



“The Political Economy of the Welfare State”

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THE POLITICAL ECONOMY OF THE WELFARE STATE

AN ANALYSIS OF
OPPORTUNITIES AND
PITFALLS OF SOCIAL
PROTECTION IN EGYPT

The Political Economy of the Welfare State:

An Analysis of Opportunities and Pitfalls of Social Protection in Egypt

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Abstract

Given the crucial role played by social policies in guaranteeing political stability in the MENA region, this study delves into the domain of social protection systems in Egypt in order to understand to what extent the social, economic, and political functions of the Egyptian welfare state are fulfilled based on empirical evidence and available data. The study uses a SWOT analysis approach to investigate the type of social welfare system promoted under al-Sisi's rule. It also examines whether Egypt has shifted away from the pre-2011's exclusive and unsustainable social contract or it has remained trapped into its bottlenecks. The findings of this study show that the government of Egypt has adopted an unsustainable model of social contract to seize legitimacy at the expense of the social and economic domains. Social protection has been misused to achieve short-term political gains and legitimacy. Accordingly, the Egyptian social protection system, as it has currently been built and used by the ruling elites, shows the signs of an unsustainable and inefficient model that fails in fulfilling all its three functions (economic, social, and political). Based on the results of this study, Egypt's current social contract is perilously unstable, as it replicates the same old and inefficient model of state-citizen relationship that led to the Arab Spring in 2011.

Key words: *Social Protection; Egypt; Welfare State; SWOT analysis; Social contract; Social welfare system.*

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I. Introduction

In late September 2019, unexpected protestors occupied Cairo's streets, demanding the resignation of the authoritarian President Abdel Fattah al-Sisi, in office since 2013 after having seized power with a military coup. Despite the disincentives created by the repressive manners of the regime, the spark of dissent resonated across a few major cities, triggering a wave of scattered anti-government protests that crippled Egypt for a week. In the eyes of those who had experienced the 2011's Arab Spring, the 2019's upheavals had the bitter taste of a *déjà vu*.

Arguably, these protests are the sign of al-Sisi's permanent struggle to seize political stability and legitimacy; at the core of this struggle lies a broken social contract between the ruling elite and the Egyptian citizens. The Government of Egypt (GoE)'s role in provisioning adequate and inclusive social policies aimed at guaranteeing the population's wellbeing, reduce poverty and inequalities, and promote livelihood opportunities remains central to comprehend the shortcomings of Egypt's social contract.

In the endeavours to parse the complexity of the Middle East and North Africa (MENA) region, social welfare systems have been often a neglected area of study until 2011. Yet, the study of social policy in MENA is an untapped source of predictability and insights due to the political, economic, and social importance covered by social policies in these countries. Jawad et al. (2019) stress the relevance of this area of study arguing that:

[...]it offers a valuable but as yet under-used conceptual framework for linking macro-economic concerns and geopolitics to systems of governance and rule to final social welfare outcomes at the micro-level of citizens and residents." (Jawad et al.: 2019).

In other words, the study of social policies is key to strengthen the understanding of MENA's governance and political economy, as it brings together different economic, social, and political dimensions. Social protection unfolds in these very crucial areas by fulfilling three functions (Jawad et al.:2018): (I) improving social and economic return on human capital by regulating social spending, (II) improving poor's consumption levels and curb inequalities, (III) providing legitimacy to the state and its political institutions (Jawad et al.:2018). With all its three dimensions together, social protection can improve or decrease the level of stability within a country as well as its path toward inclusive development and economic growth.

Given the pivotal importance represented by social policies in guaranteeing the stability of the region, this study delves into the domain of social protection systems in Egypt in order to understand to what extent the social, economic, and political functions of the Egyptian welfare state are fulfilled based on empirical evidence and available data. By digging into the type of social welfare system promoted under al-Sisi's rule, it will be possible to measure whether Egypt has shifted away from the pre-2011's

exclusive and unsustainable social contract or it has remained trapped into its bottlenecks. The choice of investigating the case of Egypt has been primarily driven by the fact that the country was one of the main protagonists of the Arab Spring and has experienced, relatively recently, the demise of a deep-rooted and long-lasting regime and the rise of a new one. This paper contributes to the efforts of enriching the scarce literature available on the area of social policies in MENA. More specifically, it makes up for the paucity of literature that investigates MENA's social welfare systems through a political economy lens and framework of analysis.

This paper concludes that the government of Egypt has adopted an unsustainable model of social contract to seize legitimacy at the expense of the social and economic domains. In that sense, social protection has been misused to achieve short-term political gains and legitimacy. The main finding of this study is that the Egyptian social protection system, as it has currently been built and used by the ruling elites, shows the signs of an unsustainable and inefficient model that fails in fulfilling all its three functions (economic, social, and political). The policy implication of this study is that Egypt's current social contract is perilously unstable, as it replicates the same old and inefficient model of state-citizen relationship that led to the Arab Spring in 2011. As such, due to the lack of State's legitimacy, the risk of new revolts and instability is just around the corner. The need for new and in-depth reforms promoting a more politically and economically inclusive society is thus essential to change course before the ship sinks.

The study is organised in six core sections. It commences with a literature review (Section II) to provide an overview of the most recent and prominent study emerged in the area of social policy and, to a lesser extent, the social contract in the MENA region in an attempt to emphasize trends, streams of thoughts, and relevant evidence gathered by scholars and development experts. Section III delves into the area of social protection in Egypt by investigating the economic (iii.i), social (iii.ii), and political (iii.iii) dimensions of the system. The scope is to identify relevant features, pitfalls, and shortcomings of social policy in Egypt. The economic analysis investigates the sustainability and breadth of the financial burden stemming from social expenditures by assessing the potential misallocation of resources. The social dimension endeavours to detect coverage gaps and skewness in the distribution of the social protection benefits across social strata by assessing to which extent social protection and social insurance have been built to match the needs and characteristics of Egypt's labour market, inequalities, and poverty. The political dimension investigates the dynamics characterising the current social contract in Egypt and determines which category of the 'three Ps' (protection, provision, and participation) Egypt's social contract delivers. Because the three dimensions are deeply interconnected with one another, each section builds its analysis on the findings of the previous one. Section IV brings together the most relevant findings stemming from the previous sections and organises them in a SWOT analysis. Finally, the paper closes with the conclusion (V), followed by the policy implication (VI) of this paper.

II. Literature Review

Although the first literature on the evolution of social policy in the MENA region traces back to the mid-2000s (Moghadam & Karshenas:2006), this area of study has drawn the attention of academics and development specialists only after the 2011's uprisings. The Arab Spring shed light on the centrality of poverty, inequalities, and social justice for the future of the region. The investigation of the social welfare system and its social, economic, and political function within the social contract, remains the fundamental cornerstone to comprehend these issues.

Some of the most recent studies have emphasised on the evolution, main trends, and current challenges of social policy in the MENA region by assessing changing patterns across countries. The newest book by Jawad et al. (2019) - an extensive compendium of analyses of social policy in MENA built over the concepts of membership, allocation, and entitlement-, complements and engages with the previous work of Osorio et al. (2017) which aims at investigating non-contributory social protection across the region.

Looking at the most recent literature on this area and focusing on the studies embedded within Osorio et al. (2017) and Jawad et al. (2019), this part of the paper aims at investigating major currents of thoughts in relation to social welfare systems and the social contract in the MENA. For the sake of this paper, the emphasis is given to regional trends and, when possible, specific references are made to the case of Egypt.

In MENA countries, the study of the evolution of the social contract, which regulates state-society relationship and social stability, has progressively drawn the interest of scholars, especially after 2011 (Loewe et al.: 2019). There is a wide consensus affirming that the social contract has been the backbone of the longevity of MENA's political system for a considerable time. From the 1950s to the 1970s, the 'authoritarian bargain' (Yousef:2004), fortified by protracted economic growth and redistribution policies, was the compromise whereby the citizens were provided with public jobs, subsidized food and fuel, free health and education, social insurance programmes, and social assistance in exchange for restrictiveness on citizens' political rights. In that sense, the provision of welfare services represented the lifeline of autocratic political institutions in the region. Yet, starting from the 1980s, when economic hardship and shifted political interests restricted the circle of those benefitting from the social welfare system (leading to the proliferation of crony capitalism), the social contract had a crippling social and economic effects and became one of the main determinants of the 2011's upheavals (Loewe et al.: 2019; el-Haddad:2020).

In a 2015 World Bank report, Hassine et al. (2015) reveal how social policy engendered social conflicts by shaping social divisions. The report points at the fall in subjective wellbeing among the lower and upper-middle classes, which were reported to suffer from a deterioration of rights, ingrained corruption, cronyism, and a general sense of unfairness. According to the authors, the 'authoritarian bargain' accounted for all these phenomena.

On the evolution of the social contract, el-Haddad (2020) investigates the case of Egypt in comparison with Tunisia and Morocco and proves the essential role played by the social contract in shaping autocratic versus democratic institutions. She classified three main stages in the evolution of the social contract: the populist-authoritarian phase (1950s-70s), the ‘unsocial’ social contract (1980s-2011), and the post-Arab Spring phase, which saw Egypt deviating from the path of Tunisia and Morocco by retaining and radicalising the “unsocial” social contract by repressive means. In this Hobbesian-style citizen-state relationship (el-Haddad, 2020:8), a key role has been played by the Egyptian army, which has for long co-opted the crony in Egypt and has now gained considerable influence and privileges.

The unsustainability of the type of social contract and social protection peculiar to the region has been stressed by many scholars and development experts, as it has proved to be socially and economically unbearable. Many have stressed how high economic spending did not necessarily translate into better-off societies and poverty reduction because of the misallocation of resources and widespread rent-seeking behaviours.

Loewe (2019) points out at major issues of “efficiency and distributive justice” (Loewe, 2019:38) that contribute to leakages of resources from social policy spending. In his analysis of the social protection systems in the region, the author investigates to which extent the triple function (social, economic, and political) of social protections system is fulfilled, investigating whether it has a positive impact on inequalities, poverty, consumption levels, and social cohesion. It concludes that in MENA, the fulfilment of social protection’s triple functions has failed, leading to social stratification and inverse redistribution (from the bottom-up) of resources in favour of certain societal groups affiliated with the ruling elite.

To reinforce Loewe’s study, Selwaness and Messkoub (2019) identify issues of targeting, benefits adequacy, and population coverage in social insurance and social assistance when reviewing the social protection system in Egypt. The aim is to state to which extent they contribute to social justice and their level of fiscal efficiency. The authors identify a few challenges coming ahead to the social protection system in Egypt, including depreciated pensions due to inflation, social assistance with weak coverage of the poorer population, and high administrative costs. Their findings show that social security fails to cover a great share of workers due to the expansion of the informal market. Accordingly, the authors point at the necessity to reform the social protection system with a holistic approach and in support of the most marginalised and vulnerable population, proving the instability of the current social contract in Egypt.

As the Arab Spring has urged for a radical change, the last decade has been marked by sporadic attempts of reforms across the region. MENA countries have experienced a growing shift towards cash assistance and safety net programmes (e.g. *Karama* and *Takaful* in Egypt). Jawad (2017) theorises that the recent introduction of targeted cash transfers *in lieu* of universal subsidies leaves a big share of the population

in need uncovered. She concludes that the general outcome of cutting on subsidies while creating targeted cash programmes do not tackle the structural drivers of poverty; rather, the risk is to further exacerbate political instability. Conversely, Devereux (2017) sees in the “subsidy dividend” an opportunity for an expansion of targeted social programmes, although it recognises the need to further develop on the targeting methodologies of cash transfers.

In support of Jawad’s study, Messkoub (2019) uses the case of cash subsidies in Iran (2010-2017), bearing that cash transfers used as an anti-poverty measure need to be backed up by substantial and complementary social policy programmes in key human development areas such as health and education.

In the case of Egypt and its fiscal policy, a more recent report from the World Bank (Ibarra et al.:2019) reasons against Jawad and Messkoub as it sees in targeted transfers an opportunity for income redistribution. While assessing the link between different types of fiscal policy and redistribution mechanisms in the country, the report bears that, even if the Egyptian fiscal policy seems to have positive effects on inequalities and poverty reduction overall, it is largely due to “social assistance transfers” (e.g. *Takaful* and *Karama* programmes) and government spending on primary and secondary education (World Bank, 2019:27). Yet, it is noted that a greater impact would be achieved by replacing untargeted and nearly universal subsidies with targeted transfers.

In conclusion, the available literature investigating the social policy in MENA remains scarce, especially on country-specific research. The available literature shows that MENA countries tend to heavily spend on inefficient social policy programmes that have little or no effect on poverty reduction as they fail to address the most vulnerable, thus exacerbating inequalities. The social contract in the MENA region has an important role to play as it has the power to deepen or hamper social stratification, exacerbate or diminish inequalities, and bestow or withhold political legitimacy.

Whilst there is no agreement on the benefits of using cash transfers, evidence suggests that recent attempts at reforming the social welfare system and social contract across the region leave room for improvement. Country-wise, a few studies have emphasised on the instability of the current social contract in Egypt, which is deemed to reproduce an old and inefficient model.

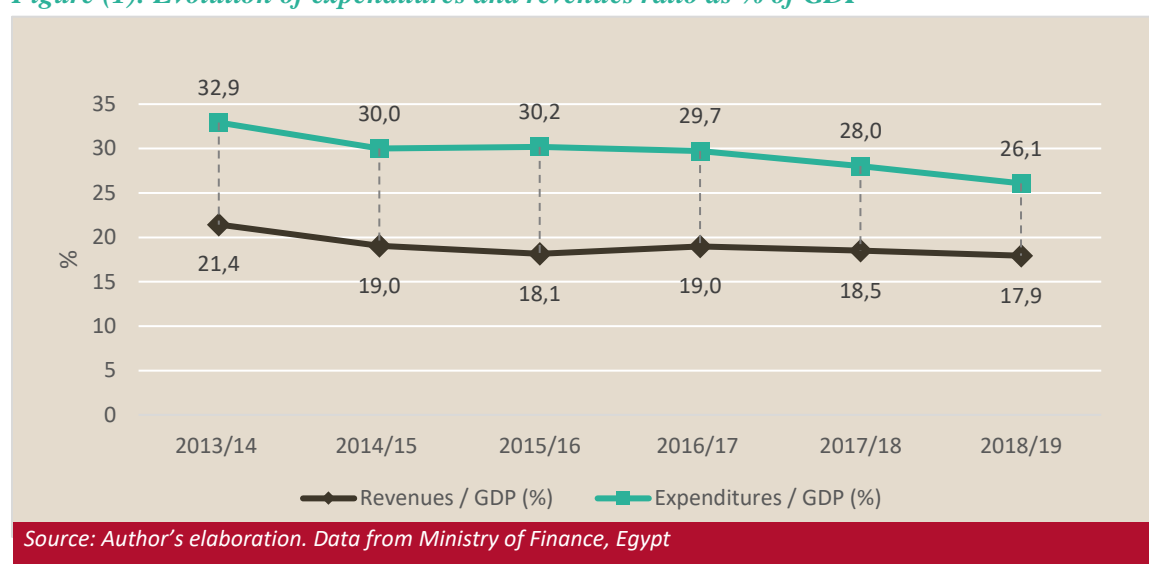
This paper aims at contributing to the existing literature by reinforcing our understanding of the welfare state in Egypt using a political economy approach, along the lines of Loewe’s study (2019), to investigate the social, economic, and political dimensions and the interplay of different state and non-state actors, as well as interest groups, within the social welfare system in Egypt.

III. Diagnostic Investigation of Social Protection in Egypt

iii.i Economic Analysis

Despite recording a slightly decreasing budget deficit to Gross Domestic Product (GDP) ratio since 2016, Egypt displays a consistent gap between the government's expenditures and revenues (*Figure 1*). In the fiscal year (FY) 2018-2019, public spending to GDP ratio was reported at 26,1% against the 17,9% of registered revenues, causing a budget deficit that amounted to 8.2% of the GDP. Such a high level of expenditures compared to revenues produces an “unsustainable imbalance” (Ibarra et al.:2019,16) in the long term, especially when resources are not efficiently allocated and there is low or no return on investments.

Figure (1): Evolution of expenditures and revenues ratio as % of GDP



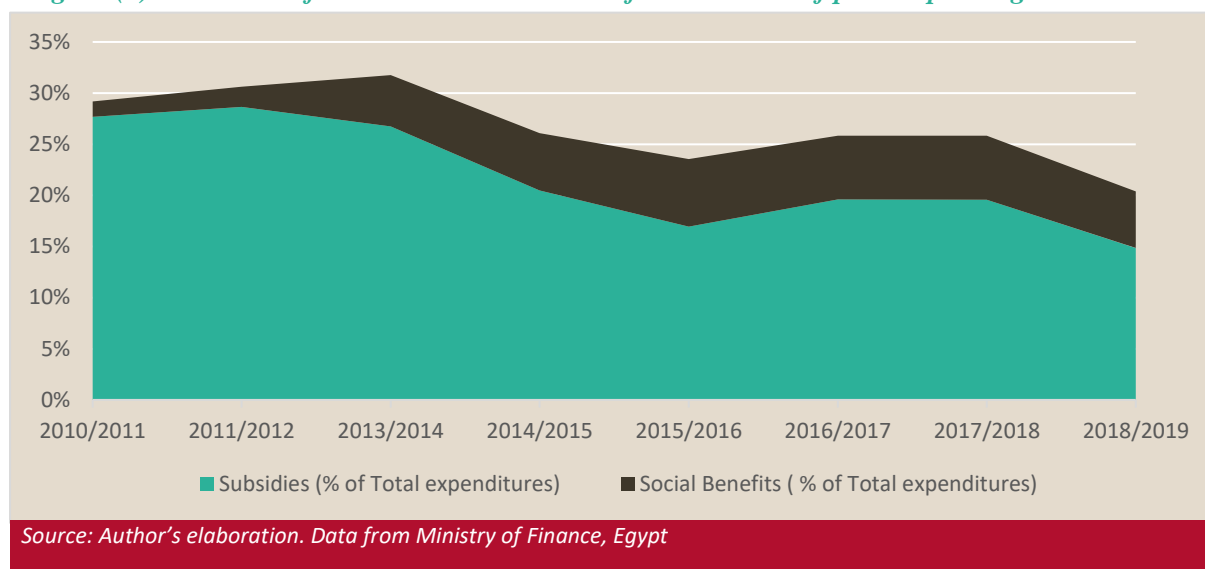
The fiscal burden of social protection accounts for a consistent share of public spending. This includes non-contributory schemes such as energy subsidies (e.g. electricity, liquified petroleum gas -LPG-, gasoline), ration card subsidy and food smartcards, and poor-targeted/means-tested cash transfer (CT) programmes, and contributory schemes such as pension payments (Ibarra et al.:2019). In the FY 2018/2019, subsidies and social benefits¹ made up 14.9% and 5.5% of total expenditures, respectively (*Figure 2*).

Overall, although social assistance (e.g. cash transfers) occupies the main share of all social benefit programmes (almost the 64%) (*Figure 3*), the resources allocated to such programmes remain low in relative terms. Similarly, expenditures on health and education represented a relatively low 1.5% and

¹ Here defined as per the Ministry of Finance as including social security benefits, social assistance benefits, voluntary transfers, and social benefits for employees.

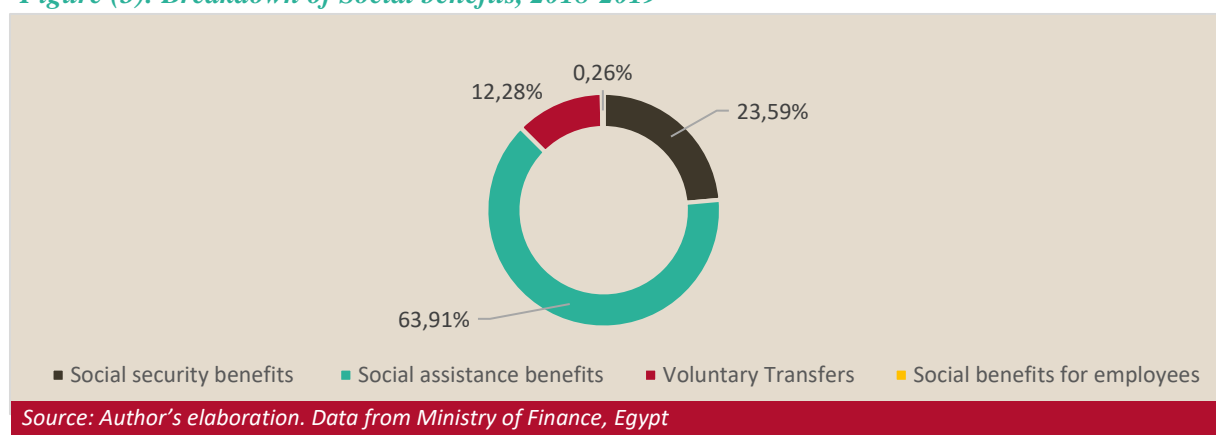
4% of the GDP respectively in 2011/2012 (CAPMAS), especially compared to other countries in the region (Ibarra et al.:2019). Moreover, the resources allocated to these sectors have been absorbed by employees' compensation rather than dedicated to real investments such as the construction of new facilities and purchasing of new equipment (Ibarra et al.:2019).

Figure (2): Evolution of subsidies and social benefits ratio as % of public spending



On the revenue side, direct and indirect taxes along with non-tax revenues (e.g. treasury from Suez Canal surplus) finance Egypt's budget, with indirect taxes financing most of the subsidies. More recently, the GoE has obtained a loan of 400 million dollars from the World Bank in order to finance its food subsidy reforms and the new cash assistance programmes (Jawad et al. 2018).

Figure (3): Breakdown of Social benefits, 2018-2019

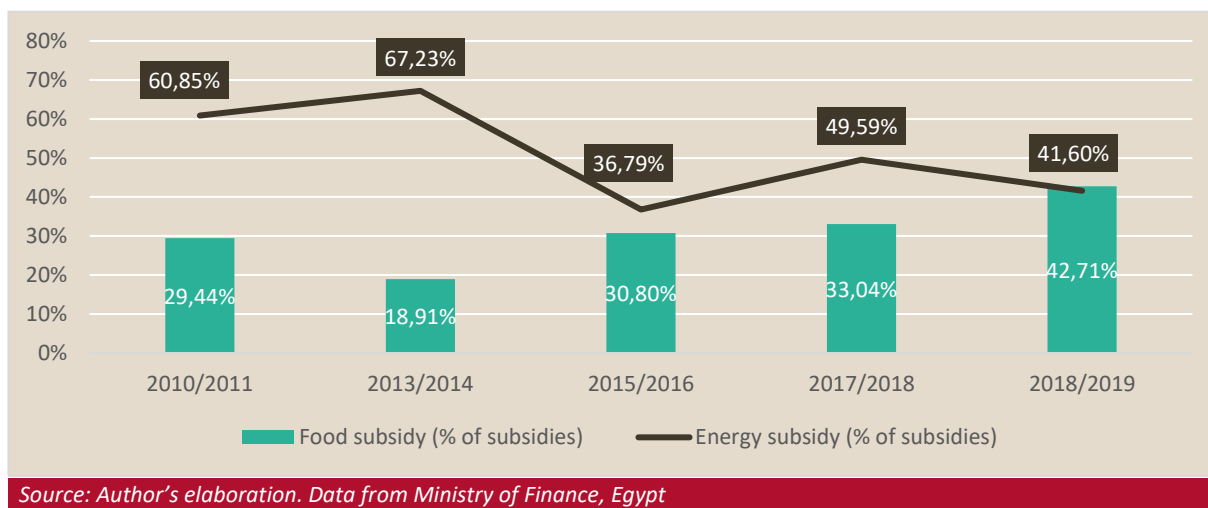


To move toward a more sustainable fiscal policy and decrease the size of inefficient expenditures, the GoE has promoted a package of reforms, mostly addressing the regressive food and energy subsidies that weight on the country's fiscal budget and absorb a big share of the revenues coming from indirect

taxes. The spending cap set by the GoE to downsize the budget deficit accounts for the downward trend on the government's expenditures since 2013 (Ministry of Finance: 2019) (*Figure 1*).

In 2014, the GoE announced a gradual reform on subsidies, foreseeing the phase out of fuel and electricity subsidies over the next 5-10 years (Socialprotection.org, Food and Energy Subsidies:2020). The reform retains the LPG support and “life-line” electricity tariffs to cover the poorer households (Ibarra et al.:2019). Likewise, the *Tamween* food subsidy programme has been overhauled, shifting from subsidies flour and other products toward output-based financing and an allowance-based system (Ibarra et al.:2019) in an attempt to fight the black market and the tampering of prices. *Figure 2* shows clearly the effects of the cut on subsidies overtime, capturing the drop of subsidy spending from 27.67% (2010/2011) to 14.86% (2018/2019) of total expenditures. This steady drop has been driven by the cut on energy subsidies (*Figure 4*), which fell by 20 percentage points from 2010 to 2019, leaving space for an increased share of social benefits spending (*Figure 2*).

Figure (4): Share of Food and Energy subsidies over time



Half of the investments saved from the cut on energy subsidies were re-directed to support the financing of targeted cash transfer programmes (Jawad et al.:2018), as a part of the development plan to shift the focus away from in-kind untargeted assistance to more targeted social safety nets. In 2015, the Ministry of Social Solidarity (MoSS) launched a new set of cash assistance programmes: the *Karama* (dignity) and *Takaful* (solidarity) are poor-targeted and means-tested CTs which have registered 5,419,846 enrolled beneficiaries to the programmes for a cost of EGP 1.7 billion in FY 2015/2016 (Social protection.org, Takaful and Karama:2020). These programmes should support Egypt's efforts to increase its spending on safety nets, which is reported to lag behind compared to the average among MENA (1.1% of GDP) and developing countries (1.5% of GDP) (The Story of Takaful and Karama Cash Transfer Program. | World Bank:2018).

To conclude, Egypt spends heavily on various social protection mechanisms, fiscally bearing the unsustainable burden of inefficient welfare expenditures without showing an adequate expenditure-revenue balance. Despite the wave of reforms commenced in 2014, most of the public spending on social protection remains absorbed by regressive subsidy spending whilst the space dedicated to social safety nets as well as health and education remains limited. Moreover, in order to finance new programmes and have short term outputs, the government is widening its external debt proving the lack of a long-term vision. The next section attempts at capturing whether such high fiscal costs of social public spending have had the expected effects on curbing inequalities, uplifting poverty, and promoting consumption levels.

iii.ii Social Analysis

As pointed out by Loewe (2019,38), failures in the efficiency and redistributive effects of the adopted social protection instruments may invalidate any social and economic return on social spending. In other words, it is not only a matter of quantity (i.e., how much Egypt invests in different social protection schemes) but of quality. To result efficient, the social protection architecture has to be designed in order to match the country's profile in the key areas of poverty, inequalities, and labour market; if not, social insurance and assistance might not only fail in promoting social justice but even be detrimental for social cohesion and stability. In this direction, it is crucial to assess who benefits from public spending on social protection and whether certain segments of the population are being marginalised or favoured by it.

In Egypt, contributory social insurance and non-contributory social assistance are two essential pillars on which social protection is built. They serve, respectively, to provide income security and indemnity in dissimilar circumstances (e.g. disability, old age, and sickness) and to uplift the burden of poverty weighting on the population while stimulating poor people's social and economic reintegration. A non-exhaustive overview of the main social protection instruments classified per category – some of which have been already mentioned in the previous sessions - is provided in [Table 1](#).

Table 1. Relevant Social Protection schemes – Egypt 2020

Programmes	Type of assistance	Description	Targeted population
Social assistance			
<i>Tamween Programme</i>			
<i>Baladi bread programme</i>	Near-cash transfer	Subsidization of loaves of bread for population through smart cards	Poor households
Food ration card	Direct transfer	Allowance-based system, monthly to buy 21 basic food necessities.	Poor households
Social Solidarity Pension	Cash transfers	Cash transfers among households with no able-bodied males. Monthly based.	Households with no able-bodied males
Social Pension Health Care Programme (SPHCP—Health Insurance for Poor People)	Smart card system	Health care benefits for households. Only households who are already recipient of social solidarity pensions, Takaful or Karama are eligible.	Poor and very poor individuals
Social Housing Fund	Housing	It encompasses different social housing programmes such as affordable Mortgage Programme and improved rental subsidy programmes.	Low-income households
School Feeding Programme	Food	Combat malnutrition among students.	Children
Electricity subsidy		Subsidy based on household consumption. By 2022 to be reduced to lifeline tariffs in favour of low-income households.	Household, firms, and industries – by 2020, poor households
Fuel subsidy		Prices of fuels are sold to commercial, industrial, and households at an artificially low rate fixed by the government. The price remains the same across all consumers.	Households, firms, and industries
<i>Takaful Conditional Cash assistance</i>	Direct transfer	Launched in 2014, monthly cash transfer programme based on the conditionality of (a) health care check-ups and (b) the enrolment of children in school. The basic amount is set at EGP325; it increases depending on the school level per child, for a maximum of three.	Poor households with children under 18 years old
<i>Karama unconditional Cash assistance</i>	Direct transfer	Launched in 2014, monthly cash transfer to vulnerable population. The amount is fixated at EGP450 per elderly person/person reporting a disability and EGP350 per orphan. The maximum number of beneficiaries per households is set at three.	(i) Poor elderly above 65 years of age (ii) People with disabilities (iii) Orphaned children
Social insurance			
Social Insurance and Pension Law (no. 148 of 2019)	Universal Insurance scheme	Effective as from 1 st of January 2020. It will replace current laws no. 79 of 1975, 108 of 1976, 50 of 1978 and 112 of 1980.	Different categories of employers and employees

- **Social insurance schemes**

Until the recent reform announced in August 2019, the main social insurance schemes were regulated by a set of different laws (no. 79 of 1975, 108 of 1976, 50 of 1978, and 112 of 1980). They enshrine a complex and fragmented set of social insurance schemes listed as follow, in descending order according to the level of generosity of their benefits: (I) a very conspicuous state-funded public pension scheme goes to the military, armed forces, and secret services; (II) a contributory pension scheme for public and private sector employees; (III) a contributory pension for employers and self-employed people; (IV) a contributory scheme given on a voluntary basis to Egyptian workers abroad; (V) and the social solidarity pension covering all workers, including informal and agricultural workers with a poor, flat pension income (Selwaness & Messkoub:2019; Loewe:2017).

In general, the scope of these pension schemes is to provide insurance in case of old-age, disability, survivors, sickness, maternity, unemployment, and employment injury; yet, insurance benefits are not homogeneously distributed across the different pension schemes, offering a comprehensive package only to public and private workers whilst the other social groups are insured only for old-age, disability, and survivors (Selwaness & Messkoub:2019)

When delving into the domain of social insurance, it is pivotal to trace the profile of the labour market in Egypt to comprehend to what extent the system's coverage is apt to the needs of the Egyptian labour force, especially the working poor. A glimpse to the share of employment per sector highlights the predominance of public sector employment (49%); yet, the share of agriculture's employment remains significance: as of 2019, almost one-quarter of the population is employed in agriculture, against 28% of the labour force employed in the industry sector (World Bank database).

In effect, public employment remains an important source of job creation for the population; it also embodies the essence of the old social contract between the GoE and its citizens. The heavy dependency on an overcrowded and under-resourced public sector for the provision of jobs, coupled with the inadequacy of the private sector to absorb the growing labour force, has led to the expansion of informal employment: an old story that Egypt shares with many MENA countries. Agricultural employment excluded, available data suggest that the share of the population employed informally (i.e., unregistered) is growing, peaking at 53% in 2017, with women holding a significant share (41%) considering their low level of participation into the labour force (World Bank database).

An analysis of the ILO (2019) highlights how informality often coincides with a lack of social security and pensions. Egypt has experienced a declining trend in terms of work quality since 2014, with the number of employees working in precarious conditions and informally (i.e., without a contract, pension nor health insurance) making up over half of the employed population (ILO DWT/Cairo:2019). Because of a huge coverage gap of social security at the expense of informal wage-earners, the pension insurance tends to neglect the most vulnerable as the incidence of informality is higher among low-skilled and less

educated rural workers (Nazier & Ramadan:2015). In fact, while a poor socio-economic background does not appear to be a determinant for informality, low-wage informal employment may lead to poverty (Nazier & Ramadan:2015), especially in the absence of social insurance schemes. Likewise, the rural population employed in the agricultural sector is also neglected. For these segments of the population, the risk of being exposed to income insecurity without any insurance in the event of sickness, work injury, or old age leaves them extremely prone to shocks.

In effect, the coverage of social insurance was deeply linked with public employment: at the time when the availability of public jobs was flourishing, the coverage peaked. Later, with the informalization of the labour market, the coverage rate has declined among the younger cohort in both rural and urban areas (Selwaness & Messkoub:2019). Likewise, the percentage of workers registered in scheme (V) is reported to account for less than one-quarter of the eligible workforce (Loewe:2017).

Overall, employment in the public sector remains a safe harbour for many and a guarantee of benefitting from a pension scheme, as it represents “a form of protection from unemployment and poverty” (Jawad et al:2018,9). Yet, with the shrinking public sector, a significant share of the labour force has converged into the informal sector. In the way pension schemes have been designed so far, they are neglecting the huge share of the labour force employed in the informal market (Selwaness & Messkoub:2019). Given the profile of informal workers in Egypt (i.e., rural, less educated, and low-skilled), the coverage of the Egyptian social insurance system is deemed to target mostly the urban middle class (Jawad et al.:2018).

The recent revision of the social insurance scheme in Egypt through the promulgation of Law No. 148 of 2019 on Social Insurance and Pensions (the “Law”) issued in August 2019 has been effective since the 1st of January 2020. The new scheme overcomes the fragmentation of the previous legislation by unifying all the pension regimes under the same law. It provides insurance in case of old-age, disability, death, work injuries, sickness, and unemployment. Under Law No. 148/2019, the coverage of the previous social insurance model has been extended to some of the previously neglected groups of employees and employers such as for non-regular and seasonal workers (e.g. domestic workers, fishermen, etc), agricultural, owners of sole-person companies, small-scale agricultural farmers and landowners. The revision of the pension system might support the attempt of tackling the coverage gaps of the current social insurance system by extending the eligibility criteria to a previously neglected fraction of the population. However, the real effect and implications of this reform in terms of coverage, adequacy, and social justice are yet to be grasped.

- **Social assistance**

With a GINI coefficient of 31.5 in 2017 (World Bank database), Egypt displays a form of income inequality that is deeply entangled with its spatial dimension, with people in marginalised regions suffering from poverty traps and huge opportunity gaps compared to the urban dwellers of the four biggest Egyptian cities (Verme et al.:2014,37). In terms of poverty, the share of the population reported

to living under the national poverty lines has augmented by almost 16 percentage points since 2000, accounting for 32.5% in 2017/2018 (CAPMAS:2020). In 2017, 3.2% of the population was living in extreme poverty, whilst more than one-quarter of the population in Egypt was living with less than US\$3.20 a day (World Bank database). As pointed out by Selwaness & Messkoub:

“what is remarkable about these figures is the extent of vulnerability to poverty; there are large numbers of people who are just above the low poverty lines who could easily go below it with the smallest change in their circumstances” (2019,96).

In other words, people from the lower-income groups are extremely prone and vulnerable to shocks such as unemployment, diseases, or injuries, and thus in extreme need of insurance and assistance to prevent them from falling off the cliff. According to Abdalla (2018), the upward trend of poverty is a symptom of the failures and shortcomings of social protection and social safety net programmes. The ability to support poor people's reintegration within the socio-economic system while downsizing inequalities plays an important role in the country's stability and economic growth. The relatively steady level of inequalities and poverty in the country may suggest that social assistance programmes in Egypt have failed in fulfilling their scope of upholding social justice. An analysis of the different social assistance schemes points out major trends and gaps in the system.

Universal energy subsidies tend to be regressive and their redistributive effect is very low as middle- and higher-income groups benefit disproportionately more from artificially low prices because their consumption level of fuel and gasoline is typically higher (Jawad et al.:2018; Loewe:2019). A study from the World Bank (Ibarra et al:2019) provides evidence that the recent subsidy reform promoted by the GoE might, in fact, have helped to remove programmes that were cumbersome to the annual fiscal budget but inefficient in combating inequalities and tackling poverty. For instance, data suggests that only 2% of the gasoline subsidies were seized by the bottom 20% of households, whilst the top 20% captured about three-quarters of the benefits (Ibarra et al:2019,35). Conversely, the introduction of lifelines for the electricity subsidy should support the most vulnerable while reducing the share of revenues seized by energy subsidies.

Despite being regressive, in Egypt, food subsidies have historically supported households on the verge of poverty (Abdalla et al.: 2018,110-111). The overhauling of the programme is meant to maximise its impact on poor households. Apart from the evident spill overs on health and nutrition stemming from the restructuring of the programme, a first evaluation carried out by Abdalla et al. (2018) on the 2015 Household Income, Expenditure, and Consumption Survey (HIECS) highlights how the programme's coverage is skewed toward rural households (95.4% against 80.5% of urban areas) and poor beneficiaries has consistently increased their food consumption. In terms of poverty reduction, for the 4.2 million Egyptians at the threshold of poverty, the programme kept them from crossing the line (Abdalla et al.: 2018,130). Yet, challenges in terms of adequacy of the benefits remain to guarantee that

every household in need receives the adequate level of assistance and to avoid that the universality of the programme waters down the level of benefits across income groups. In fact, many recipient households (86%) have reported being unable to cover either partially or substantially their food needs with the new programme (Abdalla et al.: 2018,130).

In order to address the evident failures of social assistance on tackling inequalities, the expansion of a more targeted set of CT programmes have been implemented (Selwaness & Messkoub:2019). Because they are relatively recent programmes, their impact is yet to be understood but preliminary evidence on impact evaluation of the Karama and Takaful CTs has shown that they might have a positive effect on poverty reduction by increasing household consumption (Ibarra et al:2019). The Takaful programme alone has augmented the beneficiaries' consumption spending by 7.3% while decreasing the probability of recipient households of falling under the poverty line of US\$1.90 and national poverty line by 11% and 8%, respectively (Breisinger et al.: 2018).

Due to the low level of public inputs to healthcare and the school system, the low-quality of education and health couples the inefficiencies of the aforementioned social protection systems by further hindering inequalities. High-quality private services remain inaccessible to many low-income households. In the case of education - which is in general deemed to have a strong impact on social mobility by allowing class mobility - this means that inequalities are exacerbated and calcified: the system is at the expense of the rural and poor households that cannot afford the high costs associated with quality education offer from private providers.

The fact that the health system is based on insurance schemes makes it difficult for unemployed or informal workers to access healthcare. The quality and quantity of health facilities available in rural areas are lower than those available in bigger urban centres, typically going at the expense of the lower income households (Jawad et al.: 2018). In general, public health facilities are overcrowded, ill-equipped, and understaffed. What is more, bribes and non-authorized extra payments are often requested to patients and financial constraints were declared to be the main hurdles to accessing healthcare for 70% of the population in the poorest quintile (Loewe:2019,50). Out-of-pocket expenditures accounted for 60% of total health expenditures in 2017 (World Bank database).

Universal health insurance is on the government's agenda but, for the moment, it remains only a vague commitment. In effect, to ensure that the universal health insurance is efficient, sustainable, and feasible, a greater restructuring of the system should take place, starting from an increase of inputted resources (e.g. equipment, trained staff, funds) into the health sector.

More recently, the Ministry of Social Solidarity (MoSS) in Egypt has embarked with the ILO in the creation of a Social Protection Floor (SPF) aimed at magnifying the commitment of the GoE towards a more inclusive and equitable society. The SPF is guided by a rights-based approach and the principle of universality. The idea is to provide every citizen with basic social services and livelihoods, based on

four starting pillars: (I) Basic health care for all; (I) Social Protection of children by guaranteeing nutrition, education, and care; (III) income security for all working-age people (protection from disease, disability, maternity, work injury, and unemployment); (IV) pensions and care for elderly people. The process has started in 2015 and is still at the assessment phase. Overall, the SPF represents an opportunity to expand the coverage and targeting of the current system, helping at filling the gaps caused by the high level of fragmentation.

To conclude, depending on who are the beneficiaries and toward who the benefits are skewed, coverage and targeting of social protection schemes tend to favour a certain fraction of the social groups, engendering social stratification. The social protection system in Egypt seems to provide generous benefits to the military and public sector employees; likewise, workers employed formally have higher and better coverage, especially in terms of social security. Conversely, the poorer income groups are covered by a set of targeted social assistance programmes, although efforts in this sense remain scattered and uncoordinated, possibly leading to overlapping and gaps. Low- and middle-income workers employed in the informal and agricultural sector are likely to be the most neglected by social protection schemes, as they lack access to both poor-targeted programmes and social insurance schemes.

In summation, although social protection absorbs a significant share of the state's budget, its effects on poverty reduction and inequalities have not been maximised due to inefficiency as well as poor and scattered coverage. Overall, huge spending on social protection has not translated into a more inclusive and more equitable society.

iii.iii Political Analysis

Following the 2011's popular uprisings and the consequent toppling of President Hosni Mubarak, a series of political twists and coups have crippled the political stage in Egypt. The country has been in a deep social ferment ever since the revolution and its political stability has been often at stake. In July 2013, the military coup guided by the Army commander-in-chief Abdul Fattah al-Sisi ousted the freely elected President Mohammed Morsi, putting a contrived end to the Muslim Brotherhood's government. Since its installation to power, the new political elite led by President al-Sisi has grasped the importance of seizing political legitimacy to guarantee the longevity and stability of its ruling. Ever since, the GoE has had its hands full in the attempt to keep grievances, opposition thrusts, and social turmoil at bay. Meanwhile, the newly installed ruling elite has been occupied to build a "new" social contract to secure stability.

Loewe et al. (2019) claim that there are three possible types of provision that the state can provide to fulfil its part of the bargain within the social contract i.e., the three 'Ps': (I) Protection and security; (II) Provision of basic services (e.g. education and health), infrastructures, livelihood opportunities, and social security; and (III) Participation and inclusion of the society in the political decision-making.

Following this line of thought, this section attempts to analyse the social contract in Egypt by delving into issues of security, social protection, and participation.

(I) Protection. Security and Rule of Law have been, in effect, an important pillar of al-Sisi's era. Considering the situation of other MENA countries (e.g. Libya and Syria) that have failed to provide protection and lost the control over their territories in the aftermath of the Arab Spring, security has become an important bargaining chip to obtain legitimacy. More interestingly, for the case of Egypt, it appears that security is guaranteed only under the condition of not questioning the government's legitimacy. In that sense, the guarantee of security, especially the personal one, has been used in a rather arbitrary way by the GoE: its bestowing and taking back has been subject to the government's political needs. The government has extended or deduced individual security as it saw fit, often stripping citizens of their entitled protection by crossing and stretching the boundaries set by the Rule of Law. Individual protection has been used as a sort of liability to keep the opposition at bay. Its use as a tool of subjugation has been instrumental in achieving political legitimacy and thwart discontent and anti-regime thrusts.

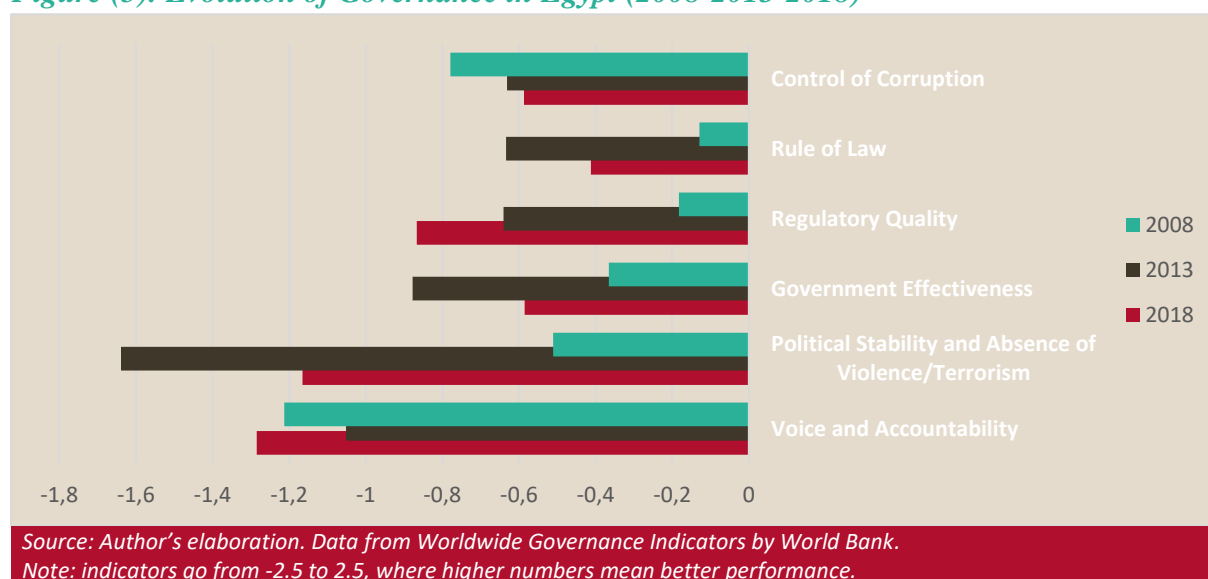
(II) Provision. The newly installed GoE's agenda has focused on strengthening the social contract by reinstating the welfare state. Its commitments to social protection have been enshrined in the 2014's Constitution. These commitments have been slowly backed up by scattered and sporadic policies and reforms, but there is still a long way before considering them fulfilled. The previous section has clarified which are the social groups that are most and least covered by the social protection system in Egypt: it has been noted how the military and public sector workers have been favoured by the current system. From a political point of view, it is not a coincidence. The alliance of these social groups, from now onward referred to as the 'privileged groups', represents an important source of stability and legitimacy for the government. Hence, they have become the favoured recipient of the benefits generated from the social contract.

In particular, the benefits and privileges enjoyed by the army and military groups have grown since 2014. Yet, their benefits have not been limited to the social protection system and their level of infiltration within the economic and political sphere is much greater now than in the Mubarak's era. According to Sayigh (2020), it is unsettling to see how many retired military chiefs and commanders have been discreetly being appointed at the top of key ministries or managerial roles; the study analysed 72 ministries and found out that in 56% of them there was a military presence. A "military retiree is head, deputy head, or sits on the board of directors" of many key ministries and state agencies able to award government contracts (Sayigh:2020,166). These include transport, housing, construction, petroleum, energy, and public infrastructure (Sayigh:2020,166). Because of their presence at the highest political levels, the military has gained a privileged role in terms of economic leverage and has a relationship of mutual interest with part of the business elite who have become privileged sub-contracts

in return to supporting the government's propaganda (el-Haddad:2019). At the local government level, the presence of the military is even more pervasive (Sayigh:2020,169).

(III) Participation. The typical model of social contract adopted by the MENA countries tends to display a lower or complete lack of openness in terms of decision-making. Egypt is no exception: despite the more inclusive thrusts catalysed by the Arab Spring, the old authoritarian ruling model of the Mubarak's era has been reinstated and reinforced by the current government. In effect, the current al-Sisi's government has been often labelled as a dictatorship by many international media outlets, considering it to be even worse than the pre-Arab Spring one. The Worldwide Governance indicators from the World bank reinforce this idea: the Egyptian government has worsened its performance in terms of voice and accountability compared to the pre-Arab Spring era (*Figure 5*). According to this data, Egypt's political liberties have deteriorated over a period of ten years. In effect, pockets of resistance to al-Sisi's installation have been persistent but silenced by force with arbitrary and contentious use of power and repression by the government. It appears that, when political legitimacy could not be seized with the "carrot", the current government has not hesitated to use the "stick" in order to instil acquiescence.

Figure (5): Evolution of Governance in Egypt (2008-2013-2018)



Overall, al-Sisi's new social contract ended up being a replica of the previous one, re-adapted according to his short-sighted political and economic agenda, and worsened by an even more authoritarian grip. In this "new" social contract, the government guarantees security and protection in exchange for legitimacy (although sometimes the state used repression in order to obtain acquiescence) from the Egyptian citizens. It also guarantees, to a certain extent, the provision of health and education, livelihood opportunities, and basic social protection; however, most of the benefits are seized by certain social groups (in particular the government's military affiliates) and coverage remains fragmented and uneven

across social strata. This has produced great benefit gaps between privileged groups (military and public servants) and unprivileged groups (informal workers, lower-income groups).

In short, eight years after the beginning of the 2011's Arab Spring, Egypt is stuck with a repressive, non-inclusive, and controlling government that has permeated the economic and political sectors with its cronies and military affiliates, to whom extraordinary benefits are bestowed at the expense of the large unprivileged groups.

IV. SWOT analysis

Building over the previous sections, this part of the paper brings together in a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis (*Table 2*) the most relevant findings emerged from the study of the economic, social, and political dimensions of social protection in Egypt.

Table 2. SWOT analysis of the social protection system

S	W	O	T
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • State's Provision of security and protection • Expansion of poor-targeted social safety nets programmes • Reduction of budget deficit since 2014. • Relatively high share of the annual budget dedicated to the social protection system. 	<ul style="list-style-type: none"> • Retaining of the pre-Arab spring social contract • State's arbitrary use of protection as a tool of coercion • Low investments on human capital • High investments on regressive social protection programmes • Informality uncovered by pension schemes • Unsustainable and inefficient allocation of resources across social protection schemes • External debt increasing • Coverage gaps, lack of coordination and high fragmentation of social protection mechanisms • High coverage of privileged groups 	<ul style="list-style-type: none"> • The government's political incentive to reinstate the welfare state and expand its coverage and effectiveness to increase legitimacy • Commitment of the government toward reforms of the social protection programmes (e.g. SPF, cut on energy subsidies) 	<ul style="list-style-type: none"> • High spatial and income inequalities • Growing poverty • Use of targeted approach as a panacea • Increasing seizure of the political and economic power from the military and their affiliates • Complete absence of political participation

Economically, a few positive signs should be pointed out: the introduction and consequent expansion of poor-targeted social safety net programmes such as *Karama* and *Takaful*, the reduction of the budget deficit in the last six years, and the relatively high share of the annual budget dedicated to social protection. However, many bottlenecks remain: too little investments in key human capital sectors such as health and education whilst still huge investments in expensive, yet regressive schemes (e.g. energy and food subsidies).

Socially, the current social protection system displays huge limitations in terms of unsustainable and inefficient allocation of resources that do not take into consideration the potential spill overs coming from enhancing synergies and complementarities among different schemes. For instance, higher investments in human capital to improve quality education and health services might double the impact of conditional cash transfers for healthcare and school enrolment. By putting too much focus on CT programmes alone, the risk is to forget the importance of the universality of social protection, hindering any positive impact of these programmes.

Another important hurdle is represented by the mismatch between the needs of the labour market and the social insurance scheme, which leaves informal workers uncovered and vulnerable to income insecurity in case, *inter alia*, of old age, sickness, and disability. Likewise, coverage gaps of social protection at the expense of unprivileged groups (i.e., informal and rural workers, poor population) have dire social and economic consequences. Improvements in that sense are hindered by high fragmentation and lack of coordination among dissimilar schemes. As the privileged groups (i.e., public sector employees, military, urban middle class) tend to capture most of the benefits, the social and economic return on investing in social policies is curbed.

Politically, the State's provision of security and protection is what the current social contract in Egypt is based on. Security remains essential given the fragility concerns currently pervading the MENA region. Yet, the government's arbitrary use of protection as a tool of coercion and to ensure stability may have dire consequences on legitimacy in the long-term. As it is, the social contract model resembles too much the pre-Arab Spring one. As such, it is condemned to failure. Moreover, the expanding concentration of the political and economic power in the hands of the military and their affiliates may further undermine the government's legitimacy. A subsequent risk is that it may facilitate the diversion of funds and benefits on social spending, impede improvements on targeting and coverage of the social protection programmes, and lead to misallocations of resources. As poverty and income inequalities grow in Egypt, the stability of the country is at stake, especially given the low political space given to citizens' participation and the complete lack of government's accountability. Many Egyptians may temporarily have settled with the present non-inclusive model because, for the current historical circumstances, security has become a top priority among MENA countries, especially in light of the crises in Syria, Libya, and Yemen; yet, the need for political inclusiveness might resurface with time

(Loewe et al.:2019). The risk is to have increased discontent and an upsurge of anti-government protests, possibly bringing the country to the verge of a new revolution.

Overall, there are opportunities for improvements created by the new set of reforms (e.g. SPF, Universal Health Insurance, capped subsidy spending) envisioned or under implementation by the GoE, which show the commitment of the government to possibly expand the coverage of social protection and reinforce the social contract. Yet, the political motive behind it and the need for a quick return on legitimacy has led the government to increase its external debt, adopting a detrimental short-term vision to collect immediate gains.

V. Conclusion

The social policy sphere in the MENA region has been a relatively neglected area of study until the 2011's Arab Spring. As the uprisings erupted unexpectedly and unpredicted by the academic community, the 2011's events shed light on the importance of the political economy of the social welfare state for the stability of the region. As of today, the centrality of social protection in shaping the state-citizen relationship and its longevity is now widely acknowledged. A growing -albeit still meagre – literature investigating social welfare systems in MENA is slowly being developed in an attempt to compensate for the paucity of available researches. This study contributes to this effort by delving into the economic, social, and political dimensions of social protection in Egypt.

Economically, this analysis discovers how high investments into the social protection system have not translated into wealth redistribution and a more inclusive society in Egypt. The way resources are allocated across different social protection schemes has defined who is favoured and who is left out from social spending; this paradigm goes generally at the expense of the most in need. Likewise, some protection programmes (e.g. subsidies) seize a higher share of the budget whilst investments in other essential public services such as health and education remain limited. This undermines any possibility of spill overs among mutually reinforcing programmes. For instance, increased spending on conditional CTs for education and health might increase quantitative indicators, but as long as investments in education and health remain low and inefficient, the quality of accessible services will be inadequate to boost returns on human capital investment.

On the social dimension side, social insurance and social assistance result inadequate to tackle the issues of inequalities, poverty, and the labour market in Egypt. Particularly, social insurance leaves a huge part of the population uncovered (namely the working poor employed informally) due to the strong link between formal employment and social benefits. Moreover, inefficiency problems such as the lack of coordination, high fragmentation, and overlapping of social assistance undermine any attempt of the government to amplify the coverage of social protection schemes.

Politically, the breadth of the social protection coverage and benefits dedicated to public sector employees and the military has a strong political motivation. As part of the social contract between the state and its citizens, al-Sisi's regime has shifted the benefits of the social contract toward the privileged social groups, whose political (and sometimes economic) support to the regime is fundamental; in other words, the subjects of the social contract has moved from state/citizens to state/privileged group, from nation-wide to a small circle of cronies.

Moreover, it has been noted how the social contract in Egypt is based solely on the provision of security and protection to the citizens (on the strict condition of absolute acquiescence). Conversely, the provision of social benefits tends to favour the privileged group whilst the state completely fails in providing political participation to its citizens (with the exception of its military affiliates whose presence is endemic in many state offices). Finally, the use of repression has been an important tool to seize legitimacy for the GoE by arbitrarily stripping Egyptian anti-government citizens of state's individual protection.

Overall, the social protection system has been misused by the GoE in order to satisfy its short-term political agenda and need for legitimacy. This has led to favouring a more privileged group of cronies and affiliated at the expense of the masses. In order to fulfil the political function (i.e., guarantee legitimacy and stability) of the social welfare system, the GoE has modelled the social protection system in a way that is unsustainable both economically and socially. In effect, the economic and social costs of obtaining political legitimacy and guarantee stability in the country are coming with a high cost on the economic performance and on the gravity of poverty and inequality in the country. Yet, even legitimacy in Egypt is precarious, as it is based on an old and inefficient social contract model that is doomed to fail. In effect, the way the social contract has been re-built in Egypt after the Arab Spring shows the exact shortcomings and pitfalls of the previous one, leaving the question of the longevity and sustainability of the current ruling model in Egypt.

In other words, social protection is keeping the state's legitimacy alive at a high social and economic cost by favouring a small circle of affiliates over the larger part of the population (i.e., the unprivileged group, notably the poor and marginalised employed in the informal sector and living in rural areas). Yet, the legitimacy of the Egyptian State is hanging by a thread, and the risk of losing it will continue as long as Egypt will not amend the terms of its social contract.

Al-Sisi seems to have realised the importance of improving the inclusiveness of the social contract by extending the provision of social assistance to a larger fraction of the population in order to make up for Egypt's authoritarian rule and consequent lack of participation. The set of reforms commenced in 2014 proves that. Yet, this trend of reforms appears to conflict with the huge benefits and political leverage given to the State's military affiliates, who may hinder any attempt to redistribute the benefits of social protection. Moreover, if the need for social justice, political participation, and inclusive society was the

spark of the Arab Spring, the lack of any societal involvement in the political decision-making process might be detrimental in the long-term. In effect, even if the authoritarian state-citizen contract might endure in the short-term considering the growing regional instability, this model might, sooner or later, result to be not enough for the post-Arab Spring population, possibly leading to new political unrest and anti-government uprisings. The system, as it has been conceived by President al-Sisi, might not have a long life ahead.

More recently, with the 2020's global pandemic of Coronavirus disease (Covid-19), the region is facing new challenges of income redistribution, economic disruptions, and job losses. The most vulnerable and poorer strata of the population are seeing their living conditions worsening by the minute and remain the most affected and exposed to the detrimental effects of the pandemic. As the most marginalised population all over the world struggles, development experts have pointed at the role that social protection systems play and have played before, during, and after this pandemic. If the pandemic is a symptom of the failures of previous policy models, the aftermath of this crisis sets the imperative to review countries' strategies: state's provision of basic public services such as healthcare and social assistance have an important role to play to curb the long-lasting backlashes of this pandemic on the most vulnerable population and, simultaneously, set the stage for a new model lightened by the failures and pitfalls of the previous one.

Arguably, the recent global pandemic and its effects at the societal and economic levels will accelerate the process leading to the unveiling of the flaws and shortcomings of the current social protection and social contract in Egypt. With the waning of the pandemic, Egypt will find itself at an unexpected crossroads: either retaining the old failing social contract model over and over or building a new, more inclusive one.

VI. Policy implication

This paper has concluded that the misuse of social protection schemes by the GoE in order to seize political legitimacy has had dire social and economic costs while failing to fulfil its political function. It has ended up producing an unstable model of social contract which is doomed to collapse. However, it should be noted that this study's main limitation is the inability to incorporate in the analysis a complete evaluation and assessment of the recent reforms that the GoE is currently undertaking, mainly due to the lack of available data on their impact at the time this paper has been written. Considering the breadth of the reforms, their outcome may positively or negatively modify the architecture of the current social protection system in Egypt.

Based on the previous analyses, some policy implications can be drawn from this study to favour the creation of a new, sustainable social contract and improve Egypt's social protection system to guarantee

stability, fight inequalities and poverty to incentivise economic and social spill overs, and promote returns on human capital investments.

First of all, to reinforce the reform efforts toward an overhauling of the social protection schemes is key to enhance a more inclusive and universal social welfare system. Effective and targeted reforms should help guarantee stability to the government and increase the coverage of the social protection system in favour of the larger fraction of the population who is currently being neglected.

Furthermore, improving coverage and coordination while reducing fragmentation of the social protection system will ensure that the benefits of social protection are evenly spread across societal strata without the diversion of benefits at the hand of privileged social groups. A more coordinated and less fragmented system should help ensure that there are no coverage gaps, and no-one is left behind. The political incentive for this is to reduce social division.

Moreover, funds should be allocated more evenly across different social policy instruments to enhance synergies and complementarity. A comprehensive and holistic approach to social protection remains key. Despite the use of cash transfers proving effective in reducing poverty, its impact might be undermined by the lack of a more comprehensive action. Conditionality to school enrolment and health check-ups might have promising outcome in terms of quantity, but if quality of public services remains scarce, the long-term spill over and impact of the programme remain limited.

To increase the investment share on human capital development should be a top priority for Egypt. Investments in health and education should be augmented to expand accessibility, coverage, and quality of services. Efficient investments in health and education may have strong economic and social return while improving the agency of the poor. Progresses in this sense should be achieved in terms of quality and quantity. This should also support the current government's agenda to achieve universality and increase accessibility of these programme while maintaining the adequate quality of services.

Additionally, a good social protection system should combine universality and a targeted approach, as one does not exclude the other. Cash transfers and targeted programmes are important to curb poverty, but they seldom suffice. The risk is to consider them as a sort of panacea for poverty and inequalities; a misconception that can lead to destroying any potential positive impact of these programmes.

Finally, the GoE should see a political incentive in reducing repression and improving accountability and political participation. The demands emerged from the Arab Spring were clear. In order to promote a new social contract and guarantee long-term stability, a more politically inclusive model should be adopted.

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