of financing the basic education in Egypt has increased by an average of 4 percent per year between 1995/96 and 2002/03 since the Egyptian government mainly subsidizes tuition fees and books.

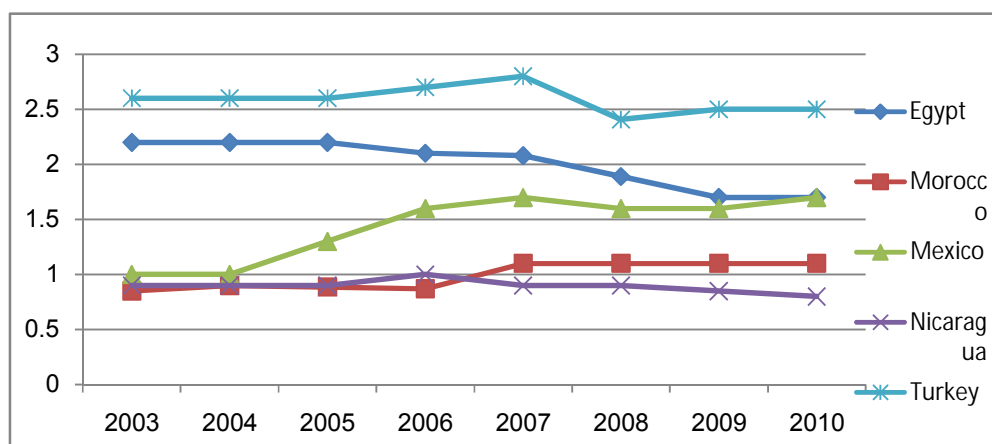
### **Health supply**

Egypt has an extensive network of health facilities (WHO, 2012). The health system in Egypt is managed and financed by the Ministry of Health and Population, the Health Insurance Organization, private practitioners and NGOs. Apart from the funds that are allocated to the health sector from the national budget, two percent of the total national expenditure on health comes from external sources (Ayala Consulting Co., 2003). External sources are international organizations such as the African Development Fund, the European Commission, the World Bank, and the United States Agency for International Development (USAID). Apart from the organizations, the health sector in Egypt receives financial support from some countries, such as Finland, Italy, Netherlands, and Switzerland.

The official data by the Ministry of Health specifies the number of hospitals in each governorate and how these hospitals are classified, such as public/private and general/specialized. As the numbers do not reveal much, comparable figures are used in this section, such as the number of hospital beds per 1000 people (World Bank, 2013). The figure does not serve the purpose of the test accurately as it includes the inpatient beds not just in public hospitals, but in private hospitals too. The comparison is shown in Figure 20.



Figure 20. Hospital Beds Ratio (per 1,000 people)



Source: World Bank Data (2013)

Some of the countries implementing CCTs managed to overcome the problem of shortages of health care services provided by public hospitals or clinics in some areas. For instance in Nicaragua, health services were in some cases rented for the beneficiaries' usage (Moore, 2009). This can work as a short-run solution if the government does not own health care facilities in a poor district where the program is to be implemented or if the government is not willing to invest in infrastructure.

To sum up, Egypt might be facing some shortage problems in education and health care services which cause complications in introducing the conditions. However, these problems are not insurmountable as assistance can come from the private sector and the civil society.

#### 4) Bottlenecks Facing the Poor

This section of the test looks at whether the poor, the targeted group, have the resources and live in circumstances that can induce them to respond positively to CCTs. There are several reasons why parents may decide not to send their children to schools. One of these reasons can be financial if the household must divert funds elsewhere. Many households live in extreme poverty and hence they cannot afford the direct and indirect cost associated with educating their children, such as the tuition fees, the school materials and even transportation when the school is far from the house. This financial aspect is the main concern of CCTs

schemes aiming at providing the poor households with the resources they need to send their children to school.

However there can be other non-financial reasons that can work as obstacles for the households to send their children to schools. The supply of the services can be another obstacle hindering the demand for education and health services, as discussed in the previous section. One of the problems that were reported by Egypt's Education Enhancement Program to target the gender gap in education, was bureaucracy and paper work (World Bank, 2006). The poor in Egypt sometimes face the problem of not being able to obtain the required official papers to send their children to schools, such as the birth certificate. Helping the families with the paper work in this case can be as important as providing them with money. Another important element affecting the decision of the households is culture. The environment and the community the household belongs to affect their perceptions and hence their decisions. Even within the same country, being in a rural or urban area makes a difference in how people value education. As was mentioned in the child labor section, females in Egypt are more involved in domestic work than males are. This can be justified by the culture perception that values housework for girls more than education. Many families believe that housework trains the girls to be good mothers and house wives which can be more common in rural areas. As mentioned by AUTHOR (2004), school has been regarded as an unwarranted and costly distraction from the work girls are expected to do for their families among some rural and poor urban families. Many can argue that gender discrimination in Egypt can be least shown in education (World Bank, 2004). Looking at the Gender Equity Index (GEI) confirms this argument. The GEI calculates the gender gap in education, economic participation and empowerment. The index gives a value to each of these aspects ranging from 0 to 100. The higher the value is, the more the gender equality is. In 2012, Egypt scored 83 in education, 29 in economic activity, and 22 in empowerment (United Nations Development Program, 2012). This shows that gender inequality prevails the most in the labor market in Egypt.

Empowering females through educating them can help in bridging this gap. Supporting the poor only financially in this case may not be effective enough. Awareness sessions are needed too to raise awareness about the importance of education for males and females equally. The families need to also know about additional job opportunities that girls can have if they are educated and the economic returns they would attain. Females can be discriminated against in education, which results in more discrimination in the labor market. Forty percent of the poor – especially poor women – work without pay in their households, or work in other families as

servants or cooks who are mostly paid on a daily basis (Hassanin, 1999). CCTs can help in empowering women in their households as they offer them a source of income that usually restores the intra-households' power balance. For some women, due to family duties, having a job may not be feasible. In these cases, women prefer to have their own project that they can manage on their own. Women with special skills or talents may be willing to start their own business but hindered by resources shortage. As some areas in Egypt face shortage in the credit market, "Women beneficiaries of small credits in Egypt amount to 20% of the total", Hassanin (1999). As not all the Egyptian governorates face the same challenges, a field study has to be done before carrying the program to spot the real causes for not sending the daughters to schools, which can be done through surveys and focus groups.

### **5) Government Policy**

This section focuses on the ideology of the current government in the country tested. If the ideology of the government adopts a rights-based approach to social assistance schemes, the process of initiating and implementing CCT program is expected to be smoother. This is because governments with such an ideology social assistance schemes are a priority on their agenda. According to such an ideology, people should be granted the right to be covered by safety nets. The institutional and policy context of the government affects the decisions taken regarding the adoption of a social assistance scheme over another. Quene et al. (2006) argued that to make the best possible decisions, four elements need to be defined clearly; policy priorities, poverty profile, government capacity, and the available resources.

Due to the transition that Egypt has been going through since the uprising in 2011, analyzing the government policy is challenging as drawing conclusions can be misleading. The upcoming parliamentary and presidential elections results are expected to reveal all the ambiguity about the upcoming government policy and priorities. However, poverty in Egypt has been a pressing problem that is expected to be on the list of priorities of the upcoming government regardless of the ideology it adheres to. Furthermore, the fact that the CCT program was initiated in 2008 and then terminated due to the uprising increases the probability of reconsidering it by the new government. Even with the interim governments that were in power after the revolution in 2011, fighting poverty was always referred to in their speeches as a "priority". It was mentioned by the Head of the Cabinet's Information and

Decision Support Center after the revolution that “food security, as part of the poverty problem, is at the top of the agenda of the Egyptian government” (WFP, 2013). He also stressed on the importance of human capital saying that “human capital is the backbone of Egypt’s future development; especially since 31 percent of Egypt’s total population is below the age of 15” (WFP, 2013).

With the political instability that Egypt has been going through since the so-called January 25 Revolution, the state is facing many challenges to keep supporting the poor. The interim government that took over in Egypt after ousting Mohamed Morsi declared a reform program with the aim of supporting the poor through bringing structural changes to achieve social justice and economic growth. As a part of this reform, a package of urgent economic measures was introduced (Aman, 2013). Within this package, students in public schools were exempted from paying the tuition fees. Five percent reduction in the prices of most of the already subsidized commodities was introduced.

It has been always mentioned by different Deputy Prime Ministers of Social Justice in different governments in Egypt that these governments have the implementation of social assistance schemes that alleviate poverty as its priority on their agendas regardless of their different ideologies (Aman, 2013). Although a special attention has been given to “poverty alleviation” after the so-called January 25 Revolution, it has been always a concern for the governments in Egypt for decades. The Ministry for Social Solidarity has been always part of the Egyptian cabinet managing different programs aiming at tackling the problem of poverty and inequality. Human development and gender inequality are not new concerns for the governments in Egypt as the Social Fund for Development was established in 1990. The fund was basically targeting mobilizing national and international resources for human development purposes. For boosting the female school enrollment rates in Egypt, a project called The Girls’ Education Initiative in Egypt was launched in 2002 with the support of UNICEF.

As mentioned by Yoruk (2013), some scholars have warned that if the economy is unstable for any reason, the government can misuse social assistance schemes to mobilize the poor politically. CCTs should not be politicized or used as a tool to gain the support of the poor in elections. This was the main concern of the congress in both Mexico and Peru when the program was first introduced. Torres (2010) mentioned that the legislators perceived the goal of the program at first as to buy votes. To ensure that the program is not politicized by any

means, Torres (2010) added, that any expansion in the scheme was not allowed in the six-month period before the federal elections.

## **6) Government Capacity for Administration**

In this stage of the test, the administrative capacity of the government institutions, that are supposed to be in charge of the CCTs program implementation, is evaluated. Monitoring for the conditionalities is a determinant for the success of a CCTs scheme over a non-conditional one. The capacity of the administration system of the government, in general, can help in predicting the success or failure of the program. If the government institutions are expected to be able to keep up with regular and systemic monitoring of the conditions, then adopting conditions should not hinder the effectiveness of the program. This is also valid in case the government institutions are willing to undergo the necessary reforms to keep track of the compliance with conditionalities. However, if the government institutions are not ready for such a responsibility, implementing the program with conditions is both less effective and more costly. In this case implementing UCT scheme combined with investments in the infrastructure is expected to yield more returns. The whole process of imposing conditions, following up with the cases to make sure they abide by these conditions and responding accordingly is directly affected by the institutional capacity of the whole system. The government's ability to "develop cost-effective projects targeting the poor" should be evaluated (EPRI, 2011). This process depends on both labor and automated work. The more developed the system is, the easier the monitoring process.

However, this does not mean that for the program to succeed, it has to be sophisticated in terms of the tools used. The system can be simple, yet yields positive outcomes. For instance, the Nahouri cash transfer pilot program in rural Burkina Faso was implemented in an environment where there is no systematic population registration and where formal banking is almost non-existent. Consequently, the logistics of the program did not involve advanced technologies. The government distributed the cash transfers during a meeting convened every quarter in a central location in each village. School enrollment and attendance were verified with a signature by the school director in a program booklet, with a random audit of the school register for a subset of children. As mentioned by Walque (2013), CCTs can be implemented and be effective even in an environment with limited administrative capacity.

The implementation capacity constraints should not work as an obstacle if the government is committed and willing to implement a social transfer program.

Measuring the administrative capacity for a country's institutions is not an easy task as it involves several indicators. One of the Worldwide Governance Indicators provided by World Bank, Government Effectiveness, is used here for this purpose. According to the definition provided by the World Bank, Government Effectiveness “reflects perceptions on the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies” (World Bank, 2013). As the definition explains, the government effectiveness affects the whole life span of any policy, from the initiation stage to the actual implementation and evaluation of the policy. Considering the implementation of a CCTs program as a social policy, targeting poverty and human capital accumulation reveals the relevance of this indicator as an important tool for evaluating the success of the program. Table shows how Egypt lags behind, comparing to the other countries included in the study, with regard to the Government Effectiveness Indicator.

Table 5. Government Effectiveness Indicator Results (2012)

	<b>Country</b>	<b>Number of Sources*</b>	<b>Governance Score** (-2.5 to +2.5)</b>	<b>Percentile Rank*** (0 to 100)</b>	<b>Standard Error</b>
<b>Government Effectiveness (2012)</b>	Egypt, Arab Rep.	10	-0.77	25.36	0.18
	Mexico	11	0.32	63.16	0.19
	Morocco	10	-0.04	53.11	0.18
	Nicaragua	10	-0.89	20.57	0.19
	Turkey	11	0.40	65.07	0.19

Source: Worldwide Governance Indicators (World Bank)

\*Number of Sources: it shows the number of individual data sources on which the aggregate indicator is based.

\*\*Governance Score: Estimate measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.

\*\*\*Percentile Rank: It indicates rank of country among countries in the world. 0 corresponds to lowest and 100

corresponds to highest.

As shown in Table 5, Egypt performs the worst, before Nicaragua, with regard to Government Effectiveness. The difference between Egypt and the country before, Morocco, is relatively big, 0.73 point. However, given that the program is implemented successfully in the other countries included in the table reveals that the program can still be initiated even if the country is scoring low in Government Effectiveness. As it will be explained later in the research, the intervention of civil society and international organizations can substitute for the inefficiency of the government institutions in the implementation of CCTs programs.

Another determinant for the success of CCTs as a social assistance scheme is the level of inter-sector, coordination between government departments across the different sectors involved; namely social protection, health and education. As the CCT program has multi-dimensional objectives, the level of coordination within these sectors and with the local governments is very much related to the effectiveness of the program. Intergovernmental relationships between the different units involved should be set clearly and followed strictly. As mentioned by Paes-Sousa et al. (2013) mention, more resources allocated for the program cannot compensate for a basic level of coordination between the institutions involved.

### **Centralization/decentralization of institutions**

The level of centralization, or decentralization, is very much related to the type of government and it affects the implementation and the success of social assistance schemes adopted, such as CCTs. Paes-Sousa et al. (2013) mentioned that countries may choose to adopt implementation model as vertical or horizontal depending on the administrative culture. It has been always a belief that more decentralization is desirable for the success of social assistance programs, such as CCTs. The Brazilian example of *Bolsa Familia* is always used to support this arguments in which the responsibility of running the program is shared between the federal government and the municipalities in the form of a horizontal administrative model. While the municipalities are in charge of targeting the beneficiaries and checking for the conditionalities compliance, the federal government has a chance to focus more on the program's quality and products. As clearly mentioned by Faguet (2004), the core argument is that local government would have access to the information available at the local level which does not reach the central level, but would highly contribute to the efficiency of allocating and targeting the public budgets more efficiently. An opposite argument which would favor

vertical administration could be substantiated by the implementation of *Oportunidades* in Mexico and many similar CCTs programs implemented elsewhere as examples of successful centralized CCTs schemes where municipalities do not play a big role.

Egypt is a highly centralized country, which makes it more likely to adopt the Mexican approach. Municipalities, or governorates in the case of Egypt, are not independent in their decisions and can hardly get the chance to be in charge of any social assistance scheme on their own, such as CCTs, if it is to be implemented. As was mentioned earlier, CCTs were terminated in Egypt with the uprising after less than two years of their implementation, in their pilot phase, and this would make it hard to draw any conclusion about whether the high level of centralization in the country did really affect the program or not. Policy makers and program initiators should be cautious with this regard and with the comparisons they draw. Also given that the municipalities in Egypt are not so efficient and suffer from a high level of corruption, engaging them in the procedural process of implementing and monitoring CCTs may contribute negatively to the efficiency of the program. The central management of the program can remain in the hands of the central government. If relying on the municipalities for the two crucial stages of the program, namely beneficiary selection and implementation, is not feasible, civil society intervention can account for this. NGOs usually have more connections and networks that can help in reaching the target groups and implementing the program. The experience of Colombia in employing elements of vertical and horizontal administrative systems can also be consulted. As mentioned by Paes-Sousa et al. (2013), the responsibilities are defined and divided in a contractual manner between the central government and the local governments in Colombian example.

### **The managing institutions**

Generally the executing institutions of CCTs are public (Ayala Consulting Co., 2003). Some countries, such as Brazil, Jamaica, and Mexico, have the executing entities as social security or education ministries (or secretariats). Other countries, such as Costa Rica, Nicaragua and Turkey, have their CCT programs under some social investment funds. A third group of countries, such as Colombia and Honduras, have their programs directly under the Presidency office. There is no one-size-fits-all model. Arguments are made for and against each of the three. Avoiding the line ministries and the bureaucracy involved is the major argument for the countries that prefer independent institutions or those that fall under the presidency, as



executing units for their CCTs. They also argue that independent institutions have more administrative and financial independence which results in more flexibility in the decision-making process. Countries that prefer line ministries, on the other hand, argue that such institutionalization of the program increases the program's sustainability in the medium and long-term (Ayala Consulting Co., 2003).

The choice of which institutions are to be involved in the implementation of the program is not easy to make, in comparison to UCTs schemes. This is due to the high level of administration complexity and the need for high level of coordination between different government institutions. For the case of Egypt, the less bureaucracy that the program can go through, the more efficient the program can be. For this reason, the best option for implementing the program is to be directly under a social investment fund. This will help avoid the bureaucracy with the line ministries. It will also guarantee more sustainability for the program which may not be the case if the program is managed by the presidency office due to the political shifts that the country goes through.

### **Non-public Actors Involved**

As was mentioned before, the pilot phase of the CCTs scheme in Egypt was managed by an NGO called Pathways of Women's Empowerment. However, it was funded by the Ministry of Social Solidarity. In some other countries, the pilot phase of the program is financed by international funding organizations, such as the World Bank in the initial phase between 2003 and 2006 in the Turkish case. Even in the cases where the program is funded and implemented by national institutions, an international organization can be interested in evaluating the program outcomes such as IFPRI. Some go for constraining the role of the external actors involved in CCTs schemes as engaging external actors in the process may run the risk of leading into the fragmentation of social protection (Badawy, 2011). The civil society in Egypt is active and many organizations would be willing to work in such a program with government funds, as was the case in 2008. NGOs are known for their deep involvement in the underdeveloped areas in Egypt (Elyanchar, 2003).

From personal experience in community service work in Egypt, sometimes being involved with the poor helps in introducing the whole idea as there is already an established level of trust. Engaging the civil society will be also helpful for following up with the cases and for monitoring. However, this does not mean that the whole organization aspect of the program

should be left to the civil society<sup>6</sup>. Some social workers need to be involved too, so the targeted groups can see the officials involved. From personal experience in working with relatively poor people in some districts in Cairo, once the trust bond is established, people automatically expect more from the NGO and the NGO representatives. Therefore NGO social workers can effectively help in the targeting phase, after the geographical targeting is done. Their feedback can be valid in the community targeting phase to make sure that the beneficiaries selected are eligible. Involving the civil society can be important in the program assessment phase as it will add to objectivity. To keep the formal element, social workers need to be always involved as this will increase the probability of people abiding by the conditions. The beneficiaries need to always see the social workers as the decision makers. These social workers need to be qualified for the job, which can always be achieved by continuous training. It is worth mentioning that involving the civil society in a scheme funded by a governmental entity can be challenging. In a focus group done for a group of social workers, as Badawy (2011) explained, some concerns were raised against involving the civil society organizations in the design of the eligibility criteria. They justified their concern by the idea that some of the NGOs in Egypt have their own objectives and priorities which do not necessarily align with the CCTs program objectives.

### **Summary of the Test Results**

The aim of the conditionality test is to answer the question of “If government provides cash transfers to the poor and simultaneously improves the education system, yet does not impose conditionalities on the transfers, how much will human capital investment improve?”. After running the test, it seems that the answer for this question is very much related to the country’s context.

In this section, the Egyptian context was analyzed. Drawing generalized conclusions is not easy even in the context of one country, that’s why the remarks made here are somewhat tentative. In countries with flexible labor markets, child labor can be an attractive alternative to education. In this case, conditionalities are expected to result in significant educational

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<sup>6</sup> In spite of the crucial role that NGOs can play, their role is sometimes criticized by the poor themselves. Accounting for the insights of the poor will help in maximizing the impact that NGOs can play in implementing CCTs in Egypt. For more details on this point, see <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/0,,contentMDK:20612465-menuPK:336998-pagePK:148956-piPK:216618-theSitePK:336992-isCURL:Y,00.html#5>

outcomes. Latin American countries are examples for this, which justifies the widespread use of the program in these countries and the positive reputation it has associated with the significant improvements it yields. On the other hand, conditionalities may not be as effective in countries with high enrolment rates, high unemployment rates and high costs of administrating and monitoring the conditionalities. A good example for this is the African countries (Adato & Hoddinott, 2007).

Going through the different test stages analyzing the data for Egypt, Egypt is an interesting case. As was mentioned in the conditionality test, the demand for human capital is relatively high in Egypt, at least in comparison to the countries included. Egypt has relatively high education enrollment rates, especially for primary education, and high completion rate. Egypt ranks high with regard to the health related indicators too, with high immunization rate, low child mortality rate and low maternal mortality ratio. This entails that investing in education and health related conditions may not yield high returns.

On the contrary, Egypt has high rates of child labor too and the quality of the education and health related services is questionable. A generalized conclusion for the country can be misleading, especially, given data shortage on some of the important aspects of the program, such as the regional age distribution, which hinders calculating the regional drop-out rates. An in-depth research is required for every area the program is planned to be implemented. Based on the characteristics and circumstances that the target group lives in, the conditions can be customized. Using a one recipe in implementing the program may not achieve the desired results and will also entail more cost. Implementing a pilot phase of the program on a small scale in Egypt will also help in testing for the effectiveness and operational processes of the program within the Egyptian context. One example could be the pilot implementation done in Nicaragua with the help of Inter-American Development Bank (Ayala Consulting Co., 2003). The pilot phase helps also in conditionality monitoring and in assessing the impact of conditionalities. Establishing a systematic feedback system helps in producing a mechanism for incremental innovations that adds to the efficiency of the program.

## **4. Chapter**

### **Program Design**

After examining the effectiveness of the conditionalities implemented within a CCTs scheme in Egypt, the actual program design is analyzed in this section. Program design is included in the conditionality test introduced by EPRI as one of the criteria for assessing the effectiveness of conditionalities. This is because the program design is part of the planning process that should be present while testing for the effectiveness of the scheme. However, in this research the program design is moved to this chapter to be discussed separately. The stage of designing the program is part of the implementation phase that comes after a decision has been made on the effectiveness of the program. Therefore the chapter starts with the assumption that conditionalities are to be effective in the Egyptian context.

As was mentioned in the conclusion of the previous chapter, generalized statements about the entire Egyptian context can be misleading. This section illustrates the different consecutive operational stages that CCTs would go through. The most important of these steps are; targeting and eligibility criteria, designing conditionalities, conditionality compliance monitoring, the benefits system, and the administration structure. Under the administration structure, the coordination within and between different institutions, monitoring and evaluation, and finally project financial management are analyzed. The experiences of the other countries implementing CCTs are used as a reference throughout this chapter. The chapter is concluded with a simulation section on how the program can be implemented in a specific area in Egypt.

#### **Targeting Mechanism and Eligibility Criteria**

Targeting is the first step in CCTs implementation process. It is basically the-target-group-identification phase. The success of the program depends greatly on identifying the target group serving the objectives set for the program. The importance of targeting comes from the fact that it increases the level of efficiency of the whole program as it maximizes the level of

benefits that the target group can receive given the fixed program budget. Targeting in many cases yields better results than random allocations. As mentioned by Coady et al. (2004), a targeted program delivers around 25 percent more benefits to the target group on the average than would random allocations. Indeed, targeting can be regressive in some cases as well where it might result in less share of resources allocated to the target group and Coady et al. (2004) mention that such a result may come out in 25 percent of the cases. To simplify the discussion, as Azevedo and Robles (2013) mentioned, the target of almost all the CCTs programs implemented in different countries is the families that live in extreme poverty.

### **Common Targeting Methods**

The typical method of selecting the target beneficiary group for CCTs programs involves a combination of geographical and categorical criteria. The areas where the CCTs scheme is proposed to be implemented have to be poor, yet with education and health services available or planned to be available in the short-run. Paes-Sousa et al. (2013) specified that the geographic targeting identifies areas, districts, municipalities, parishes, and villages with high incidence of poverty, malnutrition, or vulnerability. These areas are usually identified by the poverty maps drawn after population censuses and nationally representative household surveys. Once the geographic areas are identified, various testing methods and community validation are used.

One of the testing methods used is means-testing. As explained by Coady et al. (2004) simple means-testing occurs through social workers affiliated with the program visiting households to verify qualitatively that the reported data on the household is essentially true. In means-testing, all the resources a person has are assessed to check if the person has the means to do without this assistance. Due to the difficulty of assessing all the resources a person can have, proxy-means testing is more commonly used. It is usually done through observing assets and demographic characteristics of the household, such as the house quality, the location of the house, the durable goods owned, and then giving a score to the household accordingly. The scores are usually set according to assigned weight to each item observed. These weights are typically derived from a statistical formula that differs from one country to another. Means-testing formula should be revised regularly as the correlation between assets and poverty

changes over time. For example, cell phone is no longer a sign of richness as it was twenty years ago.

Another targeting method that is less frequently used as opposed to the proxy-means-testing is income testing. Income testing looks at only the household's level of income. Paes-Sousa et al. (2013) claimed that this approach is used by *Bolsa Família* in Brazil. The volatility of this measure is its main drawback. Although depending on the level of income as the targeting criteria is easy to implement, it requires regular verification of the beneficiaries' living standards. On the other hand, as means testing looks at monetary, physical, and human capital assets, no big change is expected to occur over a short period of time and hence the verification process can be done over longer time intervals.

The interviewing step comes after the test is chosen and implemented. Interviews help officials to complete the process of gathering and confirming information about the household. This process can be done with much lower cost only if the testing was done effectively and efficiently. The baseline data gathered from the surveys and interviews is later used to evaluate for the impact of the program on the beneficiaries through comparing their initial state to the state after receiving their allocated benefits. Barrientos and Dejong (2004) mentioned that this method was started in *Oportunidades* in Mexico, and soon it was used in many other countries.

Community based-targeting is a method of targeting in which community leaders, who are not part of the program, are asked to identify the target beneficiaries (Fiszbein & Schady, 2009). To account for the biased opinions and community conflicts, community-based targeting can be used in Egypt as a final checking step and the feedback of the NGOs working in the area can be used too.

Gender targeting is also used in some countries. Gabel and Kamerman (2011) argued that CCTs programs can be gender-targeted to address intra-household disparities in human capital investments. Chaudhury and Parajuli (2006) gave the example of Pakistan, India and Bangladesh where girls receive school stipends to increase female enrollment in public schools. Apart from females as the targeted beneficiaries, in many countries, female households' heads are the benefits recipients. The reason for that is that females are believed to act insuring the best for their children's human capital; more than male households' leaders do (Salih, 2009).

As reminded by Coady et al. (2004), using more targeting methods produces better targeting results in general implying that use of more than one targeting method in checking for the eligibility of a group of beneficiaries helps in determining who is truly in need and excluding who is not in real need of the transfers. When the program was applied in its pilot phase in Egypt, very simple targeting and eligibility criteria were used. Badawy (2011) explained that the implementation started with the geographic targeting through selecting one slum district in Cairo and 65 villages located in two governorates in Upper Egypt, *Sohag* and *Assiut*. Although the targeting was easy, the selection can be criticized for being biased as other places can be proven to be more disadvantaged. However, it is worth mentioning that the program was still in the pilot/experiment phase and the NGO involved wanted to capitalize on its networks in these areas. Geographic targeting within Cairo territory is easy in comparison to the rest of Egypt. Badawy (2011) justified this by the availability of many informative geographic studies done on Cairo such as the study done by Zeinab Khedr identifying the poor slum areas in Cairo.

After the geographic targeting, the households' eligibility screening was used. Means-testing was used as the testing eligibility method, but with too customized criteria. An evaluation of the criteria, used in the Egyptian case, was done by Badawy (2011). In his research, every single criterion was rated based on how often this criterion is used in the other countries implementing the program. The size of the house or dwelling, number of rooms, was used as the first and most important criteria to be an eligible beneficiary for CCTs in Egypt. In spite of how the house can be an important indicator for the social status of the household, Badawy (2011) mentioned that it is used as an eligibility criterion by only 28 percent of the countries implementing CCTs. Another important indicator that was used by the implementing NGO in Egypt was the number of people who live in one room in the house. This indicator is again used only by 29 percent of the programs implemented. The actual health condition of the household members was taken into account in the Egyptian version of CCTs. Having any of the household heads with chronic health problems increased the probability of the household to be eligible for receiving the transfers.

On the other hand, there were other indicators, used by the other countries not used in Egypt. Some of the examples of these missing indicators, mentioned by Badawy (2011), are whether the household head is working or not, whether any member of the household was already receiving any kind of social assistance, and whether the family has any children working. Paes-Sousa et al. (2013) advise to exclude all employment-related questions from CCTs'

application process. It can be advantageous to include unemployment and informal employment status of the beneficiaries as they can be correlated with poverty. However, the risk of including them comes from the adverse effect the transfers can have on labor supply through discouraging the poor to work, leading to long term dependency on the program. The indicators mentioned in the Egyptian case show a difference from the global practice in applying CCTs. As the program did not live long enough, the effectiveness of the conditions applied in Egypt was never tested. Yet, the eligibility criteria can always be revised whenever the program is activated or before initiating any scaling up efforts.

After analyzing the most common targeting methods used in implementing CCTs, it is important to mention that errors are inevitable to occur during the targeting phase. Errors of both excluding eligible beneficiaries and including non-eligible beneficiaries cannot be eliminated totally even with efforts to increase the precision of targeting. Even after the selection of beneficiaries, tools of regular audits, dynamic management of the registry of beneficiaries, and the processes of recertification are used to correct for any exclusion or inclusion error.

### **Costs of Targeting**

Apart from the benefits and errors that it involves, targeting in itself entails costs. As mentioned by Coady et al. (2004), targeting has five types of costs; administrative, private, incentive, social, and political costs. Administrative costs are the costs associated with collecting information about the target group and monitoring the conditions compliance. Regardless of the method used to collect information, interviews, means-testing, surveys, part of the program budget will be allocated to cover the costs of collecting this information. As administrative costs are incurred by the funding organization, private costs are incurred by the households applying to benefit from the scheme. Time, effort, and money dedicated by households to prove their eligibility to the program are known as the private costs. Although private costs are not part of budget allocated to the program, unlike the administrative costs, they should be accounted for. If the targeting method used to identify the beneficiaries is self-selection, private costs have to be put into consideration because they may hinder part of the target group to identify themselves as beneficiaries. The easier it is for a poor household to



identify itself to the entity in charge of the program, the more efficient the program will be in reaching its target group.

The third kind of costs, incentive costs, is referred to as indirect costs. These costs appear when households try to change their behavior in order to fit with the eligibility criteria of the program. This happens especially when there is a threshold for income set for households to apply to benefit from the program and some of the households whose income is above the threshold reduce their labor supply to reduce their income and be eligible for the program. Other costs associated with negative incentive effects are when poor households consume more than their actual need of a subsidized good or service. Coady et al. (2004) argue that negative incentive effects are less in magnitude in developing countries compared to developed ones as benefits levels in developing countries are usually too low to encourage the households to decrease their labor supply. Households in extreme poverty usually choose to benefit from additional earnings over additional leisure. A proposed solution for the problem of negative incentive effects is to keep the target group uninformed about the details of the criteria in the selection process. This can be challenging and questioned as it may affect the transparency of the program. Indirect costs can be positive as the costs of sending children to schools.

Social costs can also be argued to be relatively uncommon in underdeveloped countries. It refers to the social stigma that may result from publically identifying the household in the neighboring community as a poor household receiving a social assistance transfer. This is less of a problem when target groups are identified on geographic basis which results in more households in the same location benefiting from the program.

Political costs can be positive or negative. It can be negative if the middle class does not support the implementation of the program as they feel that it does not benefit them directly. Political effects can be positive if the middle class appreciates the indirect benefits of the program in alleviating poverty and restoring equality and hence support the program. The magnitude and importance of each of these costs depend on the targeting method used. However, Coady et al. (2004) highlight that as long as the targeting costs lead to sufficiently better targeting of transfers, they are acceptable.

## **Targeting in Egypt**

Targeting is one of the issues that need to be addressed carefully if a CCTs scheme is to be implemented in Egypt. After exploring the different possible target strategies and their costs, it can be argued that to achieve most efficient outcomes, Egypt needs to combine different targeting methods. As was mentioned earlier, using more than one targeting method enhances the efficiency level of the program outcomes. Combining targeting methods will also serve the complexity of the poverty dilemma in Egypt. Geographic targeting can be used as a first step in targeting poverty through conditional cash transfers in Egypt. There poverty has a strong regional dimension. If designers start with geographic targeting, the agricultural areas in Upper Egypt will be the first to be addressed. Lack of food security, vulnerability, poverty, and malnutrition are more profound in the agricultural sector than in other economic sectors in Egypt. Furthermore, as discussed by Holtman et al. (2012), the problem is particularly acute in Upper Egypt, as Upper Egypt contributes to poverty incidence by a larger proportion than the rest of Egypt. Badawy (2011) also mentioned that poverty is concentrated in Upper Egypt region in both urban (18.6 percent) and rural (39.1 percent) areas. According to the World Bank (2004) the incidence of poverty in Upper Egypt was 34 percent in 1999/2000, compared to about 11 percent in rural Lower Egypt.

Once an area is identified to be poor, more in depth targeting methods should be used. Demographic targeting can be used since the program already targets households with specific characteristics, such as having children of school age. Depending on the government priorities for investing in education and health, the age bracket will be determined and hence the households will be demographically targeted. Community targeting and the help from the active NGOs working in the area should be utilized too. However, community targeting should not be the only tool used after geographic and demographic targeting as it can be relatively biased. Means-testing and proxy-means testing should be used interchangeably, depending on the resources available, to validate for the information provided by the targeting methods mentioned earlier. For the cost of means-testing and proxy-means testing, Coady et al. (2004) mentioned that it ranges from one dollar per applicant, in Armenia, to 12 dollars per applicant in Mexico. Any costs associated with paper work or certificates issuance that the poor may need to go through to apply for the program have to be accounted for.

Gender targeting can be achieved with the allocation of transfers. As was mentioned earlier in most of the CCTs programs, money goes to mothers. Quene et al. (2006) highlighted that

when money goes to female caregivers in the household; it helps in addressing problems with the intra-household resource allocation. If females are prone toed, the amount of the transfer should be higher for female children as the opportunity cost of educating them will most probably be higher. The entire responsible for the targeting process will most likely be the same entity implementing the other stages of the program. As mentioned earlier, other actors can help in the community targeting and impact evaluation stages.

### **Eligibility reviewing**

Targeting is not done only at the first stages of the program, but rather it has to be repeated on a regular basis. Re-evaluation of the beneficiaries is required to exclude the ones who are no longer in need and include the ones who recently become in need. Coady et al. (2004) mentioned that re-evaluation is usually done on an annual basis and in most cases on a 3-year basis. Once the list of beneficiaries is finalized, it has to be audited, the interviews have to be supervised, and the information has to be verified.

In some countries beneficiaries' eligibility is reviewed periodically. In Mexico and Jamaica, households' poverty status is re-evaluated every three years to determine their continuation in the program (Rawlings & Rubio, 2005). Eligibility reviewing is also affected by how urbanized the targeted area is. As argued by Paes-Sousa et al. (2013), urban areas usually have high level of mobility around the extreme poverty threshold. This requires more frequent eligibility reviewing in urban than rural areas.

## **Designing Conditionalities**

Even if the conditionality test carried out on an area revealed that the conditions are expected to add to the efficiency of the whole cash transfers scheme, still conditions need to be designed carefully. Conditions have their own cost, on both the funding institution and the beneficiaries as well. As was mentioned in the policy guide by EPRI (2011) conditionalities in most existing programs have the characteristics of both merit goods and public goods. Conditionalities are also similar to public goods as they are believed to have positive externalities on the whole society.

Education and health are the most common forms of conditionalities. The relationship between the simplicity of applying the conditions and impact of these conditions is negative. The easier it is to verify whether the condition is met or not, the less the impact on outcome it has. Taking education as an example, the simplest form of education-related condition is for the parents to send their children to school. In most of the CCTs programs, children are required to have an attendance record of at least 80 to 85 percent of school days over one or two months (Fiszbein & Schady, 2009). As it is easy to check if the parents comply with this condition or not, by checking on the attendance records of the children, it does not say much about the actual impact of school attendance on the education outcomes, as it misses more important factors such as studying and comprehending. Looking at the children's exams' scores would make the condition more effective, but will entail more effort and cost for regular monitoring and reporting. As mentioned by Saavedra and Garcia (2012), imposing conditions on achievement (such as not failing grades) beyond the standard attendance conditions would be positively associated with larger secondary enrollment and attendance effects. As checking for the educational outcomes is more money and time consuming, only a few CCTs programs impose conditions on performance. Fiszbein and Schady (2009) mentioned that Cambodia, for example, requires passing grades; Turkey allows a grade to be repeated only once; and Nicaragua required grade promotion at year's end.

Most of the health-related conditions target newborns till the age of two or three. In some cases the coverage is extended to include children till the age of five or six, school enrollment age. There are also conditions targeting improving the health of pregnant women and/or lactating mothers. Child health conditionalities can take different forms. It can be for children to complete immunizations, as in the case of Brazil. It can also involve regular health center visits for checkups.

For the Egyptian case, a generalization would be misleading, in-depth study for the target area and the health status is necessary before determining the program's conditions. However, after examining the level of human capital demand in the previous chapter, some remarks can be made. Education grant should be less targeted to the primary school children. Examples from Colombia, Mexico and Jamaica reveal that CCTs can target secondary school students too (REF?). To increase the effectiveness of the program on education outcomes, other conditions can be imposed. Examples are the bonuses that students are awarded in Mexico for school graduation and health seminar attendance (Benderly, 2010). Another example is the required attendance in an after-school program in Brazil aiming at reducing child poverty to

the minimum (Batista, Cristina, & Tatei, 2010). These conditionalities can be applied in Egypt too. Due to the high rates of immunization, low rates of child mortality and maternal mortality ratio, health-related conditions should not be the main concern of CCTs in Egypt. If health-related conditions are to be applied, more attention should be drawn at raising awareness which can be done through awareness sessions.

### **Complementary Interventions**

Concurrently with imposing conditionalities, in some areas additional investing efforts in both the supply and demand side may be required. As mentioned by Fiszbein and Schady (2009) the delivery of education and health services might be dysfunctional in many developing countries where poor infrastructure affects schools and health centers. In this case, achieving the human capital goals of CCTs programs will require adaptation of the supply of these services. This may even go to the extreme in some countries requiring governments or other actors to provide services that never existed before. Improving quality is a more challenging problem that sometimes governments address by offering monetary incentives to providers of health and education services to improve performance. Reforms to increase access and the coverage of services frequently have been undertaken parallel with or as an integral part of CCTs programs. Efforts can also be done to improve parenting practices and the quality of the home environment. Fiszbein and Schady (2009) mentioned *pláticas* talks in *Oportunidades* as an example for this where parents are required to participate in sessions aiming at informing parents about recent developments and practices in raising healthy children.

### **Conditionalities' Compliance Monitoring**

What is more important than the conditions set by the program is checking if the beneficiaries are complying with these conditions. As mentioned by Fiszbein and Schady (2009) the process of monitoring compliance would be a complex task involving a variety of actors inside and outside the CCT program. The simplest form of verifying beneficiaries' compliance with the conditions involves the providers of the services whose use is mandated, the program, the payment agency, and the beneficiaries themselves. The complexity of the process comes from the large amount of information that needs to be collected in a timely

manner. The time factor is very important in this process as it helps in constructing a meaningful link between the conditions and the payments the beneficiaries receive.

There are two factors that determine the timing of compliance verification; the nature of the conditions and the capacity level as mentioned by Fiszbein and Schady (2009). The frequency of verifying compliance with conditions varies widely ranging from every month, as in Turkey, to every four months, as in Honduras, or even once a year, as in Chile. On the other hand, for health-related conditions, monitoring compliance is usually done two to six times a year in most programs.

### **Conditionalities Non-compliance**

Some programs are less strict than others in applying conditions. Exceptions or exemptions to the conditions are in some cases allowed. Example is absence on illness grounds. As mentioned by Mont (2006) in Jamaica, the attendance requirements are waived for children who are disabled and deemed unlikely to benefit from attending school. Some programs, like *Bolsa Familia* in Brazil, provide social assistance to the families when the conditions are not met (Berg, 2009). Conditions should not be rigid; they should be changed and modified whenever there is a need to. This happened for example in *Oportunidades* in Mexico when voluntary labor was initially required and it was later relaxed (Gabel and Kamerman, 2011).

The way to deal with families that do not comply with the conditions differs across countries implementing CCTs programs. The emphasis on human capital accumulation determines the level of strictness in dealing with beneficiaries who violate the conditions. When the objective of CCTs is developing human capital, cutting the benefits immediately can be not advisable. Raising the level of demand for human capital involves a change in the behavior and sometimes a change of the perceptions of the beneficiaries. For that reason, immediate exclusion from the program with the first time the beneficiaries do not comply with the conditions is not expected to yield effective results.

Analyzing the experiences of other countries in responding to the cases of conditionalities' non-compliance reveals that there should be a set of gradual punitive actions to use once the family shows non-compliance. This gradual approach will help in emphasizing the contractual aspect of the program. Beneficiaries should always be aware that the benefits they get are in

return of their efforts and once they decrease their efforts, with no proper excuse, the benefits will be affected. Investigating the reasons for non-compliance is always helpful. The implementing entity has to always make sure that the non-compliance is not due to external factors. Most common type of sanctions is a temporary reduction of part or all of the benefit for the first instances of noncompliance, followed by an eventual termination of the benefit for repeated noncompliance as implemented in Colombia, Jamaica, and Mexico (Fiszbein & Schady, 2009).

### **Costs of Verifying Compliance**

Estimating for the cost of verifying conditions compliance is very important. A study done on Nicaragua (RPS pilot), Honduras (PRAF), and Mexico (*Oportunidades*) by Caldés et al. (2006) estimated that the cost of verification can range from 2 percent to 24 percent of total program administrative costs (excluding transfers) in any given year. A very important point to consider while estimating for the cost of verifying compliance is the program's stage of implementation and whether it is newly introduced one or an existing program functioning at a mature stage.

### **The Benefits System**

Determining the set of benefits to offer requires considering several factors. As mentioned by Quene et al. (2006) the most important factors are the political context, the social profile of poverty, the socio-economic status of beneficiaries and their livelihood strategies, the capacity of government and the fiscal position of the country. The objectives of the program shape the benefits. The more the objectives chosen, the more the benefits applied. If the aim of CCTs in Egypt is to reduce poverty, benefits would aim at bringing the beneficiaries to the social poverty line or slightly above. With education and health-related conditions, benefits should compensate for the opportunity cost of compliance. The cost of sending children to school in Egypt involves the tuition fees, books, uniform, transportation, if the school is far from home, and tutoring. Quene et al. (2006) gave the example where the parents may be willing to send their child to school but they are able to allocate only US\$10 for this out of US\$30 actual total cost. The value of the transfer cannot be less than US\$20 in this case for the parents to be able

to send their child to school. If there is a shortage in the resources that the Egyptian government is willing to allocate to the program, the size of the benefits can cover only part of the opportunity cost. However, it has been proven that the higher the amount of benefits, the stronger the impact on conditions compliance. Garcia and Saavedra (2012) state that the generous program transfer amounts (measured as percent of PPP-adjusted GDP per capita) are positively and significantly associated with larger primary and secondary enrollment effects suggesting that more generous transfers might better compensate for the opportunity cost of sending children to school. According to the 2010 report on *The Worst Forms of Child Labor*, more than two-thirds of Egyptian child labor is engaged in agricultural work. Holtman et al. (2012) mentioned that children working in the agriculture sector in Upper Egypt earn on average three Egyptian pounds per day (US\$0.80) and typically work 11 hours a day with only a 1-hour break in the middle, 7 days a week. This can be used as a base to calculate the average level of benefits in Upper Egypt governorates. As argued by Rawlings and Rubio (2005), in some countries, such as Mexico, the benefits are higher for female beneficiaries to compensate for the other non-economic costs of attending school.

For the health and nutrition component of the program, the benefits vary across countries. The value of the benefit can be equivalent to the value of the time invested by the mother over the trip and during waiting at the health center. In some other cases, the health grant is set equivalent to the education grant. For instance in Colombia, as stated by Rawlings and Rubio (2005), the amount of the health and nutrition grant was set equivalent to the mean income required to allow an average indigent family to reach the extreme poverty line whereby they were able to consume a nutritiously adequate amount of food.

There are programs that provide benefits in cash, in kind, or in both. Honduras and Mexico, for example, provide both (Verdu, 2003). Egypt can apply the same methodology trying to use in-kind benefits whenever possible. Children can be provided with the books and the school uniforms in kind. This can increase the probability that the households are abiding with the conditions. This happens in many lower income countries. With the high enrollment and completion rates in primary schools in Egypt, benefits may go to support secondary school students. In this case, benefits should be higher as the opportunity cost is higher. Benefits should not be rigid. However, Quene et al. (2006) mentioned that benefits are adjusted for inflation on a regular basis to reflect the country's circumstances.



Since most of the CCTs programs target the newborns and the children in the household, the benefits usually depend on the number of children in the household. Given families usually have many children that in poor areas in Egypt, the number of children to be covered in one household should be capped to allow for more families to be covered. As mentioned by Rawlings and Rubio (2005) *Bolsa Família* in Brazil implements a benefit cap which is equivalent to having three children in the program.

### **Payment frequency**

The frequency of payment varies from one program to another. To reduce the operational and transaction costs, many programs pay the beneficiaries once every two months as mentioned in (Saavedra & Garcia, 2012). Sending the transfers bi-monthly is also efficient for the beneficiaries themselves as it helps them to spend less on the travel arrangements. Another way to save the transaction costs is to cut the payments for summer and winter vacations when school is not in session. However, the frequency of payment can be negatively correlated with the size of effects as mentioned by Garcia and Saavedra (2012) where the programs with bimonthly or quarterly transfer payments tend to report larger effects than those with monthly payments. Many programs try to make sure that a payment is done before the school year starts to enable households to pay for uniforms, shoes, textbooks, and any fees. To reward achievement, some programs give bonuses at the end of the school year (Fiszbein and Schady, 2009).

### **Payee**

In most of the CCTs, transfers go to the parents. Few programs send the benefits to the secondary school students themselves in cases when they are the beneficiaries. As mentioned by Fiszbein and Schady (2009), in almost all programs where the adult is the payee, payments are made to the mother of the children. Because women are assumed to often make more optimal household spending decisions affecting children's welfare as indicated in the report ("Qualitative and Quantitative Analysis," 2012). This was confirmed by impact evaluation studies done on CCTs in Latin America highlighting the empowerment dimension for women in the household as it makes them have a greater say in family decisions. Latapi and Rocha

(2004) mentioned that transferring the money to the women in Mexico affects their financial security and hence their self-esteem. They also reported that the Mexican women felt a positive change in how their neighbors and the shopkeepers treat them; they felt that they are more respected. Another important reason for transferring the money to the mothers as claimed by Fiszbein and Schady (2009) is that they are expected to allocate more resources to their daughters than the fathers are expected to, on average, helping to bridge the gender gap. The case should not be different in Egypt. Women should be the recipient of the transfers to empower the women and consequently affect the intra-household decision making process.

### **Payment Systems**

With the high level of corruption that Egypt suffers from, the process of delivering the money to the beneficiaries should be shortened. The shorter the cycle, the easier it is to reach the target beneficiaries and help them the most.

The payment tools vary significantly across countries depending on how developed the fiscal system is. In Brazil, the process is automated where payments are made on electronic cards and cash can be withdrawn at banks, ATM machines, or lottery sales points. In Turkey, payments are made through the state bank, in cash, with clients going to tellers to withdraw funds. In Mexico, a fairly low-tech “Brinks truck” model is still the main payment modality, though payments through banks are being introduced in urban areas. Households are paid in cash at temporary pay points that use available infrastructure (such as community centers), with transportation and payment of the money contracted to the Mexican post and telegraph office. In Kenya, payments are made through the post office. At the other end of the spectrum, Fiszbein and Schady (2009) mentioned that a pilot program in Tanzania disburses funds to community representatives who make the payments.

This wide range of methods makes it easy for the implementing entity in Egypt to decide on the most effective payment tool. However, it needs to be mentioned that there is a positive correlation between paying the beneficiaries directly through bank deposits and avoiding the risk of fraud, as demonstrated by Badawy (2011). In addition to its effect on reducing the probability of fraud, paying the beneficiaries directly through banks lowers the transaction cost of the payment process as it decreases the amount of labor work required.

If the payment is done through banks in Egypt, private or public, negotiations should take place to make sure that the banks are charging the lowest amount possible per transaction. The Colombian case can be used as an example for this where there were negotiations with both public and private banks to get the lowest cost per transaction possible resulting in the payments by private banks. .

As the transaction costs resulting from involving banks can still be high, public post offices can be used to make the payments. This tool was used in Mexico when the program was first introduced as mentioned by Fiszbein & Schady (2009). The edge that post offices in Egypt have over banks is the availability and high trust. Post offices are more available in the rural areas in Egypt than banks. Due to the simplicity of their process, post offices are more popular and trustworthy in rural areas in Egypt. This trust factor should be capitalized on especially at the first stages of implementing the program.

### **Administration Structure**

The administration structure of a CCTs scheme involves the managerial activities required to run the program. Most important of these activities are the level of coordination within and between different institutions, program monitoring and effectiveness evaluation, and the financial management of the program.

### **Coordination Within and Between Different Institutions**

The implementation of CCT schemes involves effort exerted by different actors. The responsibilities of implementation process of CCTs are typically shared across different levels and departments of the government. Ensuring that the program's objectives are clearly understood by these actors is crucial for the program to function well and hence to have an impact. As was mentioned in the conditionality test, a managing institution should be responsible for the implementation of the scheme. Choosing this institution is a crucial step. There are three conventional models that countries implementing CCTs have setup for choosing the managing institution (Ayala Consulting Co., 2003). The managing institution

can be a social security institution, a social investment fund, or it can be directly under the presidency office. The most important factor affecting this decision is how successful the coordination between the different institutions would be in each case.

As was mentioned before, some countries go for choosing independent managing institutions to avoid the line ministries and the bureaucracy involved. Regardless of the managing institution in place, a lot of actors are typically involved affecting the implementation of the scheme. Actors involved, at the national level, are representatives of the related ministries, the service of education and health care providers, representatives of the funding entity, secretariats, for coordination purposes, and technical and logistics support representatives. Bassett (2008) also added that in some countries where the level of centralization is very low, there are usually representatives from the municipalities. Needless to mention, representatives and volunteers from the civil society organizations can also be involved.

Ineffective or inefficient communication between the actors involved can result in resource leakages. To avoid this, as mentioned by Bassett (2008), some CCTs require the eligible beneficiaries to withdraw from other social assistance schemes, as in the case of in Mexico and Nicaragua. Some countries try hard to combine more than one program in one scheme ensuring complementarity among these schemes to decrease the inefficient coordination losses (Ayala Consulting Co., 2003). Another problem that can result from the involvement of many actors in the CCTs implementation process is clash of interests between the managing institution and the line ministries involved. For example The Ministry of Health may have a plan for building new clinics in some areas while the managing institution proposes building new clinics in some other areas, where beneficiaries are concentrated. This conflict in priorities may affect the flow of the program implementation process.

### **Program Effectiveness Evaluation**

Assuming that CCTs program is implemented in Egypt, to make sure that the program is making a positive impact, efficiency should always be measured. There are different methods used to measure the efficiency of CCTs schemes (Barrientos & DeJong, 2006). One is through assessing the vertical and horizontal efficiency of the program simultaneously. The other method is through choosing certain indicators, depending on the conditions set, and comparing the scores of these indicators before and after the implementation of the program.

For the first method, Barrientos and Dejong (2004) differentiated between vertical efficiency and horizontal efficiency. Vertical efficiency measures the extent to which the program reaches the poor. Horizontal efficiency, on the other hand, measures the portion of the poor who are covered by the program. CCTs program in Egypt, as in almost all the countries, is expected to score more on the vertical efficiency side than on the horizontal one. This can be explained by the targeting mechanism. Targeting increases the intensity of the support that goes to the poor. However, due to the education and health related conditions, poor families with no children are not covered by the scheme, which affects the level of horizontal efficiency of the program.

After deciding on the program priorities and hence the conditions, indicators can be chosen as the second method to assess for the efficiency of the program. Variables can be household consumption rate, school enrollment rate, attendance rate, immunization rate, and/or awareness sessions attendance rate. This method can be very simple as it uses the data already collected for the monitoring of compliance process. Indicators do not have to be related only to the demand side, it can also be related to the supply side if investments are made. If the program involves additional investments in the supply side as well, additional indicators should be included. These indicators can look mainly at the availability and quality of education and health care services. As mentioned by Rawlings and Rubio (2005), the percentage of teachers trained and the percentage of schools with basic teaching materials as examples of these indicators.

Evaluation studies can go beyond the intended consequences to include the unintended consequences. Examples for these unintended consequences are intra-household resource allocations and power relations as the transfers in most of the cases go to mothers. As transfers add to the total income of the household, they may impact the household work incentives. Rawlings and Rubio (2005) raised the point that cash transfers may also affect the social relations in a targeted community as benefits usually do not go to all the community households, and even if they do, the amount differs from one household to another.

Assessing the effectiveness of the program is not an easy process. One of the biggest challenges after collecting the data is coordinating the impact evaluations with the program implementation schedule. As mentioned by Rawlings and Rubio (2005), this can be a challenge in case the program implementation was delayed. Another challenge that is highly expected if the program is implemented in Egypt soon is the political instability that can be

translated into changes in the program administration. Changes in the program administration will most likely result in changes at least in the implementation schedule. Unexpected crises can also affect the process of evaluating the efficiency of the program. Rawlings and Rubio (2005) gave the example of the unexpected flooding that took place in Jamaica as it dramatically altered the program implementation schedule.

Paes-Sousa et al. (2013) proposed involving an independent party as the best approach to implement the program evaluation process. An external eye can see what the involved personnel cannot see and perform fair objective evaluation. Torres (2010) mentioned that in the final planning process of CCTs in Peru, a committee was formed to oversee the process. This committee included representatives from unions, academia, the private sector, and even the Catholic Church. As was mentioned in the former chapter, civil society in Egypt is active and can be involved in the evaluation stage of the program. Yet it has to be insured that the organizations involved are objective and not politicized.

### **Program Financial Sustainability**

Program sustainability is a very important factor for the success of the CCTs in achieving their objectives. The effectiveness of the program will be impacted dramatically if it stops or is even just interrupted for some time, which is the current state of the program in Egypt. A long-term financial plan along with a cost-benefit analysis should be in place before starting with the implementation phase of the program. A cost-benefit analysis is required to calculate for all the costs anticipated from applying conditions to check for the affordability of this cost. A cost-benefit analysis involves calculating all the transaction costs required in the process starting from imposing the conditions to monitoring conditions compliance. All the administrative and logistics procedures should be calculated in terms of money. Comparing the budget allocated to the program with the total cost anticipated helps in determining the feasibility of the conditions. A later section will be a simulation for implementing CCTs in Egypt. The purpose of this section is to discuss in detail the stages of implementing a CCTs scheme in Egypt in a hypothetical, simplified manner.

The first important question to answer to ensure the financial stability of the scheme is how the program will be funded? CCTs, as many other social assistance schemes can be financed either through domestic resources or through international assistance. Domestic resources are

mainly taxation and reallocation of resources within the social assistance schemes basket. As *Oportunidades* in Mexico is funded by domestic resources, Holmes and Slater (2007) explained that three institutions contribute with funds. The largest part of the budget comes from the Ministry of Education to cover for the schools. The monetary transfers and the administrative costs are covered by SEDESOL while the health related services are paid for by the Ministry of Health. International assistance comes from the funding institutions such as the World Bank or the regional funding institutions such as the Inter-American Development Bank in Latin America. International funding assistance in many cases is limited to the pilot phase of the program, as was the case in Turkey when the program was newly introduced. As argued by Quene et al. (2006) understanding affordability requires information about both the static and dynamic conditions of the national treasury, as well as the availability of international assistance and credit. Ayala Consulting Co. (2003) mentioned in their report that some countries fund the program entirely on credit. This option is risky, especially in the Egyptian case, as it is highly related to the stability of the economy. As estimated by Ayala Consulting Co. (2003), CCT programs' budgets grow over time and on average converge to 0.3-0.4 percent of the country's GDP. More important than the amount of resources allocated to the program is the government commitment to poverty reduction. Different examples of low income countries, including Lesotho, Nepal and Nicaragua, confirm this. The implementation of the program contributes to the financial sustainability of it over time. The transfers usually have smoothing effect on the level of consumption of the poor, which in turn promotes economic growth.

After answering the funding question, the intended beneficiary population should be determined. The target group of CCTs is usually families living in poverty or extreme poverty. The percentage of population covered by the scheme differs from one country to another based on the number of eligible beneficiaries and the resources allocated to the scheme. Cecchini and Madariaga (2011) mentioned that in 2010 the percentage of the population covered by CCTs ranged from 2 percent, as in Trinidad and Tobago, to 44 percent, as in Ecuador. The percentage of the population covered by the scheme is also not fixed over the life span of the scheme. Countries' experiences show that the typical case for countries implementing CCTs over years is to extend their program coverage to include more people over years.

A very crucial factor that can contribute effectively to the financial sustainability of the program is reducing the administrative costs to the minimum. Reducing administrative costs

should not be confused with low quality or low level efficiency. The use of an efficient computer system can be one of the practical solutions for reducing the administrative costs (“Qualitative and Quantitative”, 2012).

Political factors affect the sustainability of the program tremendously. In the case of Egypt, even if the funds are available, the political instability can be a cause for the termination of the program, as happened in 2011. Economic downturns are the times when social assistance schemes, in general, are most fragile. As the aim of almost all the social assistance schemes, including CCTs, is to protect the poor, their role becomes more essential at the time of economic recessions. At the planning phase of the program, hypothetical scenarios of economic downturns should be drawn to test for the effectiveness of the program at these times. At the time of a recession or any sort of political instability resulting in an economic downturn, CCTs should be flexible and adjustable. In research done on the problems and opportunities of CCTs in Latin America, some elements of the program were chosen to be adjusted during economic downturns. Program coverage, the amount of the cash transfer, the frequency of the transfers, and the eligibility criteria are the most important of these elements. Due to the lack of resources that the program may face in Egypt, these elements are expected to be more fixed at the initial stages of the program. However, as it develops, the program needs to be more flexible for changes.

### **Risk Factors**

The flow of information and money between the funding entity, the implementing entity, and the beneficiaries can be put under risk due to three different factors; error, fraud, and corruption. Badawy (2011) suggested that to reach the desired goals of the program, there has to be a proper control mechanism to account for this risk. There are two types of error that can occur while implementing the CCTs program in Egypt; inclusion error and exclusion error. Inclusion error results from accepting non-poor as beneficiaries. Exclusion error occurs with excluding poor people from the eligible beneficiary group. Error can also result from the system of the program itself. As Badawy (2011) said this occurs with a failure in the payment system, failure in the IT system, or failure in the monitoring and reporting procedures. The risk of fraud occurs when the families reveal false statements about their conditions to fit with the eligibility criteria. On the other hand, Badawy (2011) mentioned, the risk of corruption



occurs when the program staff members themselves try to manipulate the eligibility rules to include whom they want as a beneficiary and exclude whom they want to exclude.

### **Program Publicity**

To insure fair coverage, people need to know about the program to be able to apply if they see themselves as eligible candidates. Public information campaigns can take different forms and strategies. In some cases, social workers go door-to-door in poor areas to register households (Fiszbein & Schady, 2009). TV and radio can be used to publicize for the program, as in Ecuador (Fiszbein & Schady, 2009). Posters can also be used as a publicity tool if they are hung in markets, school gates, and hospital doors just as used in Cambodia for The Education Sector Support Project (Fiszbein & Schady, 2009). Fiszbein and Schady (2009) mentioned that to make sure that the target group, out-of-school students, is aware of the existence of the program, school officials can contact children who finished sixth grade in the last 2 years but did not go on to lower secondary school.

People should be aware of the eligibility criteria and the application process. If the publicity campaign manages to deliver the information correctly to the target group, fewer people will apply and hence less time will be allocated to the screening and the interviewing process. In the experience of Nicaragua, community assemblies were held two months before the program started. These assemblies provided the people with all the information they need to know before applying and participating in the scheme (Fiszbein & Schady, 2009).

### **Exit Strategies**

Exit strategies are a very important element in the program that needs to be discussed at the planning stage for two reasons. First, all countries face the challenge of “limited resources” with “unlimited needs”. More beneficiaries will be eligible for the program every year. With the budget constraint, more poor cannot be added to the beneficiaries’ list unless others are taken off. The second reason has to do with the beneficiaries’ dependency. Many people argue against adopting these social assistance schemes fearing the negative incentive they may have. Beneficiaries may get used to the financial support they receive and hence lose the motive to supply more of their labor time. The fact that each family leaves the scheme gives a chance to another poor family to be supported makes it important for the policy maker or the program planner to set a clear exit strategy. One idea could be setting up complementary

programs with more emphasize on job creation to help children find jobs after graduation (Ayala Consulting Co., 2003). With the existence of NGOs in Egypt, such as Alshaneq Ya Balady (AYB) working on matching labor supply and labor demand applying an exit strategy would be feasible.

### **Customer Service**

Paes-Sousa et al. (2013) defined customer service in CCTs programs as a tool used to handle the relationship between the program and the beneficiaries. Beneficiaries always use the customer service tool to request information or guidance regarding the application process or program complaints. In some countries, the customer service mechanism is more developed than others. In Brazil, a private company is running the customer service. The whole implementation process of the program can be improved through simplifying the process of asking questions and registering complaints.

### **CCTs Pilot Phase in Egypt**

The aim of this section in the Program Design chapter is to simulate the implementation of a pilot phase of CCTs in Egypt and to discuss how CCTs scheme is expected to be in the Egyptian context. Estimates from other countries are used.

### **Targeting**

As the first step in implementing CCTs is targeting, geographical targeting is the most recommended and most commonly used targeting mechanism. As was mentioned in this chapter, based on the poverty and education-related data, CCTs are needed the most in Upper Egypt. If geographical targeting is to be used in Egypt, Upper Egypt should be given priority. As many governorates belong to Upper Egypt, a marginality index should be constructed to decide on which governorate in Upper Egypt the scheme is needed the most. As was mentioned in this chapter, the marginality index is a score calculated for each city in a given country. The score is calculated through looking at certain indicators such as poverty, education attainment, and the availability of the health care services. This helps in ranking

governorates within Upper Egypt, to determine where CCTs scheme would be most effective. Income and food poverty are considered as the most important components affecting the marginality index. Assiut ranks, in both years 2009 and 2011, as the first with regard to both income poverty and poor food consumption (CAPMAS, 2012). *Assiut* also ranks high among the Egyptian governorates with regard to the illiteracy rate, scoring a total of 39.1 percent, 50 percent of these illiterate people are females (CAPMAS, 2012).

As rural Upper Egypt suffers from the highest rates of both transit and chronic poverty, CCTs scheme should be implemented first in the rural areas of *Assiut*. However, as mentioned earlier, as the program does not only involve transferring money to the poor, other important aspect have to be looked at before choosing the governorate where CCTs are be to implemented. The most important of these aspects is the availability of education and health care facilities to make sure that imposing conditions and asking the beneficiaries to abide by them is realistic and feasible. According to the data on schools published by the Ministry of Education (2013), *Assiut* has a total of 2300 schools, 1723 of which are in rural areas and 2211 are public. According to the statistics of the Ministry of Health and Population (2013), *Assiut* has a total of 21 hospitals. Assuming that the existing number of schools and hospitals satisfies the needs of the population, no more investments need to be injected in the infrastructure in *Assiut* and all the resources allocated to CCTs should be directed to the transfers.

As *Assiut*'s population is estimated by CAPMAS to be 4,111,379 million, ranking the 11<sup>th</sup> out of 27<sup>th</sup> governorates in Egypt, the next level of targeting comes to choose households within the rural areas of *Assiut*. Here comes the role of proxy means testing. Certain items should be weighted to first derive the statistical formula that will be used throughout the proxy means testing stage. As was mentioned earlier, this formula differs from one country to another. The most important of the indicators generally looked at and that can be used to construct a pilot phase of CCTs in *Assiut* are the house quality, the location of the house, the number of the family members sharing the house, the durable goods owned by the household, income earned by the total household monthly, and the household food consumption. Number of children in the household, their education levels, and the health statues of the family members should be used in deciding on the set of conditions that each individual household is expected to abide by and that can maximize the general scheme outcomes. In the pilot phase of the program, priority and focus should be given to children in basic stages of education, primary and preparatory and not secondary education. Based on assigned weights given to the indicators

included, a formula is constructed and a score can be calculated for each household based on this formula. Interviews in the eligible beneficiaries' houses need to be conducted by the program social workers to make sure that the reported data about the household is valid and is not falsely reported by the applicants.

### Conditionalities and benefits

Assuming that the pilot phase of CCTs is to be implemented in one of the rural villages of *Assiut*, with 400 households selected as beneficiaries, the following table shows the possible conditions and benefits<sup>7</sup> that these beneficiary households would be expected to abide by;

Table 6. Pilot program in *Assiut* (conditions and benefits)

	<b>Education</b>	<b>Health</b>
<b>Conditions</b>	<ul style="list-style-type: none"> <li>- Children between the age of 7 and 15 must be enrolled in school.</li> <li>- 85% attendance monthly &amp; in case of additional absences, health excuse has to be submitted and approved by the school clinic.</li> </ul>	<ul style="list-style-type: none"> <li>- Immunization for newly born children till the age of five years.</li> <li>- Monthly check-up for children under the age of two years.</li> <li>- Every-two-month check-up for children ages 2-5 years.</li> <li>- Adequate weight maintained by children.</li> </ul>
<b>Benefits<sup>8</sup></b>	<ul style="list-style-type: none"> <li>- A grant of \$30 per child enrolled in either primary or preparatory school before each school year starts. The grant should be capped to cover a maximum of 3 children.</li> <li>- A bi-monthly transfer<sup>9</sup> of \$15 per child enrolled in either</li> </ul>	<ul style="list-style-type: none"> <li>- Free scheduled health check-ups in the nearest public hospitals/clinics to the households to pregnant women, newborns, and children till the age of five.</li> <li>- Free medicine provided by the public hospitals/clinics to the beneficiaries with physicians'</li> </ul>

<sup>7</sup> Based on which category, of the three categories of beneficiaries mentioned earlier, the household belongs to, the set of conditions and hence benefits it is eligible for will be determined from the table. Meaning that not every single household in the beneficiary group is expected to abide by all the education and health related conditions mentioned in the table above.

<sup>8</sup> Benefits are estimated roughly due to the shortage on the actual costs of both education and health related services in Assiut. However, estimated benefits are expected to cover the direct costs of obtaining education and health services in the Egyptian context. The estimated benefits are within the average of the benefits provided by CCTs in the countries included. For more accurate estimates, a detailed field research is needed to identify the direct and indirect costs of sending kids to schools or to go for regular health check-ups.

	primary or preparatory school. The grant should be capped to cover a maximum of 3 children. - A grant of \$20 per child should be given to the household incase the child passed the final exams and is moving to the year after.	approval.
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As the table shows, the scheme should have a basic structure with conditions and benefits so as to facilitate the monitoring process especially in the pilot phase.

### **Conditionalities' compliance monitoring**

As was mentioned earlier in the chapter, monitoring compliance with the conditions is a very important stage for the effectiveness of CCTs. This process is costly and it involves different actors. Given the conditions mentioned in the previous table, social workers from both the ministry of Education and the Ministry of Health and Population are the primary sources for checking if the beneficiaries are abiding with the conditions or not. Reporting should be done on timely manner. Beneficiaries themselves should be involved in the monitoring process. As was mentioned in an interview conducted with one of the founders of CCTs in Egypt, Professor Hania El Sholkamy, families were given a calendar with stickers (the pictures were pictures of some families themselves or their children so it was nice) the calendar had an info page on the program, who to contact in case of problems, and the conditions. Families used stickers to mark the attendance dates for children at school and mark their attendance of info sessions or health visits. A monthly social worker visit involved four questions and a check of the calendar.

In case of non-compliance with the conditions, families were getting a warning (El Sholkamy, personal communication, April 18, 2013). A second warning in the following month, then 30 percent of the benefits is deducted in the third month if the beneficiaries are still not complying with the conditions. After additional two months, the payments were usually suspended. The same strategy can be applied if the program is to be implemented in *Assiut*.

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<sup>9</sup> The level of benefits should increase with the education grade and for females, like the case of Oportunidades in Mexico.

### **Expected estimated costs**

Implementing CCTs involves different kinds of costs; benefits costs, managerial costs, and costs of investing in the infrastructure. Given the earlier assumption of the availability of the infrastructure in *Assiut*, no investments costs will be incurred in the pilot phase. The benefits costs are the total cost of the benefits that the beneficiaries will receive. Assuming that the scheme in the pilot phase will first cover four hundred households, 100 households will receive only the health benefits, two hundred will receive only the education-related benefits, and one hundred will receive both the education and the health related benefits. Assuming that the average cost of health check-ups, with medicine included, is \$10 per person and an average of two individuals in each household will receive the health-related benefits, a total of around \$575 over a two month period, and a total of \$3450 per year. If we assume that the average number of children eligible for the education-related benefits is two children per household, a total of 600 children will be eligible to the education grant. For simplifying the calculations, a flat rate of benefits throughout the different education stages will be assumed. A total year cost of \$16,000 is estimated to cover the education related benefits. Summing up the cost of both education and health related services entails that the total costs incurred by a pilot scheme covering 400 households is almost \$20,000 per year.

The biggest and most important component in administrative costs is the cost of verifying complying with the conditions. The less developed the system used for verifying compliance is, the more expensive it is. This cost criteria includes the cost of interviewing the applicants, the regular visits done by the social workers to monitor the beneficiaries' behavior towards the conditions and to record any improvement in the financial state of the beneficiaries, to update the beneficiaries' list. Social workers are expected to be compensated financially for the time and effort exerted in these interviews. Interview questions should be the same in all the interviews as the data reported is usually used in later stages to evaluate the impact of the program. NGOs working in the rural areas of *Assiut* can be consulted to increase the validity of the data collected from both the proxy means testing and the social worker's interviews. The eligibility of the beneficiaries should be revised at least on three-year basis, as it is the case in Mexico and Jamaica, to exclude the beneficiaries who are no longer eligible and include households who fell in the eligibility criteria recently.

Transfers should be directed to the female caregiver in the beneficiary household. As was mentioned before, transferring the money to the females can help in balancing the intra-household powers and empower women in the decision making process. Statistics mentioned earlier show that the females are discriminated against when it comes to education attainment and that's why education transfers should be higher for females than for their male counterparts. As was mentioned earlier, payments can be done through the post offices as they are more available than banks in rural Upper Egypt. Based on the resources, money and space, available in the area where the scheme is to be implemented, the most effective payment system should be designed.

To summarize, this chapter aims at providing the reader with all the stages that a typical CCTs program would go through if it is to be implemented in Egypt. Implementing a CCTs scheme starts with identifying the target group through setting the eligibility criteria. As was explained in the targeting stage earlier, geographical targeting is usually the first targeting mechanism used to identify the beneficiary group. If CCTs are to be implemented, governorates in Egypt should be ranked based on a customized marginality index. Based on the program objectives, the program conditions and the most effective way for monitoring these conditions would be chosen. Benefits are also linked to the program's specific objectives. After deciding on the main features of the program, the administration structure is determined. Within the administration structure, the roles of the different entities involved are assigned, the program evaluation plan is set and the financing resources are allocated. Although examples from different countries applying CCTs are used throughout the chapter, the chapter is tailored to fit the Egyptian context.

## 5. Chapter

### Concluding Remarks

After exploring the nature of poverty in Egypt, it can be seen that the country suffers from high poverty incidence that has been increasing over the last three years. In spite of the social assistance schemes already functioning, poverty is still prevailing with high rates due to the inefficiency and leakage of these schemes. This creates a need for reforming these already existing programs, compiling them, or coming up with new efficient programs. Here comes a need for CCTs. Going through the experiences of the other countries implementing CCTs, in spite of their different features, shows the positive impact that such a scheme can have on reducing poverty and boosting the demand for education and health care services.

Due to the huge resources that need to be allocated for such a scheme, if CCTs are to be implemented, first the conditionality test should be drawn for Egypt. This thesis is constructed to analyze the conditionality test for Egypt. The test has some important remarks that need to be considered before implementing a CCTs scheme in Egypt.

The conditionality test for Egypt revealed that Egypt is an interesting case. The demand for human capital is high, which is shown in the high enrollment and completion rates of both primary and preparatory education, yet child labor rate is also high. As the reality of a child concurrently enrolled in a school and engaged in the labor market is not common, the Egyptian case has a paradoxical element. First element to look at to explain this paradox is how the child labor rate is calculated. As was mentioned earlier in section 3.3.1, the child labor/child poverty section, the data used in this section is provided by UNICEF which uses the definition of street children by the ILO. The commonly used definition that ILO<sup>10</sup> uses to estimate child labor includes children between the age of 5 and 11 who worked an hour or more outside of their households in the week of collecting the data or who engaged in an average of four hours of domestic work per day. This definition can be criticized for

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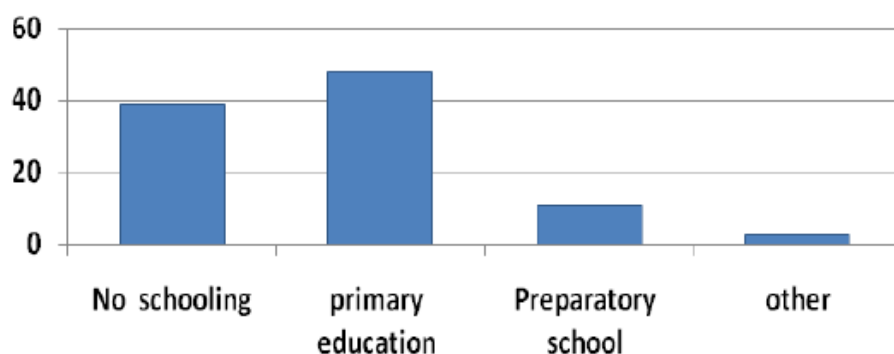
<sup>10</sup> The distinction between child labor and domestic work is explained in the website of The International Labour organization. For more details, check <http://www.ilo.org/ipec/areas/Childdomesticlabour/lang--en/index.htm>



overestimating the child labor figure as it accounts for household activities as work. On the other hand, the household related activities cannot be excluded while accounting for the child labor rate in a given country due to the opportunity cost they entail as sometimes they decrease the probability of a given child to be enrolled in a school.

Many poor children study and work at the same time. As mentioned by Shaker (2012), street children can be children who spend most of their time in the street but not necessarily homeless. Being a drop-out from school is not generally used as a criterion for identifying street children as was mentioned in a report assessing the situation of street children in Egypt published by The United Nations Office for Drug Control and Crime Prevention (ODCCP) in 2002. A study was conducted in 2011 over 400 street children by Egypt's National Center for Social and Criminological Research. The study found, interestingly, that there is a strong positive correlation between education attainment and children's tendency to leave their homes, as hence being accounted for as street children. Figure 21 shows this finding in detail.

Figure 21. Education attainment and children's tendency to leave their homes in Egypt (2011)



Source: Egypt's National Center for Social and Criminological Research (2011)

As the graph shows approximately half of the street children surveyed in the study were enrolled or even completed primary school. The Y-axis of the graph measures the numbers of the street children in percentages. Sixty percent of the street children were students in either primary or preparatory schools while almost forty percent did not commence any kind of formal education. Partial explanation to the phenomenon of the coexistence of both high primary school enrollment/completion rate and high child labor rate in Egypt is given by Abeer El Shinawy, professor of Applied Economics in the American University in Cairo who works with street children. She explained in an interview conducted with her that although these children stay and work most of the time in the streets, they are registered as students in

public schools, even if they do not attend their classes regularly. About her experience in working with street children in Cairo she explained that due to the lack of school facilities in many unprivileged areas, children pass the primary school exams even if they do not attend classes regularly to allow for other children to be enrolled given the inadequate facilities. These children are accounted for as both street children and students. This raises a concern of the accuracy and the possible overestimation of the data provided by the World Bank and presented in Chapter Three.

Unregistered children contribute also to the explanation of the paradoxical situation in Egypt where both school enrollment and child labor rates are high. Children who do not have birth certificates are not registered in the official records. They are also not accounted for as school drop-outs in case they are not enrolled in school. Estimating the magnitude of such a problem in Egypt is constrained with the lack of formal statistics. However, many studies are done to roughly estimate the number of young adults who do not have birth certificates and hence are not registered. One study conducted by Plan, the largest children's development organization in the world, on Egypt estimated unregistered births to be ten percent of the total births in Egypt (2009). This means that up to ten percent of the children at the school age in Egypt cannot go to schools and are not accounted for as dropouts.

This special feature of the Egyptian context stresses the importance of initiating the CCTs in Egypt with a pilot phase. This reveals that both child labor/child poverty and human capital statistics are together equally important as they complete one picture. The magnitude of this paradox between the high child labor and school enrollment rates can be different from one governorate to another within the Egyptian territory. The field research is expected to reveal the specificity of the area targeted and hence the customized scheme features that maximize the impact of the program with the least cost possible.

The quality of education and health related service in Egypt is questionable. This entails that to implement an effective CCTs scheme, extensive field research of the area targeted is crucial to identify the special features of the area and hence the program can be customized.

As complying with the conditions is as important as setting the conditions, setting the most effective strategy for monitoring conditions compliance is crucial. A reporting system has to be established within the three main actors involved in the implementation of the program; the funding entity, the Ministry of Education, and the Ministry of Health and Population. Attendance records in both school classes and the clinic visits should be reported to the

funding entity to adjust the payments. Continuous non-compliance of the conditions by any of the beneficiaries should be investigated regularly. The cost of monitoring compliance is expected to be higher at the early stages of implementing the program. If the program progresses in the right direction, the cost of monitoring compliance, as part of the administration costs, are expected to decline.

Research limitations have to be put into consideration before analyzing the test results and the analysis findings. The most important of these limitations are data shortages in some of the indicators analyzed; the heterogeneity of the Egyptian context which makes it harder to generalize any of the exam results to fit with all the cities of Egypt is another limitation to consider. Another important limitation is the special cultural context that each of the case studies included in the thesis has. These differences have to be considered carefully if conclusions are to be made.

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