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Moving from Protection to Production in Egypt

How a multilateral collaboration is paving the way for economic inclusion



SUMMARY

In the past decade, the Government of Egypt has undertaken a series of transformative economic reforms aimed at accelerating growth and ensuring macroeconomic stability. However, although the country has succeeded in strengthening the economy, this has been accompanied by a sharp increase in the cost of living, which has had some adverse socioeconomic impacts, especially on vulnerable populations.

The Government of Egypt, with support from the World Bank, has been quick to respond and to shield vulnerable groups through targeted social protection measures, including the scale-up of **Takaful and Karama**, Egypt's flagship cash transfer program. In close collaboration with the Bank's **Strengthening Social Safety Net Project**, this program has so far reached around 12.8 million individuals across the country. The program coverage continues to grow in view of recent government decisions to expand the program.

In recent years, there has been growing interest within the Government in unleashing the productive potential of the poor and decreasing their dependency on cash transfers. In response, the World Bank country team and the Partnership for Economic Inclusion (PEI) have supported the Ministry of Social Solidarity in launching an economic inclusion pilot **FORSA** ("**Opportunity**" in Arabic) to help 50,000 beneficiaries transition into sustainable employment through a series of activities, including behavioral training, wage and self-employment facilitation, skills development, and coaching.

PEI engagement has been catalytic and contributed to the initial successful design of FORSA. With support from PEI, the Bank team provided guidance and technical support on good models of economic inclusion and graduation interventions, in addition to facilitating knowledge exchange with relevant countries, on experiences and challenges in developing and implementing economic inclusion programs. PEI also supported the necessary diagnostics that informed the design of the pilot and contributed to the development of a dedicated management information system as well as behavioral training that encouraged beneficiaries to enroll in FORSA.

What is unique about this initiative is the strong buy-in from the Government regarding the pilot, and the generation of evidence on the effectiveness of economic inclusion in providing vulnerable populations with sustainable income generation opportunities. The FORSA pilot is poised to play an important role in building a strong evidence base for economic inclusion in the country, and the derived lessons will facilitate the future adoption of economic inclusion programming in Egypt.

Egypt's economy has witnessed strong economic growth in the past two decades.

Egypt is the second largest economy in Africa, with a real gross domestic product of \$302 billion. Although the country has faced several shocks, the annual economic growth rate averaged 4.5 percent between 2004 and 2019, peaking in 2007 at 7 percent before the 2008 financial crisis. However, the economy has also suffered from daunting structural challenges and fiscal imbalances that have constrained inclusive growth and macroeconomic stability.

In recent years, Egypt has carried out an ambitious set of economic reforms with the aim of stabilizing the economy.

These consisted of a new value added tax, adoption of a flexible exchange rate, and the reduction and gradual phase-out of energy subsidies. The reforms had a positive impact on the country's fiscal balance and paved the way for the strong economic growth that followed. However, they also led to a spike in the cost of living, with an inflation rate reaching almost 15.6% according to latest figures from July 2022, with negative impacts on the welfare of many households, especially those of the poor.

The Government of Egypt scaled up existing targeted social protection programs to shield poor and vulnerable populations from the impact of the reforms.

Furthermore, to ensure that the poor did not bear the costs of these economic adjustments, the Government launched the Takaful and Karama conditional and unconditional cash transfer program in 2015. Implemented by the Ministry of Social Solidarity and supported by the World Bank Strengthening Social Safety Net Project, the program is among Egypt's largest investments in human capital development. Its coverage has been expanding over the years; today, it covers nearly 12.84 million individuals, out of whom 51 percent are women. Countrywide beneficiaries of the conditional (Takaful) and unconditional (Karama) cash transfer program include poor women and children, people with disabilities, orphans, and widows.

Additionally, climate change is affecting food security (food availability, food accessibility, food utilization and food systems stability) with direct impacts on human health, livelihood assets, food production, distribution channels, as well as market flows. Furthermore, 70% of Takaful And Karama and FORSA beneficiaries reside in rural Egypt where climate change impacts are most pronounced. The FORSA pilot has been targeting the very poor who are facing several multi-dimensional poverty challenges, including food insecurity, through economic empowerment initiatives based on local agricultural, animal value chains and productive units. This is allowing the employment of poor women and youth within their own villages (curbing rural to urban migration) and enlarging the value added of the community's agricultural specialty, proven to act impactfully on their livelihood.



Beneficiaries of the FORSA program in training session
Photo: World Bank

UNLEASHING THE PRODUCTIVE POTENTIAL OF THE POOR THROUGH FORSA

While Takaful and Karama has been successful in reducing poverty levels, Egypt still faces relatively high levels of unemployment, particularly among women and youth. Globally, the COVID-19 pandemic has further exacerbated these employment challenges, with repercussions expected to be greater for women as they threaten to magnify existing inequalities within the labor market. These factors have highlighted the need to prioritize job creation and implement active labor market interventions to provide vulnerable populations with the means for sustainable income generation.

“The reports and global learning events created by the Partnership for Economic Inclusion show that we need to know now, more than ever, about how to elaborate productive inclusion policies, instruments, and tools that will pave the way for social justice, poverty alleviation, and economic inclusion of marginalized groups in our society. I have been really pleased to participate in the learning events and activities promoted by PEI, which have allowed me and the whole FORSA team to learn about various similar interventions, and to exchange views with experts from different backgrounds and with various types of expertise.

Dr. Atef El Shabrawy, FORSA Program Advisor

With the goal of unleashing the productive potential of the poor, the Ministry of Social Solidarity launched the economic inclusion pilot FORSA (“Opportunity” in Arabic), in 2019. Aware of the risk of dependency on cash transfers, the Government set up Forsa as a pathway for graduation from poverty through employment. By capitalizing on the existing Takaful and Karama database, the FORSA program targets 50,000 poor and vulnerable households in 8 governorates with a strong focus on women and youth. The pilot is leveraging the Takaful and Karama social registry, with 70 percent of beneficiaries coming from among those enrolled in Takaful and Karama and 30 percent from rejected applicants who were close to the poverty cut-off threshold.

FORSA enhances the economic resilience and financial independence of beneficiaries through a diverse set of interventions. The \$50 million pilot provides initial behavioral change training to beneficiaries and then divides them into two main tracks that facilitate access to *wage employment* (30 percent) through job placement, employability skills trainings, and wage subsidies, typically in urban areas, or *self-employment* (70 percent) through asset transfer and enhancing linkages to value chains and markets, in rural areas. Services offered will also include coaching and technical and financial literacy trainings, as well as promoting financial inclusion and savings among beneficiaries.

FORSA'S ROLE IN BUILDING A CRITICAL EVIDENCE BASE FOR SCALING ECONOMIC INCLUSION IN EGYPT

The FORSA pilot program is poised to play an important role in building a strong evidence base for economic inclusion in Egypt. The pilot is not only providing coverage to eligible beneficiaries but also acting as a platform to test various economic inclusion models and measure their effectiveness through an impact evaluation. The pilot will be evaluated to inform efforts to scale up FORSA nationwide and to

support evidence-based policy decisions and program design about economic inclusion. The Government is particularly interested in understanding (i) differences in impact between standalone cash transfer programs versus more comprehensive economic inclusion programs, (ii) impacts on youth employment, and (iii) impacts on women's economic empowerment.

THE ROLE OF PEI WITHIN FORSA - PROVIDING CRITICAL TECHNICAL AND ADVISORY SUPPORT TO GOVERNMENT COUNTERPARTS

The Government of Egypt showed significant interest in learning about global best practices in economic inclusion. Through the World Bank's strong relationship with the Government, anchored in the latter's flagship social safety net program, PEI worked closely with FORSA's task team to provide guidance and technical support on economic inclusion programming. PEI also facilitated knowledge exchanges with other country teams and government representatives through participation in its global learning events and country innovation clinics.

The PEI team further provided help desk support, technical assistance, and funding to support a menu of activities, which have included the following:

- **A rapid market assessment** has been carried out to identify appropriate economic opportunities for beneficiaries based on their profile and location. The study included profiling each of the eight governorates, followed by an assessment of market and business ecosystems in each governorate.

The assessment identified key economic sectors and existing value chains for the design of the self-employment component and analyzed labor market opportunities to inform the design of the wage employment component.



Beneficiaries of the FORSA program in training session
Photo: World Bank

- **A partnership strategy** has been developed as part of the market assessment, to help establish multi-stakeholder and cross-sectoral partnerships to leverage expertise. This strategy will help strengthen FORSA’s advocacy efforts to reach out to stakeholders at the central and governorate level to raise awareness and facilitate efforts to scale up implementation in the future in other governorates.
- **Behavioral change training sessions have been carried out for 86,869 potential beneficiaries to date.** This is important to counter the psychological barriers that the chronically poor may face in breaking out of the poverty cycle. The training has acted as a “nudge” to beneficiaries to rethink their perceptions of self and poverty, the value of work, and financial independence. It has motivated many beneficiaries to enroll in the FORSA program and is followed by a profiling assessment and counselling sessions that help guide them towards one of the two tracks: wage employment or self-employment.

A **baseline evaluation of the FORSA pilot** was finalized in September 2022 and will be published shortly. The questionnaire and policy analysis will provide critical evidence on the impact of

the economic inclusion packages. This will be of great importance for the Government as it follows an evidence-based approach to scaling up its national programs.

- **A comprehensive Management Information System (MIS)** is being developed for FORSA. A Business Process Review document has been developed, capturing all processes and workflow components of the FORSA program cycle, which will serve as the basis for the MIS. The MIS will accommodate the different components (wage and self-employment), the different functions (registration, profiling, counselling and referral, training, job matching), grievance redressal, etc. Such a system is key to effective program delivery as well as contributing towards efforts to institutionalize the program.
- **A communication strategy** was developed for FORSA. This will raise awareness on the program and its objectives and enhance outreach and communication with target beneficiaries and communities as well as other stakeholders, including Government and policymakers, the general public, and partners (civil society, the private sector, etc.).

LESSONS LEARNED TO FACILITATE THE ADOPTION OF FUTURE ECONOMIC INCLUSION PROGRAMMING

Implementation of the economic inclusion pilot will provide the Government with key knowledge and hands-on experience that will be instrumental in the future adoption and scale-up of economic inclusion in Egypt.

Some of the valuable lessons learnt so far cover the following:

- **Building a partnership network.** One of the main driving forces behind the initial success of the program has been its strong network of partnerships. Since the beginning, the FORSA team has continuously held consultations and engaged with various stakeholders, including international organizations such as the Food and

Agriculture Organization of the United Nations (FAO), the International Labour Organization (ILO), the United States Agency for International Development (USAID), and other Government and non-government stakeholders. This dialogue and close coordination helped fostering synergies across partners, which was vital for the sustainability of the program.

- **Selection of implementation teams.** Building strong teams to oversee the implementation of activities at the central and local level, is critical to the success of the program. The FORSA team developed strong criteria for the selection of implementing partners and service providers, and a guiding manual for NGOs to use in implementing the service packages. It has also built a network of volunteers who will be supporting the program in terms of outreach and follow-up with beneficiaries.
- **Knowledge exchange with relevant countries.** The design of the FORSA program benefited greatly from knowledge exchanges with other country governments, NGOs, and multilateral partners.

PEI played an instrumental role in inviting Egypt to participate in several knowledge exchanges, including the PEI Global Learning Event and country innovation clinics. These events created an important space for knowledge exchange among policymakers and practitioners, which helped enhance the capacity of the program team, informed program design, and continues to feed into current implementation of the program.

- **Early engagement with PEI.** PEI was engaged at the inception of FORSA to support the government team in setting the program’s foundations. PEI then played a catalytic role in ensuring an efficient and smooth implementation of the program by supporting the hiring of an advisor to the government minister who has been overseeing design and implementation. The advisor and team were then assisted through knowledge exchanges, a range of diagnostic activities, and access to PEI direct “real-time” technical assistance, all of which maximized the Government’s learning around economic inclusion and increased the chances of scaling up FORSA in the future.

This brief utilizes the definition of **economic inclusion** programs as a multidimensional set of “bundled interventions” that support households and communities to increase their incomes and assets. These interventions are sometimes referred to as productive inclusion, graduation, or community-driven development programs. Common interventions include a combination of cash or in-kind transfers; skills training or coaching; access to finance; and linkages to market support.

The Partnership for Economic Inclusion (PEI) is a global partnership helping governments develop, implement, and scale economic inclusion programs to sustainably increase the income, assets, and economic resilience of extreme poor and vulnerable people. The work is guided by the Sustainable Development Goal to “end poverty in all its forms everywhere by 2030.” The PEI network includes national governments, policymakers, development partners, and non-governmental and research organizations. It is hosted by the Social Protection and Jobs Global Practice at the World Bank and PEI receives funding through a Multi-Donor Trust Fund administered by the World Bank.