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Policy Innovation Case Studies No. 8

Towards a Comprehensive Framework for Social Policies

Evidence from Policy Labs in Egypt





Summary

Policymaking in Arab countries faces several problems: lack of coordination, time inconsistency and dichotomy of policy stances. The objective of this policy innovation case study (PICS) is to examine how the idea of policy labs (Kimbel, 2015) provided a forum for comprehensive discussion of the design on and implementation of social policies in Egypt during 2019. This comprehensive approach relied on three main components: (1) an

inclusive and diversified audience (ministries, parliamentarians, academia, international donors and civil society), (2) an integrated approach (ranging from how to use data for policy decisions to the differences between microeconomic and macroeconomic issues of social policies) and, (3) a gradual and sustainable process (several roundtables leading to a final intensive workshop).

Introduction

When it comes to social policies, two structural problems affect policymaking in Arab countries: availability and use of relevant and timely (qualitative and quantitative) data and the disconnection between the macroeconomic management and the microeconomic implementation of social policies.

First, in recent years, there has been a growing recognition to the importance of integrating macroeconomic and microeconomic management of social policy as two distinct yet complementary areas of decision-making. Indeed, while social policies have always been managed and implemented at the microeconomic level, macroeconomic management has traditionally focused on stabilising prices, controlling fiscal deficits, reducing the role of the state and achieving high economic growth in developing countries in general (Balakrishnan et al. 2016). This, particularly, holds for Arab economies who suffer from several macroeconomic imbalances, hence focused much more on macroeconomic stabilization without

taking into consideration its social implications. Second, the ability to make effective decisions is crucial in a period of economic reforms, notably in a country like Egypt. In order for the government to evaluate alternatives and make informed choices, it must have reliable and timely data upon which decisions can be made. Moreover, data are also required in order to assess the effect of different policies that are implemented (winners and losers, cost and benefit). This is why discussing the role of data in the design, conception and implementation of social policies is indispensable, particularly in the case of Egypt.

Against this background, the Policy Lab events, the main interest of this case study, focused on three main areas. At the microeconomic level, the first roundtable examined the effect of social programs, namely Takaful and Karama. Second, from a macroeconomic perspective as the second roundtable showed how the Ministry of Finance can sustain its social spending without adding further pressure on its budget and the extent different ministries (especially Ministry of Social Solidarity

and Ministry of Finance) coordinate to maximize the outreach of social programs (such as Takaful and Karama) in the decision-making process. Finally, in terms of data, the final roundtable discussed the types of missing data for elaborating social policies as well as the determinants and challenges of a good environment to support research and use data for policymaking.

Policy background

Introduced in the aftermath of the Egyptian agreement with the International Monetary Funds (IMF) in 2016 to undertake a wide economic reform, the case of Egypt's social protection scheme represents an excellent opportunity for analysis and investigation of the potential added value of policy labs to policy problem solving. Value-added tax (VAT) and subsidies deduction were major aspects of this reform program. It is true that these steps helped the Gross Domestic Product (GDP) to reach to 5.3%, the inflation rate to decrease to 8% and also the unemployment rate to drop to 8.9% in 2019. However, on the social front, these steps increased absolute poverty from 27.8% to 32.5% in 2018, according to the latest available data. Additionally, the middle class bore the cost of most of these reforms, leading to more inequalities.

In response to such social hazards, the Egyptian government employed a package of social protection measures, aiming to support the individuals and families, especially the poor and vulnerable, to cope with the repercussions of the economic reform. Only the conditional cash transfer, Takafol and Karama, caters for more than 2.25 million beneficiaries. The latter was quantitatively and qualitatively assessed by International Food Policy Research Institute (Breisinger et al., 2018). The Central Bank of Egypt, the Central Agency for Public Mobilization and Statistics (CAPMAS), the Ministry of Social

Solidarity, the Ministry of Finance and the Ministry of Planning made available to the policy lab event several macroeconomic datasets that are particularly important to examine the social dimension of macroeconomic policies.

Yet, two conditions are required to increase the effectiveness of such policies: (1) the presence of a forum where different social policy issues are discussed with different stakeholders and (2) the availability of data in a more timely fashion, with a wider coverage and potentially additional variables.

Key policy actors

The roundtables and policy lab provided a collaborative space for researchers, government officials, bureaucrats and civil society to grapple with the complex social policy issues facing Egyptian policymakers in 2019. In fact, the goal was to encourage innovative policy reform through deliberative and research-based problem-solving techniques. Since social assistance programmes involve a broad range of policy actors in the state and civil society sector, several organizations were part of the whole process with an inclusive and diversified audience:

- Government institutions: Ministry of Social Solidarity, Ministry of Finance and Ministry of Planning.
- Researchers: Cairo University, the American University in Cairo and University of Bath, Economic Research Forum (ERF), National Centre for Social Researches and Centre des Etudes et Economiques et Juridiques (CEDEJ).
- Civil Society: Masr el Kheir, Nahdet el Mahrousa, Elbashayer Foundation, Egyptian Initiative for Personal Rights.
- International organizations: ILO, UNICEF, the World Bank, IFPRI, the UNDP and the World

Food Program.

- Other actors: CAPMAS (statistical agency) and the British Council.

What was innovative about the problem-solving

Social policies in the Arab region suffer from two main bottlenecks. First, they have always been positioned as afterthoughts that are not really mainstreamed in the design of macroeconomic policies as evidence due to the emphasis on social safety net programmes to vulnerable populations rather than the guarantee of social security across the life course. This is why examining social policies from a macroeconomic perspective is crucial to achieve socially desirable macroeconomic outcomes. Second, despite the significant improvement in the availability of data (particularly household and labour force surveys) in several Arab countries, more focused, harmonized, timely and comprehensive data on social policies, at both the microeconomic and macroeconomic levels, are still lacking. This is why the three workshops tried to dig into these questions from the academic and policy perspectives.

Moreover, two main characteristics explain why this policy lab initiative was innovative. First, it was not a one-time event but rather a gradual and cumulative process over almost a year. Second, these events

were not based on presentations of case studies, but on simulations, hands-on exercises and discussions using real problems and involving several teams from various backgrounds.

Can lessons be learnt for the context in question or other contexts?

What emerges as a key theme from this policy lab case in Egypt is that having a sustainable forum of discussion is crucial for a more effective policymaking process. Indeed, the feedback show that most of the participants supported more regular meetings to discuss policy-relevant issues. Furthermore, the Ministry of Social Solidarity expressed its interest in extending the same process to other policy issues such as gender and social protection.

Brief methodology

The paper is based on qualitative research on three focused half-day roundtable events that were held in Cairo between April and September 2019. Those events led up to a larger two-day event in October 2019 that involved a number of international guests as well as the participants of the previously convened roundtables. The policy lab events at Cairo University were part of a larger project funded by the Carnegie Corporation of New York, partnered with the University of Bath and the British Council.

References

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