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Report No: PAD5163

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$500 MILLION

TO THE

ARAB REPUBLIC OF EGYPT

FOR A

TAKAFUL AND KARAMA CASH TRANSFER EXPANSION AND SYSTEMS BUILDING
PROJECT

November 30, 2022

Social Protection & Jobs Global Practice
Middle East and North Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective {October 31, 2022})

Currency Unit =

1 EGP = US\$0.04

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

ACA	Administrative Control Authority
AF	Additional Financing
ATM	Automated Teller Machine
CAPMAS	Central Agency for Public Mobilization and Statistics
CBE	Central Bank of Egypt
CCDR	Country Climate and Development Report
CE	Citizen Engagement
CCT	Conditional Cash Transfer
CPF	Country Partnership Framework
CT	Cash Transfer
EGP	Egyptian Pounds
E&S	Environmental and Social
ESCP	Environment and Social Commitment Plan
ESMS	Environmental and Social Management System
ESF	Environment and Social Framework
ESMF	Environment and Social Management Framework
ESS	Environmental and Social Standard
FCI	Finance, Competitiveness, and Innovation
FGM	Female Genital Mutilation
FI	Financial Intermediary
FIF	Financial Intermediary Financing
FLFP	Female Labor Force Participation
FM	Financial Management
FRA	Financial Regulatory Authority
FY	Fiscal Year
GBV	Gender Based Violence
GDP	Gross Domestic Product
GFMIS	Government Financial Management Information System
GM	Grievance Mechanism
GOE	Government of Egypt
GRID	Green, Resilient, and Inclusive Development
GRS	Grievance Redress System
HCI	Human Capital Index
HH	Households
HIECS	Household income, expenditure, and consumption survey
IBRD	International Bank for Reconstruction and Development
IFPRI	International Food Policy Research Institute
IFR	Interim Financial Report
IGA	Income generating activity
IMF	International Monetary Fund
IPF	Investment Project Financing
LMP	Labor Management Procedures
M&E	Monitoring and Evaluation

MENA	Middle East and North Africa
MFI	Micro Finance Institution
MIS	Management Information System
MOETE	Ministry of Education and Technical Education
MOF	Ministry of Finance
MOHP	Ministry of Health and Population
MOSIT	Ministry of Supply and Internal Trade
MOSS	Ministry of Social Solidarity
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprise
MSMEDA	Micro, Small, and Medium Development Agency
MPED	Ministry of Planning and Economic Development
NBFI	Non-bank financial institution
NCW	National Council for Women
NGO	Non-Governmental Organization
PDO	Project Development Objective
PBC	Performance Based Condition
PER	Public Expenditure Review
PFI	Participating Financial Institution
PFM	Public Financial Management
PIU	Project Implementation Unit
PMT	Proxy means testing
POM	Project Operations Manual
PRAMS	Procurement Risk Assessment and Management System
PWD	Persons with disability
SACs	Social Accountability Committees
SDGs	Sustainable Development Goals
SEP	Stakeholder Engagement Plan
SSN	Social Safety Nets
SSSNP	Strengthening Social Safety Net Project
STEP	Systematic tracking of Exchanges in Procurement
TA	Technical Assistance
T&K	Takaful and Karama
TKP	Takaful and Karama Program
UCT	Unconditional Cash Transfer
UHS	Universal Health Insurance System
UNR	Unified National Registry
VAT	Value-added tax



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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Egypt, Arab Republic of	Takaful and Karama Cash Transfer Expansion and Systems Building Project	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P179665	Investment Project Financing	Substantial

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input checked="" type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input checked="" type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
22-Dec-2022	31-Dec-2026

Bank/IFC Collaboration

No

Proposed Development Objective(s)

To a) increase coverage and effectiveness of the Takaful and Karama Cash Transfer program; b) expand the social registry to support the targeting of SP programs; and c) enhance access of the poor and vulnerable to economic inclusion opportunities. Effectiveness is defined and measured by pro-poor targeting and intake registration in the TKP social registry.



Components

Component Name	Cost (US\$, millions)
Component 1: Provision of conditional and unconditional cash transfers	448.75
Component 2: Enhancing Delivery systems and institutional capacities	22.00
Component 3: Economic Inclusion/Empowerment Services	25.00
Component 4: Project Management, Monitoring and Evaluation and Knowledge Management	3.00

Organizations

Borrower: Ministry of International Cooperation
 Implementing Agency: Ministry of Social Solidarity

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	500.00
Total Financing	500.00
of which IBRD/IDA	500.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	500.00
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Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2023	2024	2025	2026	2027
Annual	50.00	250.00	90.00	85.00	25.00
Cumulative	50.00	300.00	390.00	475.00	500.00



INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Jobs

Contributing Practice Areas

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Substantial
8. Stakeholders	● Substantial
9. Other	● Low
10. Overall	● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No



Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

Schedule 2. Section I. B. 1. The Borrower, through MOSS, shall adopt, not later than six (6) months after the Effective Date, the Project Operations Manual in a manner satisfactory to the Bank and thereafter implement the Project in accordance with its provisions.

Sections and Description

Schedule 2. Section I. D. 3. If sixty (60) days prior to the Closing Date, the Bank determines that there are measures and actions specified in the ESCP which will not be completed by the Closing Date, the Borrower shall: (a) not later than thirty (30) days before the Closing Date, prepare and present to the Bank, an action plan satisfactory to the Bank on the outstanding measures and actions, including a timetable and budget allocation for such measures and actions (which action plan shall deemed to be considered an amendment of the ESCP); and (b) thereafter, carry out said action plan in accordance with its terms and in a manner acceptable to the Bank.



Sections and Description

Schedule 2. Section I. E. 1. The Borrower shall, through MOSS, hire and maintain an independent entity under terms of reference acceptable to the Bank, to carry out annual performance audits of the Project. The Borrower shall ensure that reports of said performance audits are furnished to the Bank not later than six (6) months after the end of each Fiscal Year during the implementation of the Project.

Sections and Description

Schedule 2. Section I. F. 1. Prior to carrying out activities under Part 3 of the Project, the Borrower shall, through MOSS: (A) enter into an agreement with the Fund under terms and conditions satisfactory to the Bank and as set forth in the POM and paragraph 2 immediately below (“Partnership Agreement”); (B) cause the Fund to, in form and with functions, composition, resources, terms of reference and qualifications acceptable to the Bank and as further set out in the POM: (a) strengthen the independence of its board of directors through revised composition and executive management, including (i) adding microfinance experience to said board, (ii) scheduling regular board meetings, (iii) ensuring the chair of said board is a non-executive member thereof, and (iv) appointing a Fund chief executive officer with expertise in finance and microfinance; and (b) enhance the Fund’s institutional capacity to manage the Project’s Micro-Credit window, including (i) establishing a finance and investment committee reporting to the Fund’s board of directors, (ii) preparing adequate internal risk management guidelines for Fund operations including the Project’s Micro-Credit window, and (iii) selecting an external auditor for the Fund from the FRA accredited list; and (C) cause the Fund to establish and operationalize an ESMS satisfactory to the Bank, in accordance with the ESCP.

Sections and Description

Schedule 2. Section II. The Borrower, through MOSS, shall furnish to the Bank each Project Report not later than sixty (60) days after the end of each calendar semester, covering the calendar semester.

Sections and Description

ESCP, section 1.1. Maintain the Project Implementation Unit (PIU) under the Strengthening Social Safety Net Project (SSSNP), with qualified staff and resources to support management of ESHS risks and impacts of the Project, including a senior social expert overseeing environmental and social activities in coordination with FORSA screening committee at the central level, social officers overseeing environmental and social activities at the local level, a communication officer who will work in coordination with the communication department and will also be responsible for the implementation of the SEP, a GM officer. and appoint or hire a gender specialist as part of the PIU.

Sections and Description

ESCP, section 4.2. Adopt and implement a GBV Action Plan, to assess and manage the risks of GBV.

Sections and Description

ESCP, section 10.2. The GM was established in previous operation. Therefore, publicize, maintain, and operate an accessible GM, to receive and facilitate resolution of concerns and grievances in relation to the Project, promptly and effectively, in a transparent manner that is culturally appropriate and readily accessible to all Project-affected parties, at no cost and without retribution, including concerns and grievances filed anonymously, in a manner consistent with ESS10. The GM shall be equipped to receive, register, and facilitate the resolution of GBV complaints, including through the referral of survivors to relevant GBV service providers, all in a safe, confidential, and survivor-centered manner. As interim arrangements, the Women’s Administration will continue to play the role



of receiving and addressing GBV complaints.

Conditions

Type	Financing source	Description
Effectiveness	IBRD/IDA	Subject to the other provisions of Article IV and Section 9.01 of the General Conditions, the Loan Agreement shall become effective once the Bank has received evidence that all the necessary constitutional procedures have been taken by the Borrower.
Effectiveness	IBRD/IDA	The Effectiveness Deadline is the date two hundred ten (210) days after the Signature Date or such date as the Bank may establish in accordance with the provisions of Section 9.04 of the General Conditions.
Disbursement	IBRD/IDA	No withdrawal shall be made: For payments made prior to the Signature Date.
Disbursement	IBRD/IDA	No withdrawal shall be made: For payments under Category (1) with respect to each PBC as set forth in Schedule 4 to this Agreement, for which a withdrawal request has been submitted, unless the Borrower, through MOSS, has met the condition referred to in (a) above, and provided that payments do not exceed the maximum amounts allocated to the PBC as provided in the Verification Protocol, and also submitted: (i) evidence, in form and substance satisfactory to the Bank, of the EEP incurred and paid, as reported in accordance with the terms of the IFRs and verified pursuant to the Verification Protocol; and (ii) supporting documentation confirming the Borrower's achievement, through MOSS, of the respective PBC or PBCs in form and substance satisfactory to the Bank, as further elaborated in Schedule 4 and as reported in accordance with the terms of the Verification Protocol, including but not limited to a report confirming the achievement of the respective PBC or PBCs.



Type	Financing source	Description
Disbursement	IBRD/IDA	No withdrawal shall be made: For payments under Category (2), until and unless the Borrower, through MOSS, has submitted evidence satisfactory to the Bank that the conditions set out in Section I.F.1 of Schedule 2 to this Agreement have been met.



(i) STRATEGIC CONTEXT

A. Country Context

- 1. For almost a decade, Egypt has adopted a reform focus. The first wave of reforms started in 2014, where the Government of Egypt (GOE) committed to undertaking significant structural, economic, and social reforms to reduce its fiscal deficit and enhance its overall macroeconomic stability by establishing a well-targeted cash transfer (CT) program.** This ambitious plan included an objective to gradually remove energy subsidies through a series of annual electricity price reforms and fuel price increases, eliminating distortions in the foreign currency market and allow the local currency to depreciate, shifting from the Goods and Services tax to the value-added tax (VAT), and concurrently establishing better targeted and effective national social safety net to help mitigate the impact of global economic constraints and the associated impacts of necessary macro-economic reforms on persons/individuals in vulnerable situations.
- 2. Despite the considerable progress that was achieved based on these reform objectives, such as the reduction of poverty rates during the 2019/2020 fiscal year (FY) and significantly increasing the financial inclusion of women, the adverse impacts caused by the simultaneous global disruptions of the COVID-19 pandemic and the war in Ukraine, has resulted in a tightening of monetary conditions, which has aggravated pre-existing pressures on external and fiscal accounts.** The GOE continued its reform efforts and undertook a series of measures to mitigate the negative impacts of the pandemic, including financial sector measures to reduce pressure on borrowers and support affected sectors, expanding the coverage of social safety nets (through the expansion of the Takaful and Karama Program-TKP), extending temporary assistance to two million irregular workers. Due to such efforts, Egypt stood out as the only country in the region with a positive gross domestic product (GDP) growth rate during the pandemic. As part of the second wave of reforms, Egypt introduced, in March 2022, a coordinated set of monetary, exchange rate policy and social mitigation measures in response to the recent macroeconomic developments. The Central Bank of Egypt (CBE) renewed its commitment to an exchange rate regime that reflects the forces of demand and supply. And as of end-October 2022, the exchange rate had depreciated to Egyptian Pound (EGP) 24/US\$ (depreciating by 54 percent cumulatively compared to its value prior to the depreciation that took place last March). The depreciation was the result of CBE's decision to move to a durably flexible exchange rate regime, to determine the value of the EGP against other foreign currencies, while prioritizing the primary goal of achieving price stability and building up sustainable and adequate levels of foreign exchange reserves. The depreciation of the EGP vis-à-vis the US dollar and the hike in international commodity prices, especially of food and energy have fueled domestic inflation, which heightened to 15.0 and 18.0 percent for headline urban and core inflation rates by September 2022.¹ Meanwhile, in tandem with the exchange rate depreciation, the CBE raised key policy rates in March, May and October 2022 by 500 basis points cumulatively in order to curb inflationary pressures. To mitigate against the impact of rising prices and support the economy, in March, July and October 2022, the Government introduced a series of fiscal packages. The packages included expanding social assistance, particularly to people living in vulnerable situations, and increasing pension payments and civil servant salaries.
- 3. Fiscal consolidation is expected to slow down through FY23, but improvements in the fiscal position and debt reduction are expected to continue over the medium-term.** While the budget deficit to GDP ratio continued to decline through FY22, the government debt-to-GDP ratio has increased by end-FY22 due to the valuation impact of the exchange rate depreciation, as well as the extra-budgetary transactions that drive debt accumulation.² These extra-budgetary

¹ CBE and the Central Agency for Public Mobilization and Statistics (CAPMAS) data.

² Official actual data for FY22 and projections for FY23.



transactions may include potential on-lending to government entities, treasury bonds issuances to the Social Insurance Funds (SIFs) to recognize government's liabilities towards them, borrowing from the Treasury Single Account, and the revaluation bonds issuances to the CBE to offset the change in the value of bonds resulting from exchange rate revaluation. The social mitigation packages that the Government announced will mainly affect the FY23 fiscal outturns. The debt-to-GDP ratio is expected to decline over the medium-term, benefiting from favorable debt dynamics, as real GDP growth is forecast to surpass real interest rates in FY2022/23-24.³

4. **Further social reforms are needed to build back better in response to compounded impacts of COVID-19 and the war in Ukraine.** Official figures published by Central Agency for Public Mobilization and Statistics (CAPMAS) for 2019 before the pandemic, showed that the aggregate poverty rate is about 29.7 percent. Effective poverty reduction requires ensuring the alignment of education outcomes, whether in conventional or technical/vocational education, and labor market demands, as this will facilitate job creation, increasing incomes and ensuring better integration of women and youth in the labor market. Since a sizable fraction of the working age population, largely women and youth, is not employed or are engaged in the informal economy, the GOE has recently launched the National Strategy for the Empowerment of the Egyptian Women 2030 and the 2022-2026 National Youth Strategy. Both strategies prioritize the socioeconomic empowerment of women and youth in Egypt via the creation of decent learning and employment opportunities. However, despite these efforts, more needs to be done. Moreover, spatial disparities continue to be an enduring feature, especially between rural and urban areas. Rural Upper Egypt is the region with the highest poverty rates, with about four in 10 of the poor living in this area according to the Household Income, Expenditure and Consumption Survey (HIECS) (2019). While rural areas continue to have the largest share of people living in vulnerable situations, urban areas have also been experiencing an increase in poverty since 2015. Between 2015-2017, poverty increased relatively more in urban areas. In Urban Upper Egypt, poverty rate reached 30 percent in 2017/18 compared to 27.4 percent in 2015 while in rural upper Egypt it reached 51.9 percent in 2017 compared to 56.7 percent in 2015. In Urban governorates, the poverty rate reached 26.7 percent in 2017/18 compared to 15.1 percent in 2015.⁴ Evidence on the impacts of the COVID-19 pandemic also show that urban areas have experienced higher poverty increases. The compounded global crises and their associated global impacts, especially supply bottlenecks, the recent hikes in international commodity prices and international monetary tightening and their pass-through to domestic inflation, result in changes in households' expenditures due to higher prices (food, energy, etc.) which provides an estimate of the short-term welfare loss households (HHs) must face. Therefore, poverty is expected to increase.

5. **Human capital consists of the knowledge, skills, and health people accumulate over their lives and is considered a central driver of sustainable growth and poverty reduction.** People in vulnerable situations in Egypt face educational and health challenges, given that children in vulnerable HHs are most likely to have lower health outcomes and educational attainment. Accordingly, Upper Egypt governorates show relatively lower rates of employment outcomes compared to the rest of the country given their vulnerable situations. As in many countries, a sizeable fraction of people is unemployed (employment rate is 40.1 percent in FY22)⁵ or in jobs in which they cannot fully use their skills and cognitive abilities to increase their productivity. Egypt's human capital indicators can be further enhanced due to the significant impacts of Covid-19 pandemic and particularly in the wake of the war in Ukraine.

³ World Bank estimates are based on fiscal data from the Ministry of Finance (MOF) and GDP data from the Ministry of Planning and Economic Development (MPED). Debt to GDP ratio increased to 88.3 percent by end-June 2022 (up from 87.9 percent a year earlier) mainly on the back of the adverse valuation effect of the exchange rate depreciation. The ratios to GDP are expressed using the new GDP series published by the Ministry of Planning and Economic Development. Thus, fiscal ratios may differ slightly from figures recently announced by the Ministry of Finance.

⁴ CAPMAS (2019), HIECS Bulletin (October 2017-September 2018).

⁵ Calculations based on CAPMAS's Quarterly Labor Force Survey bulletin (QLFS)



6. **The sudden halt in exports of grains from Ukraine and the export shortfall from the Russian Federation and the Black Sea region due to the war in Ukraine have had drastic impacts on global food and nutrition security, particularly for net-food importers like many countries in the Middle East and North Africa.** The war has resulted in unprecedented disruptions of exports of grains and edible oils from Ukraine and the Russian Federation, disrupted shipping logistics beyond the Black Sea region, produced significant food price hikes and poses a serious risk to the next agricultural planting season due to increased fertilizer and fuel prices.
7. **Egypt was one of many countries vulnerable to the economic impacts of the war in Ukraine.⁶ The suspension of grain exports from the Black Sea region has delivered a major supply and food import bill shock.** Egypt imports approximately 12 million metric tons of wheat annually, which accounts for nearly 62 percent of total wheat use in the country.⁷ Up to 66 percent and 25 percent of these imports are from the Russian Federation and Ukraine⁸ respectively. Wheat prices averaged US\$268.5 per metric ton during FY21 and increased to US\$399.6 per metric ton during FY22.⁹ It is worth highlighting that average wheat prices surpassed US\$ 500 per metric ton during May 2022 and averaged at US\$ 492.4 per metric ton during the fourth quarter of FY22. Although prices have recently dropped to US\$394.4 during the first quarter of FY23, considerable uncertainty remains. By mid-June 2022, strategic wheat reserves stood at six months of domestic consumption¹⁰, reflecting the ongoing efforts to diversify sources of wheat imports and boost domestic harvest since March 2022.
8. **The Government also introduced further reforms to the Food Subsidy System including significant investments in food storage (silos) infrastructure to address supply chain disruptions and improve the efficiency of the wheat value chain on the supply side.** These activities are also being implemented within the framework of the World Bank Emergency Food Security and Resilience Support Project (P178926) which introduces short-term immediate relief measures and medium-term interventions to address food security to minimize the impact of consecutive shocks on vulnerable populations, while also supporting a resilient and climate-smart management of the wheat value chain.
9. **Rising food and fuel prices are resulting in inflationary pressures impacting the purchasing power of the population which may result in increasing poverty rates.** The impact of the war in Ukraine on food security has materialized in the form of increased costs of bread, other imported grain, fuel, and fertilizers (affecting domestic agricultural production). The recent increase in inflation poses further pressures on real incomes which were already adversely affected by the income losses reported during the COVID-19 pandemic, notably among women and informal workers.¹¹
10. **In response, the GOE announced macro-economic reforms and policy measures to bolster the social protection system to protect the vulnerable.** Egypt has also reached a staff level agreement with the International Monetary Fund (IMF) on an Extended Fund Facility worth US\$3 billion over a 46-month period. The IMF's program identifies a potential US\$1 billion financing from the IMF's Resilience and Sustainability Facility (RSF). It also projects additional financing of US\$5 billion multi-year financing package of regional and international support (this includes the World Bank's potential financing). As discussed earlier, the Government introduced a fiscal mitigation package in March 2022 (worth EGP 130 billion) (1.4 percent of FY2022/23 estimated GDP) to partially alleviate the impact of the associated rise in prices. This

⁶ WTO, The Crisis in Ukraine: Implications for Trade and Global Development, April 2022

⁷ <https://www.ifpri.org/blog/russia-ukraine-crisis-poses-serious-food-security-threat-egypt>

⁸ ITC Trade Map

⁹ <https://www.indexmundi.com/commodities/?commodity=wheat&months=60>

¹⁰ <https://www.reuters.com/world/middle-east/egypt-has-strategic-wheat-reserves-sufficient-2.6-months-spokesperson-2022-04-04/http://www.msit.gov.eg/details.html?topicID=1626>

¹¹ World Bank, Egypt Economic Monitor, 2021



package included hikes to pensions and public sector wages, tax relief measures, expanding the coverage of the Takaful and Karama cash transfer programs by 450,000 new HHs and raising the minimum threshold of the income tax, among other measures. In July 2022, as domestic prices continued to increase, additional social mitigation measures were announced (in tandem with the fifth consecutive fuel price hike since April 2021), including a further expansion of one million HHs for the Takaful and Karama programs (TKP) to cover almost 20 million individuals; exceptional cash transfers for a period of six months targeting nine million families of pensioners and government workers whose monthly payout/salary is less than certain thresholds, on their Meeza (pre-paid) or ration (food subsidy) cards; and availing two million food boxes per month for six consecutive months through the armed forces, the ministries of the interior, supply and internal trade, social solidarity, and non-governmental organizations (NGOs), at a price of EGP 50 per box, while the cost of the box is EGP 120. In October 2022, the government announced an additional set of measures, including: (i) new measures, such as the revision of the minimum wage, additional lump-sum bonus to government and public employees and pensioners and (ii) the extension of the time span of previously announced measures especially on exceptional cash transfers and delays in the electricity price adjustments.

11. **The ongoing Bank-financed project – Strengthening Social Safety Nets Project (SSSNP), in the amount of US\$900 million, has been progressing well since its effectiveness in 2015.** The last Implementation Status Results Report (ISR) (July 2022) rated Progress towards achievement of project development objective, and overall implementation progress as Satisfactory. Total disbursements under the loans currently stand at US\$871.25 million out of the total loan amount¹² of US\$900 million (or 96.81 percent of the loan).

B. Sectoral and Institutional Context

12. **Notable progress has been made in recent years toward building a more integrated and inclusive social protection system in Egypt through a wide range of programs that are currently in place.** A key cornerstone in the social protection system is the TKP, which as of June 2022, covers 3.69 million HHs (approximately 12.84 million individuals). Women represent 74 percent of card holders/direct beneficiaries, and 67 percent of the cash goes to Upper Egypt. Furthermore, the program covers 27.7 percent of poor HHs in Egypt and has demonstrated strong targeting performance with 81.1 percent of beneficiaries being poor and 12.5 percent being near poor, with only 6.4 percent leakage). Efforts are also underway to consolidate all CT programs under the TKP umbrella through the issuance of a Unified Cash Transfer Law which will allow the integration of the old ‘Daman’¹² program beneficiaries under TKP using the program’s proxy means testing (PMT). Most Daman beneficiaries have already been recertified using the TKP PMT and approximately 1.2 million have been migrated to the TKP. The remaining 320,000 poor HHs do not fall under the Takaful (poor families with children) or the Karama (poor elderly over 65 years of age and poor people living with disability) categorization. The Ministry of Social Solidarity (MOSS) has thus prepared a unified CT law that will effectively dissolve Daman, rendering the TKP the sole CT program in the country. Further expansion of the MOSS Social Registry will allow the GOE to better target other social protection programs including on the sensitive topic of reforming food subsidies. The social registry is currently linked to the Unified National Registry (UNR) led by the ACA and being used for targeting of other social programs.

13. **The World Bank has been engaged in providing technical assistance to the Ministry of Supply and Internal Trade (MOSIT) over the past several years to improve the efficiency and effectiveness of food subsidies.** The first phase of reform included removing duplicates and deceased using the unique identification (ID) as well as removing individuals who do not qualify using single factor criteria: owning an expensive car or a luxurious property. This phase alone managed to remove 10 million individuals who do not qualify for financial support under the current thresholds from

¹² The total loan amount includes US\$400 million under the original loan and US\$500 million under the AF loan.



the ration card system, bringing the coverage down to 64 million people, whilst bread subsidies still cover about 73 million people (World Bank, 2022). Nevertheless, there continues to be room to make registration systems more adaptable, dynamic, and accessible to allow swift registration of people affected by shocks which can be achieved through system improvements envisaged under the proposed project. According to the Public Expenditure Review (PER) (September 2022) conducted in partnership with the Ministry of Finance (MOF) in cooperation with sectoral ministries, including MOSS, further improvements toward the efficiency and effectiveness of food ration cards can be pursued. Most recently, the engagement has sought to leverage the UNR to improve the targeting of the food subsidies, as per the Bank's PER recommendations and has recommended to MOSIT to compare the correlation between ACA's household categorization of five groups (very poor, poor, vulnerable, middle class and rich) versus the distribution of consumption in Egypt's HIECS. Adjustment of the ACA welfare criteria based on this may allow for more granular reallocation of food subsidies, to pave the way for the adjustment of benefits such that poor HHs derive more benefits from the program, while maintaining the middle class and removing benefits from the wealthiest HHs, a key recommendation of the PER.

14. While the existing bread subsidies are already making use of fortified flour, additional ways in which to improve nutritional impact of food subsidies include improving linkages with TKP and the school feeding program, accompanied by behavioral change communication to raise awareness on the determinants and mitigation strategies against malnutrition. On the supply side, the World Bank is also supporting the Government to move toward more resilient food security by introducing several measures in the value chain of wheat and the storage of wheat (Emergency Food Security and Resilience Support Project - P178926). Most recently, at Parliament, the MOSIT raised the idea of forming an ad hoc committee to review bread subsidies reform and to consider a proposal to replace bread subsidies with cash support for the most vulnerable families. This proposal is in line with recommendations in a previous policy paper prepared by the Bank and shared with MOSIT on cash versus in-kind.

15. **The UNR, managed by the ACA and supported by the World Bank, has been instrumental in enhancing the efficiency of the social protection system in Egypt.** The UNR now includes 114 databases in total and links these databases using the unique National ID to include all Egyptian HHs (over 23 million HHs). Furthermore, the UNR is also being used to roll out health insurance plans, profile HHs, cross-check TKP applicants, cross-check applicants for social housing, in addition to other interventions. During the COVID-19 outbreak, the Government also relied on the UNR for cross checks to identify eligible informal workers registered through the self-application portal of the Ministry of Labor and Manpower whilst in mid-2022, ration card benefits were raised for six months to protect against rising prices. With the UNR, together with the expansion of the MOSS social registry, the GOE will be able to better respond to shocks by identifying vulnerable populations in regions affected by economic and climate disasters and more effectively and efficiently reach these HHs as was the case with the pandemic response. The expected result, if the reform of the allocative efficiency of food subsidies transpires, is higher impact on poverty, and food security. The improved targeting could also potentially be used to improve household adaptation to climate change and the targeting of other social programs in the future. MOSS social registry can thus be instrumental in this context as it provides poverty scores for 35 million individuals and is constantly expanding - consequently its linkages with the UNR can help the Government further improve the targeting of food subsidies by providing comprehensive poverty data on registered HHs. It can also be helpful in cases of natural disasters, including climate-related shocks to identify victims, beneficiaries of government actions, and target responses.

16. **Several cash-plus interventions also emerged out of TKP as a result of its solid social registry which includes nine million HHs (35 million individuals) who have applied to TKP.** The interventions promote economic/productive inclusion, awareness on population issues, illiteracy eradication, early childhood development leading to further integration among social safety nets, as well as further promotion of human capital accumulation/development and



enhance the resilience of HHs.

17. In August 2019, the GOE promulgated a new pensions and social insurance law no 148/2019, introducing major improvements in the sustainability, fairness, and incentives of the pension system. It incorporates changes to the policy and administration of the national pension system. The parametric adjustments touch on retirement age, indexation, valorization, minimum lengths of service, and included tightening eligibility requirement for early retirement, temporary lowering of contribution to stimulate formal employment. On the operational and institutional front, the changes include unifying administration of national pension system under the National Organization for Social Insurance, which previously was administrated separately by the Public and Private Sector Insurance Fund (PSIF) and the Government Sector Insurance Fund (GSIF), establishing a specialized pension investment fund, and launching a new complementary Defined Contribution scheme.

18. The government is keen to expand the social insurance coverage and integrate the irregular/casual workers in the pensions system. The government's vision of coverage expansion was translated into a co-financing casual workers' contribution by the Treasury. In fact, under the new law, the MOF pays the employer contribution for the casual workers, as an incentive to have them enrolled in the system. Despite this subsidy, the pension system did not see an increase in the enrollment of the casual workers, as many would opt to enroll in other social assistance programs. This project will allow for a strengthened coordination of the assistance and insurance policies to ensure the social protection programs provide adequate coverage and are offered to the different segments of the vulnerable population to respond to their specific needs.

19. **Further efforts are essential to ensure that the social protection system in Egypt is better coordinated and more adaptive to shocks and is inclusive and accessible to those who need it within the framework of a comprehensive national social protection strategy.** In this respect, the proposed project will build on the lessons learned and recommendations of the most recent independent TKP endline evaluation as well as the FORSA¹³ baseline evaluation, conducted by the International Food Policy Research Institute (IFPRI), see Box 1 for an overview of the TKP evaluations. This is in addition to the recommendations and findings of the Social Assistance Chapter and Social Insurance Chapter of the PER. As such, it will continue to focus on the expansion of TKP to cover additional poor HHs given the impact the program has had on reducing the incidence of poverty and on increasing household consumption, improving diet and nutrition, increasing investments in health and education, and promoting women's empowerment.

20. **The draft FORSA baseline evaluation reported that 77 percent of working-age adults in Takaful beneficiary families are unemployed or underemployed, and only five percent are self-employed.** This high unemployment suggests the existence of a poverty trap or transaction costs in the labor market which could be overcome by a "big push" investment to change employment and earnings prospects for the poor. Workers may be unable to signal their potential productivity to employers or to work in more productive firms, relegating them to unemployment or low wages. Evidence is accumulating that a cohesive set of complimentary interventions that include a transfer can graduate even very poor beneficiaries from poverty. This set of interventions is a bundle of short-term consumption support alongside a one-time transfer of a productive asset, technical training related to that productive asset, regular mentoring, and savings support.¹⁴

21. **The proposed project will adopt a two-pronged approach:** First, it will aim to further enhance the adaptability of

¹³ FORSA is the Arabic word for "Opportunity"/ FORSA is the Economic Inclusion Program.

¹⁴ The State of Economic Inclusion Report, issued by the World Bank's Partnership for Economic Inclusion (PEI), provides a global assessment on the state of economic inclusion programs that reach the extreme poor and vulnerable, drawing on experiences from over 75 countries <https://www.peiglobal.org/state-of-economic-inclusion-report-2021>.



the program by building on achievements to date to improve the program's delivery chain and administrative building blocks in order to enhance its capacity to adapt and respond to shocks and alleviate their impact on the poor; and second, it will seek to work toward the achievement of longer-term development goals by maximizing the program's role in promoting human capital accumulation, a priority area for Egypt in view of the challenges vulnerable HHs face with regards to health and education. This would be achieved through a wide range of activities/interventions, using a multi-dimensional poverty lens. This includes continuing to enforce health and education conditionalities, in addition to introducing a new conditionality that combats early marriage; leveraging the program's social registry and data to continue to scale-up cash plus interventions which tackle challenges related to reproductive health and family planning, illiteracy, child malnutrition and stunting, as well as tackling unemployment and dependence on CTs through economic inclusion interventions; and ensuring that TKP beneficiaries are linked to other services and social protection programs such as food subsidies as well as linking Karama beneficiaries with the Integrated Service Cards for persons with disability (PWD). PWDs face multiple forms of exclusion, to a larger extent than the general population, and are likely to experience multidimensional poverty, lack access to health services, education, and employment opportunities, and are at an increased risk of social exclusion and poor quality of life; and how the project will contribute to promoting human capital, which is directly linked to disability-inclusion, as reflected in the sustainable development goals (SDGs), and associated with inhibitors to productivity as well as correlated with other related factors, including poverty and lack of access to healthcare. In addition to developing human capital, these interventions also help build the resilience of beneficiaries to future shocks.

22. **Under the ongoing US\$900 million Bank-financed Strengthening Social Safety Net Project (SSNP) (P145699),** the TKP has made significant improvements on operational and administrative aspects, including: (i) establishing a solid management information system (MIS) which has helped improve efficiency and effectiveness of the various processes, and which hosts the TKP social registry which to date houses approximately 35 million individuals¹⁵; (ii) introducing digital payments making the transfer of benefits more efficient; (iii) establishing a grievance mechanism (GM) with multiple uptake channels as well as social accountability committees at the local level to promote transparency and citizen engagement (CE) in the program; and (iv) rolling out communication campaigns on program conditionality in addition to distributing SIM cards to beneficiaries to facilitate communication and outreach including awareness activities incorporating content to enhance climate resilience of beneficiary HHs.

23. **The proposed project will build on these achievements to further improve the efficiency and effectiveness of the program by addressing existing gaps and challenges.** This includes: (i) improving data collection for enhanced monitoring of health and education conditionalities and ensuring the operational and financial sustainability of related administrative costs in the longer-term; (ii) further leveraging digital technologies and mobile solutions including for case management and GM, in addition to optimizing the use of SIM cards to enhance communication, outreach, and monitoring; (iii) strengthening and deepening the quality of the grievance resolution including cultivating further coordination with the Ministry's Women's Administration to address gender based violence (GBV) related grievances in accordance with the accountability and response protocol; (iv) develop a program-level CE strategy to facilitate synergies and institutionalization of various CE approaches and rollout beneficiary or participatory monitoring to improve service delivery; (v) scaling-up and expanding communication activities regarding program recertification requirements as well as health and education conditionalities; (vi) enhancing the financial inclusion of TKP beneficiaries; (vii) enhancing the TKP MIS for improved data management and data exchange within MOSS, and with partners and government entities; and (viii) scaling up the pilot program on economic inclusion (FORSA) drawing on lessons learned from the baseline evaluation, and testing different pathways for graduation and economic inclusion.

¹⁵ This figure reflects all applicants to the TKP program, out of which 12.5 million individuals (approximately 3.69 million HHs) were found eligible and are now enrolled in the program.



24. **Efforts will also continue to scale-up economic inclusion interventions (through FORSA) which aim to link TKP beneficiaries to livelihood opportunities, through wage or self-employment in addition to skills development, coaching, and financial literacy, in order to reduce their dependence on CTs and help them ultimately graduate from the TKP.** The economic inclusion component contributes to diversifying livelihoods and increasing financial resilience of beneficiaries and has strong potential to promote access to micro-finance to support green jobs and green businesses. Under Component 3: Economic Inclusion (FORSA), MOSS will address the challenge of financial inclusion of the poor, who otherwise lack access to sustainable lines of credit under the current overall microfinance architecture in Egypt. This will help cater to the needs of poor rural populations which are often served through informal agents/mechanisms offering a restricted range of financial services. Rural financial markets are extremely important for economic growth and poverty reduction. Safe savings facilities, payment services, access to credit, and reliable insurance mechanisms enable poor HHs to reduce vulnerability by smoothing consumption and mitigating risks. Rural income cycles are particularly volatile which makes financial intermediation especially important. The project will also address the promotion of savings which is particularly critical for economic inclusion beneficiaries to help build resilience, promote investment in human capital, and help beneficiaries take advantage of economic opportunities; this would be done by linking beneficiaries to formal financial institutions while also leveraging community infrastructure (i.e. establishing saving groups, etc.). This would also be complemented with financial literacy training which can also promote a culture of savings among beneficiaries.

25. To this effect, appropriately designed financial services will be essential to create an enabling environment for rural economic growth and poverty reduction. The FORSA baseline evaluation highlighted the low use of financial services, with only 1.4 percent of HHs having a bank account and less than one percent using e-wallet services such as Vodafone cash and WE Pay. Under the FORSA program, MOSS will pilot test different pathways of graduation out of poverty (micro-credit under this current operation versus asset transfer under the ongoing additional financing – (AF)) depending on variables including the size of transfer or loan, the level of income or asset needed for graduation, the social feasibility of graduating beneficiaries from the program, and the rates of return of the livelihood projects.

26. **The proposed project will also ensure linkages and complementarity with newly launched national initiatives, namely the “Haya Karima Initiative” and the Family Development Program, both of which include strong social protection/development components.** Haya Karima is a nationwide initiative which targets the integrated development of the poorest Egyptian villages (approximately 4,500 in total) through infrastructure development, economic development, and support to the vulnerable and those most in need.¹⁶ The Family Development Program primarily targets women aged 18-45 through economic empowerment, access to free birth control, awareness raising, etc. Both initiatives are strongly linked to the TKP and related cash-plus interventions and are expected to allow further expansion of these programs in the target areas.

27. In 2017, the National Council for Women (NCW) issued the National Strategy for Egyptian Women Empowerment Strategy 2030 which includes four pillars: (i) political empowerment; (ii) economic empowerment; (iii) social empowerment; and (iv) protection against all forms of violence. The project will support the government in advancing its women empowerment agenda, especially on the economic empowerment front. Through the CT and FORSA program, Takaful and Karama (T&K) women beneficiaries are able to gain financial support and develop income generated activities for financial independence to move away from poverty. In addition, the health and education conditionalities contribute to the social empowerment pillar as they support the enhancement of human capital and

¹⁶ The program also focuses on enhancing environmental awareness, improving waste collection, promoting recycling, as well as increasing green spaces in target villages.



human endowments for girls, and women will participate in literacy programs. Finally, through the soft conditions and behavioral interventions, the project will contribute to combatting violence against women and will further strengthen the capacity of MOSS staff to raise the awareness and address GBV risks through both preventive and response measures. Moreover, the project is aligned with SGD5 aiming at achieving gender equality and empowering and empowering all women and girls.

C. Relevance to Higher Level Objectives

28. **The proposed project is fully aligned with the World Bank’s twin goals of eliminating extreme poverty by 2030 and boosting shared prosperity, measured as the income of the bottom 40 percent in any given country.** The project builds on the design of the ongoing SSSNP, approved by the Board on April 10, 2015, and its Additional Financing (approved by the Board on July 2, 2019). The project is fully aligned with the World Bank Group’s Country Partnership Framework (CPF) for Egypt for FY2015-2019 (discussed by the Board on December 17, 2015) which was extended until FY2021 during the Performance and Learning Review in April 2019, specifically focus area 3 ‘Social inclusion’, and Objective 3.1: Improved access to short-term income opportunities for the poor and increased coverage of the SSN system, as well as Objective 1.4: Strengthened engagement in service delivery. The project is also aligned with the upcoming CPF for Egypt FY2022-2027 (planned for discussion by the Board of Executive Directors in February 2023), specifically Objective 5 – enhanced inclusion through more equitable delivery of key services, and Objective 6 – strengthened systems to promote inclusive, efficient, and effective social protection programs. The project is also aligned, to an extent, to Objective 9 – enhanced measures to mitigate climate change. It is also aligned with the World Bank Group’s Gender Strategy (FY16–23) and contributes to the strategic objective of “improving gaps in human endowments” through complementing CTs with actions aiming at narrowing gender gaps in endowments by raising awareness for women on health, reproductive health, early marriage, and nutrition positive behaviors; increased access to health and education to T&K beneficiaries, and expanding economic opportunities for women through productive inclusion (FORSA program) and financial inclusion through digital payments and access to micro-credit.

29. The project is further aligned with the expanded MENA Strategy Regional Update (“Looking Forward”) (March 2021), including building human capital and strengthening resilience through investments in health and education and early childhood development through the Takaful program conditionalities, and through the expansion and consolidation of social protection programs targeted to the poor and most vulnerable. The project will also contribute to the Strategy’s aim to promote green, sustainable, and inclusive growth. Moreover, the project is aligned with the recently published Country Climate and Development Report (CCDR) for Egypt¹⁷ (November 2022), which calls for both adaptation and mitigation for climate change and the need to build adaptive and resilient social protection systems, in addition to being in line with the Green, Resilient, and Inclusive Development (GRID) approach which promotes the strengthening of social protection systems for their important role in fostering more inclusion, building human capital, bolstering the resilience of the poor and vulnerable to shocks, and preventing non-poor HHs from falling into poverty.

30. The project is also fully aligned with the GOE’s mitigation strategy in the face of the war in Ukraine. It is aligned and builds on the recommendations of the Social Assistance Chapter under the PER issued jointly with the MOF in cooperation with MOSS, as well as the evidence and recommendations of the TKP endline evaluation and baseline

¹⁷ The CCDR highlights climate change will exacerbate Egypt’s current vulnerabilities, with the potential to deepen persistent human development and spatial disparities. Climate change increases uncertainty in availability of water resources, increases heatwaves and desertification, and threatens food security and availability, with the highest impacts on the most vulnerable. The CCDR proposes policy reforms and investments on adaptation and mitigation, which might have distributional impacts, but advocates for careful design and sequencing of the appropriate support mechanisms to protect the most vulnerable.



evaluation for the economic inclusion program “FORSA”, both conducted in 2022. It is aligned with the NCW Strategy, specifically Pillar 3 on Social Empowerment and Protection, in addition to the recent NCW seven policy actions on gender sensitive climate change which aims to leverage opportunities for women within the green just transition. The project is also aligned with the 2023-2027 Government Action Program which includes a pillar on human capital development.

31. The project is also aligned with lessons learned from the MENA region and guidelines for inclusive shock-responsive social protection which called for strengthening social protection systems making them more shock-responsive and more inclusive of vulnerable and marginalized groups. A shock-responsive social protection system is one that can respond flexibly in the event of covariate shocks, such as natural hazards, economic crises/conflict, affecting large numbers of people or communities simultaneously. Furthermore, inclusive shock-responsive social protection recognizes that different groups of vulnerable people are impacted differently by shocks, and thus considers their heterogeneous needs in the design and implementation of the response. Such groups with differing needs and added vulnerability during crises include children, women, persons with disabilities, informal workers, migrants, and forcibly displaced populations.

32. The project also complements other ongoing World Bank operations and engagements targeting human development, including the Supporting Egypt Education Reform Project (P157809) and Transforming Egypt’s Healthcare System Project (P16700), both critical to improving the supply and service delivery sides, while this project will help build the demand side. Component 3 of this project also complements the Catalyzing Entrepreneurship for Job Creation Project (P162835) by addressing the economic inclusion of the poor and vulnerable.

33. The project is aligned with the recently launched and updated World Bank Social Protection and Jobs Strategy “SPJ Compass” which identified five strategic areas of World Bank support to the social protection agenda, namely: establishing a longer-term vision for the social protection sector that can guide institutional and program development to help develop fiscally and politically sustainable universal social protection systems; effective expansion of the coverage of social protection programs to address the different needs of the entire population and ensuring that programs account for the specific needs of many groups who face barriers to access; building more resilient, adaptive and dynamic social protection systems, focusing on their to adapt to idiosyncratic shocks that affect individual people and HHs as well as larger community; the need to significantly increase the scale and quality of economic inclusion and labor market programs; and creating fiscal space for social protection and increasing the efficiency of existing spending. Further, the project is aligned with the Bank’s latest Global Crisis Response Framework, specifically pillars 1,3, and 4 – responding to food insecurity; strengthening resilience; and strengthening policies, institutions, and investments for rebuilding better, respectively.

34. Additionally, the project supports the World Bank’s commitment to promoting human capital development and boosting productivity, as social protection programs have proven to effectively reduce poverty, increase food consumption, improve dietary diversity, and increase the use of health services and school enrollment. Specifically, the project provides income support to poor families and by enforcing conditionalities at early stages and throughout the life cycle, strong human capital stock will be built and accumulated. Improving productivity through economic inclusion services that will later yield a return in the labor market and will contribute to the reduction of inter-generational transmission of poverty. This project is aligned with the Maximizing Finance for Development approach, a high priority area for the World Bank Group, by promoting sustainable private sector solutions through facilitating private sector employment and skills development. Economic inclusion interventions, including asset transfer for integrating youth and women into employment will contribute to efficiency improving technologies through digital payments and the use of tablets for program registration and enrollment, while also ensuring a strong MIS system to monitor household data.



(ii) PROJECT DESCRIPTION

35. The proposed project is a US\$500 million IBRD Investment Project Financing (IPF) loan with performance-based conditions (PBCs), which will be implemented over a period of four years, and which will largely build on the design of the ongoing SSSNP. The project aims to expand the overall coverage of TKP, improve its pro-poor targeting and intake registration in the social registry, and improve access to economic opportunities through FORSA. The project will consist of four components: (i) Provision of Conditional and Unconditional Cash Transfers; (ii) Enhancing Delivery Systems and Institutional Capacities; (iii) Economic Inclusion/Empowerment Services; and (iv) Project Management, Monitoring and Evaluation, and Knowledge Management.

36. The proposed project has been screened for climate change, and the initial screening indicates that the climate change risks on project sustainability are considered 'low'. The main vulnerabilities to climate change in Egypt are related to rise of the Mediterranean Sea levels leading to inundation of coastal areas in and around the Nile Delta, change of precipitation patterns leading to heavy rains causing urban flooding (along coastal areas) and flash floods (in Upper Egypt and Sinai), annual Nile River flooding, rise in average temperature and higher number of excessive heat days in a year, more frequent heat waves, and dust storms. In the short term, potential extreme heat waves, strong dust storms and urban floods could reduce the availability of some services or economic activities and impact interventions to be supported under the project.

Corporate Requirements

Climate Co-Benefits

37. Egypt is highly exposed to natural disaster risks¹⁸. Over the next century, as temperatures increase (+2-6°C) and sea levels rise (+0.25-2.5m), the frequency and intensity of extreme weather is expected to grow.¹⁹ By 2100, annual damages from sea level rise could range from US\$2.1 billion to US\$14.8 billion per year in coastal communities.²⁰ Vulnerable HHs in Egypt live in areas exposed to sea level rise, dust storms, floods and droughts. Relevant maps are presented in Climate Vulnerability and Resilience Annex 4. In addition to being exposed to high climate risks due to the location, these HHs are also more vulnerable to adverse climate shocks because of their disadvantaged living conditions, their reliance on subsistence agriculture, the employment challenges they face, as well as their lack of savings and assets and their limited skills which affect their ability to cope with shocks. Furthermore, predicted decreases in Nile River releases are expected to reduce irrigated land by 22 percent and reduce agricultural jobs by nine percent.

38. Women also suffer disproportionately as they make up 57 percent of the agricultural sector yet are more limited than men in terms of access to formal credit; only seven percent of women farmers have an account at a formal financial institution, compared to 12 percent for men.²¹ Climate change will likely impact food prices and availability in a context where Egyptian HHs spend almost 40 percent of their disposable income on food.²² Market disruptions resulting from the war in Ukraine as well as the decreases in water availability are set to put more pressure on more vulnerable HHs. Climate change can also exacerbate malnutrition, including stunting and bone deficiencies, by impacting household access to safe and adequate food and environmental health. Of Karama beneficiaries, 72 percent are disabled, and 27

¹⁸ *Egypt country profile*, Think Hazard, World Bank Group (2018).

¹⁹ *Egypt country profile*, Climate Change Knowledge Portal, World Bank Group (2018).

²⁰ *Turn Down the Heat: Confronting the New Climate Normal*, World Bank Group (2014), p149.

²¹ World Bank (2021). Irrigation modernization in Egypt: A policy note

²² World Bank (2022). Resilient cities and coastal Economies, Egypt: Background paper of Egypt CCDR



percent are elderly. Keeping the database of Karama beneficiaries current and updated, offers the tool to deliver disaster response assistance to the most vulnerable citizens: the elderly and disabled, at the event of climate-induced disasters.

39. Social protection programs such as Takaful and Karama enable HHs to better cope with climate related shocks, as they can make up for welfare losses and prevent negative coping strategies that interrupt human capital accumulation and perpetuate cycles of poverty and vulnerability. The TKP mainly targets poor rural HHs who face multiple vulnerabilities including a high level of illiteracy, poor access to basic services, malnutrition and poor diet, and high dependence on agricultural activities which are prone to seasonality and weather shocks. In 2018, it was estimated that only 43 percent of HHs have access to sanitary drainage network and 2.5 percent have access to natural gas connections. Also, poor housing materials and leaky ceilings make HHs vulnerable to damage from heavy rains and floods. An impact evaluation of TKP conducted in 2018 showed an increase in food expenditures per adult equivalent to 8.3–8.9 percent for beneficiary HHs as well as an improvement in quality of diets and child nutrition status; it also reduced the probability of beneficiary HHs falling below the poverty line by 12 percent. The endline evaluation conducted in 2022 showed that HHs can use CTs in different ways including increasing consumption, paying debts, investing in productive assets which can result in higher income generation and consumption; it also showed an increase in likelihood of children being enrolled in primary and secondary schools by nine and 21 percentage points respectively. TKP has also successfully put in place strong delivery systems that enabled expansion in response to shocks such as the COVID-19 pandemic and helped HHs avoid negative coping strategies.

40. The proposed project will contribute to the World Bank corporate commitments on climate change. It will continue to support the expansion and development of TKP to improve resilience of targeted populations through adaptation and mitigation activities that are explained in later sections. This is also in line with the CCDR which promotes a people-centered green transformation through mechanisms to support vulnerable groups to adapt to economic and natural shocks and transitions, including well-targeted adaptive social protection systems, and strategies to reskill and upskill human capital for current market needs and upcoming green jobs. It is also in line with the with the GRID approach which promotes the strengthening of social protection systems for their important role in fostering more inclusion, building human capital, bolstering the resilience of the poor and vulnerable to shocks, and preventing non-poor HHs from falling into poverty.

41. **The TKP has successfully established strong delivery systems that enabled the program to cushion the impacts of the COVID-19-induced shock, and which will be critical in mitigating the impact of potential climate shocks on the most vulnerable HHs.** The well-developed and adaptive social registry of 35 million individuals and further grows with its coverage expansion. The social registry has also been leveraged to implement a number of cash-plus interventions which tackle multiple aspects of poverty and vulnerability including eradicating illiteracy, improving housing conditions, improving access to family planning and reproductive health services, all of which help enhance the resilience of HHs and their overall living conditions. Such databases are key for the kind of social protection for the most affected in Operational Response Plans from the CCDR proposed drought risk management system. Takaful and Karama social registry acted as the main entry point in the COVID-19 pandemic for the kind of rapid intervention which is also needed to prevent long term harmful effects of climate shocks. Coping mechanisms such as taking children out of school, infant malnourishment, productive asset sales such as livestock, and incurring high interest debt, can all set back HHs' welfare permanently and can be irreversible.

42. **The proposed project will continue to enhance the TKP social registry to make it more agile and adaptive to allow for swift registration in case of emergencies/shocks including climate related shocks and within the framework of Disaster Risk Management.** It will also continue to leverage the TKP database to further advance cash-plus interventions with the aim of working towards a more integrated social protection system which tackles multiple aspects



of poverty and vulnerability and offer a comprehensive package of services to beneficiaries. These aim to link beneficiaries with the food subsidy system (if they do not have a food ration card), issue free universal health insurance while also improving literacy levels for Takaful mothers, promote reproductive health and family planning, improve child nutrition, and improve housing conditions, which have a positive impact on improving their overall living conditions while enhancing their resilience to shocks (economic, health, climate related, etc.). This will be monitored through the indicator “expanding the social registry to become adaptive and responsive”. Further, PBC 1 (“number of HHs enrolled under the TKP”) will include identification of priority HHs who are residing in climate risk regions.

Gender

43. In 2020, Egypt ranked 134th out of the 153 countries in the Global Gender Gap Index. It ranked 140th out of 153 countries in women’s economic participation and opportunity. According to the World Bank and NCW Women Economic Empowerment Report, only 18 percent of the working-age women are participating in the economy compared to 65 percent of men. The labor force participation rate was at 41.5 percent in 2020 with females representing 15 percent. The low labor force participation of females is due to constraints on their mobility, difficulty to balance between family responsibilities and work (compounded by the dearth of affordable support services –especially childcare), and prevailing norms and beliefs about the prescribed role of women as nurturers and caregivers. Contributing to low female labor force participation rates, the share of women owning their own businesses in Egypt is only 23 percent. While access to finance is one of the major constraints, evidence shows that before taking on credit, low-income producers/microbusinesses need to first learn how to produce, market and maximize profits, which can be costly. In addition, poverty rates remain high, and women are a vulnerable segment, especially in rural areas, where there are also gender inequalities in access to finance, literacy, and other social and economic variables

44. As such, the project will address the gap that exists between men and women in economic and social empowerment as well as their participation in social protection programs through CTs. The qualitative study of the impact evaluation of TKP indicated positive results in gender empowerment under the SSSNP, given that women are the main recipients of the CTs, which has positively affected their ability to make spending decisions, face less of psychological pressures, and place less financial stress for the overall household.

45. Since its inception, the TKP has helped to protect the poorest segments of the population and offered a recourse in the case of shocks. With women being the main beneficiaries of T&K, the program had a positive impact on women's economic empowerment, through the access to cash and the productive inclusion services for income generating activities, on improving their endowments through the access to health and education services; voice and agency since most of the cards are issued directly to the woman within the household, enabling them to be decision makers on how the money gets spent. Following this successful track, this project will contribute to the World Bank corporate commitments on gender and will build on the previous achievements to further decreasing gender gaps in various ways. It also promotes gender equity through the different social protection programs that target women that address overlapping vulnerabilities such as Two is Enough for family planning, 1000 Days Initiative for healthier mothers and children, Waii awareness campaigns on positive parenting, combatting early marriage, eradicating adult illiteracy, promoting financial literacy, and FORSA. These complementary programs and integrative initiatives will also be reflected in the institutional and administrative databases, which will help in improving the access and the quality of gendered data across the different national programs.

46. Focusing on key components of the project, it will continue assigning women as the primary recipients of T&K to further strengthen women economic empowerment and financial independence. This will be reflected in women's financial autonomy, voice and agency, and overall economic empowerment. It will also have a positive impact on the



human development outcomes among children, as it was reported in the recent impact evaluations that T&K female beneficiaries indicate that the cash is spent on better food with higher nutritious value (fruits, vegetables, protein), and on education-related expenses for their kids. Many women have also reported using the cash to cover repayment of debts, an often source of stress affecting women's mental health. In addition, MOSS will tighten the conditionality under the Takaful program by closely monitoring the health and education indicators, which will be segregated by gender to better capture the gender equity. Moreover, MOSS is introducing a new soft condition to combat early marriage. While data on early marriage could be difficult to monitor, MOSS will detect cases of early marriage by the proxy of girls' school attendance and will further investigate the reasons behind girls' absenteeism to ensure it is not due to child marriage within the household. This is in addition to launching a big national campaign to combat early marriage. This new condition protects poor and vulnerable young girls to ensure their human capital potential is not jeopardized. Early marriage has negative consequences on girls' education, employment, fertility, and general well-being.

47. The project will also play a vital role in women's financial inclusion. According to Global Findex 2021, female account ownership is at 24.2 percent while male account ownership is at 30.6 percent in Egypt, which implies a difference of 6.4 percentage points. The project will seek to close gaps in financial inclusion, including through transitioning all HHs into full digital payment system. Under Component 1, supporting CTs, MOSS is promoting financial inclusion by replacing the old TKP cards with Meeza cards, allowing beneficiaries to make digital payment, cash entitlements from automated teller machines (ATMs), and encouraging them to save. Women (70 percent) are the primary card holders of Meeza cards under TKP. In addition, beneficiaries will be offered financial literacy trainings, in addition to access to broad range of financial services under Component 3, including micro credit, savings schemes, etc. In particular, the productive/economic inclusion under Component 3 will address gaps in economic participation and enhance the financial inclusion of women, a key aspect of women's economic opportunities as it facilitates women's control over resources and access to benefits. Female labor force participation (FLFP) and financial inclusion are also closely correlated: women with a job are more likely to open a transaction account and women having a transaction account are more likely to get a credit to finance a revenue-generating activity. Specifically, activities will focus on addressing gaps facing women in order to support their wage employment, such as targeted job matching and job placement services, transportation allowance, and partial coverage of social security as well as linking beneficiaries with partner organizations and NGOs offering hard and soft skills trainings to women and youth. The project will also pilot economic inclusion interventions that include asset transfer to support self-employment of women. This includes offering training to women on the efficient use of the asset across various sectors popular among them i.e., handicrafts, agribusiness, trade, and services and improving their entrepreneurial capacities through non-financial services to allow them to be later linked with microfinance institutions. Monitoring the conditionality under the conditional cash transfer (CCT) will help address the regional gender disparities in human endowments given that the illiteracy rate of young females in Upper Egypt is 24 percent, twice that of their male counterparts, and 10 percentage points higher than the national average for young women. Additionally, girls in rural upper Egypt make up the largest group of those left behind in education. Studies show that girls are 2.3 times more likely not to have ever been to school than boys mostly due to mobility constraints.

48. In terms of addressing GBV, Egypt launched in 2015, its first national survey measuring the prevalence of the different types and forms of gender-based violence inflicted on women and girls between age 18-64, and its impact on women's health, reproductive health, and general well-being. The survey was done in collaboration between the NCW, the United Nations Population Fund, and CAPMAS, and it measured the associated economic costs on families, society, and state. The reportⁱ shows that about 7.8 million women in Egypt suffered from all forms of violence, and it estimates



the total cost of GBV in Egypt to be EGP 6.15 billion.²³ To address this, the World Bank launched a Technical Assistance (Strengthening Operational and Legislative Frameworks for Addressing GBV – P178281) to address GBV, prevent sexual harassment and support a strong service delivery system. Progress has also been made under the ongoing SSSNP to build capacity to better address GBV risks through both preventive and response measures. Building on the ongoing support, the project will further support MOSS and build the capacity of staff to identify and manage the risks of GBV and equip MOSS with the tools needed through establishing networks, enhancing access to resources, and establishing protocols with relevant service providers. The project thus addresses GBV aspects in three ways: it will have a public GM, will develop a survivor centric accountability and response protocol to respond to GBV cases under the program, and will put in place a GBV action plan. The project may also have positive impacts in increasing GBV awareness, intimate partner violence, and combating female genital mutilation (FGM) practices or any other points on social and inclusive development among beneficiaries through inclusion and empowerment messages. The project has a solid, functioning GM, which will be used to flag any gender related abuses/harassment to ensure that proper mitigation measures are put in place. Efforts under MOSS's 'Waii' (awareness) program focus on key messages related to women and girl's empowerment (equal education, combating GBV, FGM and early marriage, women's employment, women's reproductive health, among others).

Citizen Engagement (CE)

49. Throughout the TKP's delivery system, MOSS has integrated systems, processes, and procedures to engage with the project beneficiaries, applicants, and citizens. These are critical features of TKP to achieve greater transparency, program effectiveness and efficiency, and accountability. Building on the ongoing CE approaches of the SSSNP, the project will support expanding the scope and the quality of such CE approaches and move towards systematic institutionalization. The complementary CE mechanisms that are embedded throughout the delivery chain enables MOSS to listen to citizens, program applicants, and beneficiaries in order to improve transparency and awareness of the program, address concerns, and reflect on their feedback and suggestions to improve the program procedures and performance by closing the feedback loop.

50. Specifically, the project will support the following CE mechanisms in the delivery system through: (i) communications and outreach efforts to the target populations, applicants, and beneficiaries as per the Stakeholder Engagement Plan (SEP), (ii) continued strengthening of the program GM, which includes FORSA module, to achieve greater timeliness of resolution, resolution quality, user experience, and coordination with the MOSS' Women's Administration to embed a well-established and fully functioning survivor centered accountability and response protocol that includes referral systems to accessible, quality GBV services and support, (iii) further enhancement and institutionalization of Social Accountability Committees (SACs), which are the multi-stakeholder groups that serve as the government and citizen/beneficiary interface on services related to TKP, and rolling out beneficiary or participatory monitoring as part of the enhancement of such government-citizen interface, and (iv) systematic integration of beneficiary satisfaction questionnaires or modules in the annual performance audits and/or the planned program-level impact evaluation. A brief non-technical and anonymized summary of the findings of the beneficiary satisfaction and how those findings are informing TKP will be made public. Furthermore, the project will support the development of program-level CE Strategy to harness synergies and systematic institutionalization of various CE mechanisms.

²³ The Egypt Economic Cost of Gender-Based Violence Survey (2015): <https://egypt.unfpa.org/sites/default/files/pub-pdf/Costs%20of%20the%20impact%20of%20Gender%20Based%20Violence%20%28GBV%29%20WEB.pdf>



A. Project Development Objective

PDO Statement

51. To a) increase coverage and effectiveness of the Takaful and Karama Cash Transfer program; b) expand the social registry to support effective targeting of SP programs; and c) enhance access of the poor and vulnerable to economic inclusion opportunities.

PDO Level Indicators

52. The project development objective (PDO) will be measured by the following indicators:

- i) Beneficiaries of social safety net programs (of which, beneficiaries of safety net programs, unconditional cash transfers; of which women; of which people living in climate vulnerable areas) (measures increase in overall coverage).
- ii) Program beneficiary households who are under the poverty line (measures accuracy of targeting²⁴).
- iii) Increase in number of households included in the MOSS social registry (measures expansion in the social registry).
- iv) Percentage of HHs registered in MOSS social registry that have their demographic, health and education data updated at least once per year (measures effectiveness of social registry system in keeping key socio-economic data updated).
- v) Households registered in MOSS social registry that have their demographic, health and education data updated once a year, including populations in vulnerable areas.
- vi) Beneficiaries receiving economic inclusion opportunities (of which, are residing in TKP beneficiary households; of which services are utilized by women of which, are PWDs; of which are people living in climate vulnerable areas).

B. Project Components

53. The project will consist of four components, as follows (*a detailed description of project components and their implementation arrangements is further presented in Annex 1*).

54. **Component 1: Provision of Conditional and Unconditional Cash Transfers (US\$448.75 million).** This component will support the provision of conditional and unconditional CTs to beneficiaries under the TKP using a results-based approach, with eligible expenditures comprising CTs. As of June 2022, 3.69 million HHs are benefitting from the TKP under the SSSNP.

55. *Takaful* (solidarity) is a CCT program providing income support to HHs with children under 18 years of age (with a maximum of two children). HHs receive a monthly transfer, if children between six to 18 years of age attend a minimum of 80 percent of school days; and that mothers and their children under six years of age attend a minimum of three

²⁴ Source: HIECS 2019/2020 and World Bank calculations. Beneficiary incidence is used to indicate targeting accuracy by seeing how many beneficiaries are in different groups of the population as the program aims to reach poor HHs – a higher share of program beneficiaries being in the poorest 30% of HHs indicates strong targeting accuracy. Household groupings are measured in terms of pre-transfer welfare



annual health care clinic visits to monitor maternal and child health and wellbeing²⁵. The conditionality element works toward improving education and healthcare outcomes with the aim of promoting human capital accumulation and breaking cycles of inter-generational poverty. It also serves as a nudge to influence behavioral changes over the longer term. *Karama* (dignity) is an unconditional cash transfer (UCT) program which targets the elderly poor (over 65 years of age), orphans, widows, and poor individuals living with permanent and severe disabilities, through the provision of monthly income support.

Takaful (Benefit Level)		
Mother with Children	Monthly payment (EGP)	Equivalent (US\$)
Base amount	325	16.63
0-6 years	60	3.07
Primary School Child	80	4.09
Preparatory (middle) School Child	100	5.12
High School Child	140	7.16
Other parameters: Capped at 2 children (highest education level) and paid to female head of HH.		

Karama (Benefit Level)		
Number of elderly persons or living with a disability	Monthly payment (EGP)	Equivalent (US\$)
Persons living with a disability transfer value	450	23.03
Elderly transfer value	450	23.03
Orphan transfer value	350	17.91
Other parameters: Capped at 3 eligible members of HH and paid to each individual separately.		

56. **TKP utilizes Proxy Means Testing (PMT) methodology for targeting beneficiaries.** The PMT formula is developed based on a series of statistical regressions using the HIECS, and is frequently updated, considering the most recent available data. Through an automated process, the formula is run for applicants, who then receive PMT scores, and eligibility is determined through the PMT score (against a predetermined PMT threshold). Verification measures are undertaken including cross-checking through Egypt’s UNR using applicant ID numbers.²⁶ For Karama applicants with a disability, the PMT approach is coupled with the International Classification of Functioning assessment whereby applicants undergo a functional disability assessment conducted by a trained cadre of medical commissions to determine the functional and social impact of the disability, and to certify their eligibility to qualify for the program. TKP recertifies beneficiaries every three years. The process of recertification involves administering an updated application form to existing beneficiaries and applying the most updated PMT formula.

57. **In October 2021, MOSS concluded the development of a new PMT formula based on the 2019/2020 HIECS.** The formula attempts to capture the multi-dimensional nature of poverty covering aspects such as demographic and household characteristics, asset ownership, ownership of agricultural land (using different land size categories by region), housing conditions, education, employment, etc. To verify the performance of the new formula, it was found that the formula identifies other deprivations such as HHs whose heads work in informal jobs, HHs who declare that food consumption is barely sufficient or insufficient to meet their dietary needs, and HHs with insufficient caloric intake. In practice, MOSS has addressed the relationship between poverty, age, gender of the head, and marital status by setting different PMT cut-off scores by head age, marital status, and disability.

58. Component 1 will support the expansion of the TKP in all 27 governorates, prioritizing areas with the highest poverty and vulnerability to climate change, using the Egypt CCDR to produce integrated vulnerability hotspot maps across Egypt’s various governorates to reach 4.6 million beneficiary HHs by the end of the project to help reduce the exclusion of poor HHs. The component will co-finance the increase in coverage of CTs until government budget kicks in

²⁵ Child growth monitoring, nutrition awareness, regular immunization, anti-natal and post-natal care for women.

²⁶ Containing information such as ownership of assets; enrollment in social insurance schemes, among others.



to fully absorb the expansion – this was the case with the previous expansion plans under the AF where the Government co-financed over 88 percent of all CTs. The additional HHs will be from among the HHs already registered in the TKP database. The increase in coverage will include new applicants as well as the remaining eligible HHs from the old social solidarity pension system (Daman) who will be recertified using the PMT (the remaining number of HH under Daman is only 320,000), as part of the process of dissolving Daman.²⁷ Beneficiaries will continue to undergo recertification every three years (current batch is 1.5 million HH needing recertification - this work was delayed in light of COVID-19 and MOSS has a backlog of HH requiring recertification) in line with the original program design to ensure they remain eligible for CTs. In parallel to the 4.6 million beneficiary HHs supported by MOSS, an additional 400,000 HHs will receive CTs through the National Coalition for Community Development Work, in coordination with MOSS to avoid duplication and ensure complementarity. This will bring the total number of Egyptian HHs receiving CTs to five million.

59. According to the CCDR, Egypt faces growing climate challenges ranging from uncertainty of timing and volume of available water resources; densely populated cities and coastal areas are exposed to at least one major climate or environmental risk including flooding, health stress, air pollution, desertification, and sea level rise.²⁸ Furthermore, environmental interventions lead to interruption of fishing activities in some areas in Egypt which affects livelihoods of affected populations. In view of these challenges, priority will be given to rural areas that are highly dependent on agriculture as well as coastal governorates as well as areas around the Nile Basin. This is in addition to border governorates, many of which already suffer from flooding.

60. **Building resilience through CCT and other cash plus interventions.** This component will help build resilience through CCT and other cash plus interventions by supporting the expansion of TKP to cover poorer and more vulnerable HHs to ensure they have access to food and nutritional needs and mitigate any food insecurity risks during climate shocks. Enrolling all TKP in the food ration card promotes further resilience of HH's to deal with food or climate shocks. This will be monitored through PBC 4 "*expansion of TKP social registry*". The component will support implementation of the health and education conditionalities which have a positive impact on human capital accumulation and can help break cycles of intergenerational poverty. It will also introduce a new conditionality to combat early marriage which is common in rural upper Egypt, and which has an impact on health, high fertility, school drop-out, and low FLFP. Although it is hard to directly detect early marriage among girls, MOSS will track the conditionality through girls' school drop-out rates. As part of the monitoring track, MOSS will be able to detect this information through the proxy school attendance conditionality and girls' absenteeism and will accordingly deploy social workers to investigate the reasons for the high rate of absenteeism and drop out.

61. The project will also focus on further leveraging the TKP social registry to include data on climate-vulnerable populations in addition to linking beneficiaries to cash-plus interventions including: the '*First 1000 Days*' which promotes resilience and food security providing additional support to help Takaful mothers enhance children's health and nutrition which tackles the challenge of child stunting in areas prone to extreme weather in Egypt²⁹; '*Decent Housing*' which improves housing conditions that are degraded by heat, drought, and sea level rise (fixing roofs, providing access to potable water); '*No Illiteracy with Takaful*' to help eradicate illiteracy among Takaful mothers (currently at 60 percent) according to data collected by MOSS. '*Two is Enough*' provides women with access to subsidized birth control and reproductive health services aligning with the National Family Empowerment program which aims to promote family planning to lower the fertility rate which is currently 3.171 births per woman. This is in addition to scaling up the

²⁷ The PMT score is calculated based on household characteristics, asset ownership, and housing conditions and since the start of TKP in 2015, three PMT formula were developed based on the 3 successive HIECS while also drawing lessons learnt from implementation of the original PMT.

²⁸ Egypt CCDR

²⁹ Child stunting in Egypt currently stands at 13 percent and anemia below 5 years of age, stands at 43 percent.



economic inclusion program FORSA through Component 3 to promote sustainable livelihoods and job creation for the poor including youth and women. Efforts will also continue to link beneficiaries with other social protection programs such as food subsidies card, free health insurance, as well as ensure TKP alignment with 'Haya Karima' to help efforts to expand coverage and maximize the impact of such programs.

Implementation of Education and Health Conditionality

62. **The program will also continue to observe health and education conditionalities under Takaful as follows:** families with children aged six-18 years will be supported by the program, if children attend a minimum 80 percent of school days, and that mothers and children under six years of age attend a minimum of three annual health care clinic visits to monitor maternal and child health and well-being. MOSS will also introduce a new conditionality on: (a) combatting early marriage; and a soft conditionality or nudge around (b) illiteracy eradication of Takaful mothers, both of which are expected to have a positive impact on girls and women's education, reproductive health and overall well-being for women and girls.

63. **Under the education conditionality, this component will support expanding Takaful coverage to additional HHs/ students in primary, preparatory, and secondary education in general education, Azhar schools, and nursing schools for at least 80 percent attendance as the condition for compliance.** Given the lessons learned under the SSSNP, the proposed PBC "*Education conditionality – school attendance compliance reaches 80 percent*" - would be a scalable PBC (latest figure reported/baseline is 63 percent). The project would focus on basic education and would not address compliance for higher education Takaful beneficiaries, and would leverage progress made under the ongoing project, including: (a) memorandums of understanding (MOUs) between MOSS and the ministries of education and technical education (MOETE), and health (MOHP) for nursing schools, as well as Al-Azhar for Azhari schools; (b) data collection procedures and protocols; and (c) incentives paid to promote data collection at the level of schools.

64. **Under the health conditionality, the project would aim to build on and expand on the activities initiated under the ongoing SSSNP.** The project would support through a dedicated PBC, the compliance of beneficiaries to at least three yearly health facility visits and access to an integrated package of: (i) preventive health and immunizations; (ii) child health, nutrition and anthropometric monitoring; (iii) maternal health, family planning and reproductive services including combating FGM practices; (iv) clinical services with referral to appropriate higher levels of care; and (v) health promotion activities including education on healthy life style, early detection of disease and nutritional education classes. The project would aim to attain a 40 percent compliance rate for the conditionality by beneficiaries (latest figure reported/baseline is 19 percent). The program would also closely integrate with the mandatory Universal Health Insurance System (UHS) during its gradual roll-out through different Governorates in areas such as information technology integration and data transfer, monitoring of eligibility/compliance for both programs, and refined targeting mechanisms (all TKP beneficiaries are automatically eligible for a fully state subsidized enrollment/empanelment under UHS). Finally, the project will ensure that TKP beneficiaries have adequate access/enrollment in other national programs e.g.: (i) Family Development Program³⁰, and expanding on the '*Two is enough*' initiative to support Egypt in achieving a demographic dividend; (ii) '*100 million healthy lives*'³¹; and (iii) using the TKP database to support mothers/children under the '*1000 days*' initiative to promote healthy nutrition and address stunting.

65. **Component 2: Enhancing Delivery Systems and Institutional Capacities (US\$22 million).** This component will

³⁰ A 5 pillared program of women economic empowerment, family planning, communication, legal and enhanced IT platforms.

³¹ A group of 12 recurrent public health campaigns targeting all age groups with specific screening and prevention activities (e.g., pre-marital screening and genetic consultations, non-Communicable diseases, school-age screenings, liver and kidney health, women's health, combating anemia, breast cancer, mass immunizations, Hepatitis B & C screening and treatment, etc.



support enhancing the system building blocks including targeting, quality, and institutionalization of the TKP operational systems to support GOE efforts to improve TKP effectiveness and efficiency. Withdrawals under this component will be made against eligible expenditures for specific activities set out in the Procurement Plan. This component will support technical assistance (TA) and investment in the design and implementation of TKP operational systems, including: (i) update of registration, database cross-checking, enrollment, case management and beneficiary data; (ii) continuous relevant update of the PMT formula as needed; (iii) timely, regular, and systematic recertification of beneficiaries, an adequate institutionalization of such approaches in MOSS, and clear communication to beneficiaries on recertification; (iv) systems and data collection improvement of conditionality monitoring and verification; (v) enhancement of payment delivery systems, including follow-up on distribution of Meeza cards to all beneficiaries and examining how they can be further leveraged to enhance the financial inclusion of beneficiaries; (vi) expansion and strengthening of CE mechanisms, including quality advancement of grievance resolution under the Grievance Mechanism (GM) coordinated by MOSS, which entails for instance, enhancement of GBV related grievances management, systematic institutionalization of SACs, rollout of beneficiary or participatory monitoring, and integration of beneficiary satisfaction questionnaires and/or modules in the annual performance audits and/or impact evaluation; (vii) development of a program-level citizen engagement strategy to harness synergies and support systematic institutionalization of various CE mechanisms; (viii) follow-up on the provision of SIM cards to facilitate communications with beneficiaries and optimize their use to support monitoring and evaluation (M&E) activities; (ix) leveraging of TKP social registry for cash-plus intervention including improving the flow of information across social programs and the management of social programs' information leading to the implementation of more integrated and responsive cash plus initiatives; and (x) promoting use of digital technologies in program operations as well as support enhancements to the TKP MIS. Activities under Component 2, will also include building the capacity of the Rural, Environmental and Industries Support Fund (also referred to as the "Rural Fund" in this document), under MOSS, as the entity implementing Component 3 which focuses on micro credit activities.

66. In addition, this component will focus on improving the administrative infrastructure and enhancing automation of MOSS offices; and strengthen institutional capacity through provision of training for staff. This component will also include communication activities targeting TKP beneficiaries to enhance awareness and knowledge of the program and its requirements (eligibility criteria, recertification, conditionality, etc.). Under the communication activities, MOSS is developing a communication awareness campaign targeting HHs to address early marriage, combating FGM, reproductive health, rights of PwDs, positive parenting, literacy among others. The campaign will also include change behavior messaging including resilience to climate change (e.g., water conservation measures, diversification of cropping systems), anti-littering, proper waste management and protection of resources. This component supports building a registry of PwDs for the Karama program. The registry will document the types and severity of disability by governorate, gender, and age to enable MOSS to further link PwDs to other support and integrated services. The project would aim to address data collection challenges, particularly for Al Azhar schools and MOHP's nursing schools to help improve quality of data collection and availability of data supporting compliance.

67. **Promoting adaptive and shock-responsive social protection including comprehensive and agile registries will allow the Government to respond more quickly to climate-related crises by identifying and targeting emergency cash transfers to existing or new beneficiaries, in response to onset of climate-related disasters.** Through this component, the project will continue to enhance TKP delivery systems to enhance the program's adaptability and responsiveness to various shocks. It will aim to further expand the TKP registry to help identify populations living in climate vulnerable areas to ensure a rapid response during crisis while also reaching these populations through the various interventions as part of mitigation and resilience building efforts. The expansion of the registry represents the cornerstone of an adaptive system and creates a unique window of opportunity to establish 'adaptive' social protection programs as an integral part of the Government's disaster risk management strategy in the long run. Similar to Component 1, this will



be monitored through PBC 4 (“*Expansion of TKP Social Registry*”). Through the enhancement and expansion of the TKP social registry, the project will include information on direct project beneficiaries, indirect beneficiaries, non-beneficiaries, former-beneficiaries, and vulnerable people. This provides a full picture of vulnerable people (including their names, locations and needs) and can allow the Government to respond more quickly to climate-related crises by identifying and targeting emergency cash transfers to existing or new beneficiaries, in response to onset of climate-related disasters.

68. The project will also continue to strengthen the capacities of social units at the local level to support beneficiaries through the life of the project including with registration, enrollment, grievances, and case management. It will continue to improve payment delivery systems and enhance the financial inclusion of beneficiaries which helps reduce overcrowding and minimize transportation.

69. **Component 3: Economic Inclusion and Empowerment Services (US\$25 million).** With the objective of leveraging formal financial services to graduate TKP beneficiaries and integrate them into the formal economy, the project will adopt a - dual - comprehensive and integrated approach to foster economic inclusion through: (i) enhancing efficiency of service delivery through financial literacy, digital financial services (under components 1 and 2) and (ii) addressing credit market failures for potentially viable first-time micro-borrowers registered in the TKP registry to build stronger foundations and expand economic opportunities to viable micro-entrepreneurs (Component 3).

70. Leveraging digital financial services – particularly in rural areas - remains an opportunity to enhance efficiency and effectiveness of the program delivery and build stronger foundations for inclusive and sustainable graduation efforts. In the context of the TKP, the IFPRI FORSA baseline evaluation³² carried out under the SSSNP, only 1.4 percent of HHs have a bank account, indicating an untapped potential for economic inclusion. According to the evaluation, access to bank accounts or financial services was also very low. Catering for the needs of the ultra-rural populations which are often served through informal agents/mechanisms offering narrow range of financial services is expected to contribute to enhance the transparency and effectiveness of the program. The project is targeting – under components 1 and 2 –to facilitate access to formal financial services to rural areas through a combination of financial literacy trainings to promote savings, use of formal payment services and pave the way to build the credit culture to facilitate future access to credit to potentially viable entrepreneurial beneficiaries.³³ Relatedly, beneficiaries who already have access to mobile wallets or bank accounts should ideally be able to receive the benefit transfers into those accounts rather than being issued a Meeza card.³⁴ To this effect, further financial deepening interventions can also be assessed to promote alleviation from extreme poverty through piloting reliable savings and insurance mechanisms that reduce vulnerability of HHs by smoothing consumption and mitigating risks.³⁵

71. Economic inclusion could also be enhanced through addressing challenges of access to credit particularly to

³² The FORSA baseline evaluation collected information on key characteristics which are expected to be predictive of future program outcomes, prior to the start of the FORSA program. The household survey conducted for that purpose included various modules including on assets, employment history, skills, income expectations, food consumption and non-food consumption, financial inclusion, debts and savings. An endline survey will re-survey the same HHs two years later to measure the impact of FORSA

³³ This includes focused efforts to scale up payments and delivery through the Meeza cards and expanding use cases in addition to providing targeted trainings to beneficiaries on its functionalities at ATMs, POSs including for bill payments and P2P transfers. Beneficiaries could be educated to leverage the new InstaPay wallets to initiate transfers to bank accounts, other Meeza cards, e-wallets and to make merchant/e-commerce payments.

³⁴ POM will include details on the potential to leverage digital payments to enhance service deliver, expand opportunities to access formal financial services including savings and microinsurance products as part of project implementation.

³⁵ Meeza cards can be used to pay insurance premiums or pay loans back.



selected first-time borrowers – registered in the TKP registry³⁶. As part of project preparation and appraisal, the Bank advised MOSS to conduct a rapid phone survey in order to determine particular challenges pertaining to access to credit for the target population (TKP potential graduates).³⁷ This exercise aimed to build robust evidence that the segment of program beneficiaries who are engaged in income generating economic activities are unable to integrate into the formal financial system through (Non-Bank Financial Institutions (NBFIs) and banks), especially first-time borrowers.^{38,39} A summary of the key results is as follows: demand for the proposed modality is evident, as 57 percent are willing to engage in an income-generating activity/start a business for the first time—hence demonstrating entrepreneurial activity; 28 percent tried to apply for a loan to start a business. When asked about their views on impediments to be tackled, 76 percent of respondents requested reducing the cost of borrowing; while 33 percent mentioned facilitating the processes for having access to finance. This suggests the existence of a poverty trap or transaction costs in the labor market which could be overcome by a “big push” investment to change employment and earnings prospects for the poor.⁴⁰

72. The design of Component 3 is thus intended to assess the potential of strengthening economic inclusion efforts for around 30,000 beneficiary HHs through appropriately designed loan products⁴² to support viable⁴¹ eligible borrowers⁴² –with entrepreneurial potential - to grow their micro businesses and integrate this segment into the formal financial market in the future. The proposed design is meant to benefit/target only first-time borrowers with sound business ideas and a clear understanding of the obligations involved in debt but who are otherwise unable to access formal credit.⁴³ This will be complimented by providing TA to strengthen financial literacy⁴⁴ ahead of the loan origination step to increase the chance of responsible use and clear understanding of the commitments taken on. The financial capacity building is integral to the design and would also be a good opportunity to explore ways to enhance readiness of potential borrowers to access market funds, as well as work on their financial literacy and resilience.

73. Implementation of Component 3 will support economic inclusion interventions through - tier 2 micro-credit -

³⁶ MOSS proposes that around 60% of the borrowers will be amongst the top quintile of the TKP beneficiaries receiving stipends and below the cut off poverty line and 40% will be registered in the TKP registry, yet, above the poverty line. This approach is meant to push TKP beneficiaries – lying in the upper income quintiles and engaged in income generating activities– to graduate the program and land above the poverty line. In addition to safeguarding those lying just above the poverty line – and engaging in income generating activities - from slipping into poverty.

³⁷ An earlier World Bank in Mongolia – along other interventions - successfully achieved to graduate ultra-poor to income generating activities through conducting a pre-entrepreneurship test of 5-6 questions before the graduate moves into a micro-enterprise including those running self-employed business.

³⁸ For the purpose of the project preparation survey respondents self-declared their (in)ability to access formal credit, however, should this component proceeds to implementation this will be verified by i-score.

³⁹ The survey was conducted via phone interviews drawing on a representative sample of 2146 observations from the TKP registry covering 20 governorates (including accepted beneficiaries and rejected applicants). The sample is representative from a geographical and gender perspective, whereby 84% are women and 16% men.

⁴⁰ The State of Economic Inclusion Report, issued by the World Bank’s Partnership for Economic Inclusion (PEI), provides a global assessment on the state of economic inclusion programs that reach the extreme poor and vulnerable, drawing on experiences from over 75 countries <https://www.peiglobal.org/state-of-economic-inclusion-report-2021>

⁴¹ The operations manual will include detailed criteria for borrowers’ potential viability. This includes demonstrating quantitative and qualitative evidence of income generating commercial activities to ensure borrowers’ loan repayment capacity.

⁴² Please see annex () detailing the FIF review for key principles of the micro-loans borrower’s eligibility criteria for component 3; the Project Operations manual should include further details about the micro-loans borrowers eligibility criteria.

⁴³ Details of TKP Social Registry with 60 percent from TKP and 40 percent from the rejected pool of applicants falling very close to PMT cut off point.

⁴⁴ This TA will be conducted in close coordination with other WB operations such as the Egypt Catalyzing Entrepreneurship for Job Creation project and the MSME 2.0 ASA



window housed in MOSS' Rural, Environmental and Industries Support Fund⁴⁵ (see Financial Intermediary Fund's (FIF) assessment in Annex 2).⁴⁶ The Fund is established through a dedicated law, also several bylaws were issued to set the operational modalities (detailed in Annex 2). The Bank's FIF assessment indicated that the current governance and institutional arrangements of the Rural Fund need to be enhanced upon to ensure adequate implementation of Component 3.⁴⁷ Moreover, project activities will also include TA activities under Component 2 to build technical and institutional capacity for the Rural Fund to enable it to implement this component and contribute to strengthening its sustainability over the medium term. The design of this component is intended to have the Rural Fund manage a dedicated wholesale financing window and partner with eligible licensed, regulated, and supervised micro finance institutes (MFIs) and NGOs to extend loan to the targeted segments.⁴⁸ The proposed design– using World Bank financing - does not require a funded subsidy allocation since it is meant to promote graduating borrowers to the formal commercial lending space. Potential borrowers – registered in TKP registries, will be subject to a credit screening by participating MFI's and NGOs based on transparent, well defined, and widely advertised eligibility criteria. Potential borrowers will be educated about this as part of the financial literacy TA that will be mandatory for successful borrowers. The Rural Fund will review the margins and loan conditions – on a regular basis (every six months) to ensure that reasonable cost, risk, return covering spreads would be maintained throughout the project lifetime to minimize any potential distortions in view of financial markets conditions and macroeconomic developments.⁴⁹

74. **Environmental and Social (E&S) Considerations.** In addition, in the contract with each financial institution (FI) to be selected, the Rural Fund will incorporate the requirements of developing an Environmental and Social Management System (ESMS) in accordance with the environmental and social standard 9 (ESS9). The ESMS will need to be reviewed and cleared by the Bank, prior to financing any subprojects. A disbursement condition will be included against the component allocation (US\$25 million) based on MOSS/ FIs establishing and operationalizing the ESMS as stated in the Environmental and Social Commitment Plan (ESCP) for each FI to be selected. This assessment ensures that the project does not contradict the World Bank Group's ongoing financial sector policy dialogue and does not promote unsustainable practices.

75. **Mitigating climate induced food insecurity and unemployment through economic inclusion:** The project will continue to scale up economic inclusion interventions which help diversify livelihood opportunities and protect climate vulnerable rural communities who are dependent on agriculture activities and help ensure food security for these

⁴⁵ A legal covenant is included to stipulate that The World Bank financing will be only supporting the indirect / wholesale lending activity of the Rural fund through FRA regulated and supervised NGOs and / or MFIs. The utilization of World Bank financing- under component three - to any other purposes or activities including but not limited to direct lending to borrowers, in kind financing to borrowers, administrative costs of the fund will be considered ineligible expenditure. This will be translated to a legal covenant to ensure robust implementation arrangements. A broad outline of key eligibility criteria of the potential PMFI/PNGOs are in FIF Assessment Annex 2. The criteria should be further detailed in the POM and should consider lessons learnt from the Egypt Catalyzing Entrepreneurship for Job Creation project and be fully aligned with it to ensure operational consistency and compliance with World Bank's the World Bank's Operational Guidance note on Financial Intermediary Financing, 2016.

⁴⁶ An assessment was carried out by the task team to ensure consistency with the related (i) the World Bank's Policy for Investment Project Financing (IPF); and (ii) the World Bank's Operational Guidance note on Financial Intermediary Financing, 2016.

⁴⁷ In view of the outcomes of the assessment, the team agreed with MOSS that the following disbursements conditions – pertaining to component 3 - in order to ensure that there are adequate institutional arrangements in place for robust and effective implementation: (i) Strengthening the Board's independence through revising the board composition and executive management; and (ii) Building the institutional capacity of the fund to manage the window. Please see details in Annex 2.

⁴⁸ Please see Annex 2 detailing the FIF review for key principles of the micro-loans borrower's eligibility criteria as well as eligibility criteria for PFIs and PNGOs for component 3; the Project Operations manual should include further details about the micro-loans borrower's eligibility criteria. Eligibility criteria of PMFIs and PMNOs will be detailed in the POM and should be fully aligned with the criteria defined under the existing Egypt Catalyzing Entrepreneurship for Job Creation project to ensure operational consistency and compliance with World Bank's the World Bank's Operational Guidance note on Financial Intermediary Financing, 2016.

⁴⁹ A legal covenant is included to stipulate this arrangement during the project lifetime; also please see Annex 2 for details on the macroeconomic environment, financial markets performance including term structure of interest rates, microfinance sector developments including indicative microloans pricing structures and lending margins.



populations. Through this component, the Rural Fund will support small scale micro-credit projects including projects that promote green livelihoods related to agri-business, productive units, and waste management. These projects will also address the issue of food security and food shocks induced by climate change. This entails various models of economic inclusion interventions, which will be implemented by the Rural Fund. Collective productive units will also be established, mainly employing women and youth, to promote value added manufacturing based on the agricultural specificities of each target community, to help maximize the impact of interventions on local communities. The component will also help build HHs resilience to climate induced shocks through the provision of skills training and non-financial services to support the diversification of livelihoods as well as potential behavior change interventions with information related to agricultural practices as an example.

76. Component 4: Project Management, Monitoring and Evaluation, and Knowledge Management (US\$3 million).

This component will support project management including running costs of the project implementation unit (PIU) to ensure that the project is successfully and efficiently implemented consistent with the legal agreement. The component will finance: (i) salaries of PIU staff (non-civil servants); (ii) PIU equipment and operating costs, which are directly linked to the daily management of the project (office space, utilities and supplies, bank charges, communications, translation, transportation, maintenance and insurance, building and equipment maintenance costs, and travel and supervision costs); (iii) regular internal audits and annual external audits (audits of financial and procurement aspects according to the Bank’s legal requirements); and (iv) cost of independent evaluations and research/case studies including modules to measure beneficiary satisfaction of the program.

C. Project Beneficiaries

77. The proposed project will support beneficiaries of the Government’s national TKP which would benefit about 4.6 million poor HHs across Egypt’s 27 governorates receiving CTs and around 30,000 HHs receiving economic inclusion opportunities. Program beneficiaries are poor HHs with children under 18 years, poor elderly (aged 65 years and above), and poor persons living with severe and permanent disabilities.

78. Takaful (Solidarity), the larger of the two programs, is a family income support scheme. The program was initially rolled out as an unconditional cash transfer, but planned education and health conditionalities were introduced in 2018. Continued receipt of Takaful transfers was conditioned on school children aged six-18 years maintaining attendance of at least 80 percent of the school days, and on mothers and children under six years of age completing two visits to health clinics per year, in addition to maintaining child growth monitoring records, and attending nutrition awareness sessions.

79. Karama (Dignity) is an unconditional income support scheme targeted at the poor elderly and persons with severe disability, and orphans (the latter, added as beneficiaries in 2017).

80. FORSA (Economic inclusion) is leveraging the TKP social registry to support access of poor individuals to microcredit.

D. Results Chain

Development challenge	Activities	Outputs	Outcomes
Component 1: Provision of Conditional and Unconditional Cash Transfers			
Protect more poor HHs	<ul style="list-style-type: none"> Process CT payments to program beneficiaries 	<ul style="list-style-type: none"> Increased coverage of TKP to accommodate additional 	<ul style="list-style-type: none"> TKP contributes to reducing the incidence of



against poverty and vulnerability while promoting sustainable livelihoods

- Recertify TKP beneficiaries every three years for eligibility
- Recertify remaining Daman beneficiaries using TKP PMT
- Update TKP PMT on a regular basis to account for poverty and HIECS updates
- Improve data collection on health and education conditionality compliance

poor HHs

- Daman program dissolved and its beneficiaries migrated to TKP
- Improved targeting of poor and vulnerable HHs under TKP

poverty amongst are a larger number of beneficiaries

Component 2:

Enhancing Delivery systems and institutional capacities

- Regularly update TKP social registry and expand to include data on populations living in climate vulnerable areas
- Automate business processes for day-to-day program monitoring and administration
- Conduct awareness raising activities and communication campaigns targeting TKP beneficiaries
- Launch TKP depository
- Develop interface to measure communication activities
- Develop a survivor center accountability and response protocol dealing with GBV cases under the program
- Automation of MOSS offices
- Conduct trainings and capacity building activities for MOSS
- Roll-out Meeza cards for TKP beneficiaries
- Roll-out SIM cards for TKP beneficiaries
- Strengthen and expand
- Improved TKP delivery systems
- Enhanced awareness of program requirements and systems (recertification, conditionality, GM, etc.)
- Increased compliance with health and education conditionality
- Improved awareness among beneficiaries about social protection, health, and education service delivery
- Enhanced linkages of TKP beneficiaries to cash plus interventions
- Enhanced citizen satisfaction with the program
- MOSS is equipped with mechanisms, systems, processes, and procedures to deliver citizen-centric services
- Enhanced TKP effectiveness
- Enhanced human capital development among TKP beneficiaries



the modality of engagement with beneficiaries and citizens (e.g., GM, SACs, beneficiary or community monitoring, surveys)

Component 3:

Economic inclusion/empowerment services

- Roll-out microcredit to FORSA beneficiaries
- Conduct training for FORSA beneficiaries
- FORSA beneficiaries provided with access to income generating activities
- Enhanced access of the poor and vulnerable to sustainable livelihood opportunities

Component 4:

Project Management, Monitoring and Evaluation and Knowledge Management

- Conduct Citizen satisfaction survey
- National institutions benefitting from capacity building
- Enhanced monitoring and evaluation of program components
- Enhanced institutionalization of TKP systems

E. Rationale for Bank Involvement and Role of Partners

81. **The World Bank is well placed to assist Egypt with its efforts to ensure that the social protection system is better coordinated, more adaptive to shocks and inclusive and accessible to those who need it the most.** The World Bank has a comparative advantage in these domains given its extensive and international experience on design, implementation, and evaluation of social safety nets (SSN) programs. This project is building on the knowledge and leveraging lessons from the ongoing World Bank financed SSSNP as well as other Bank projects in countries with similar socioeconomic contexts. Given its experience in supporting social protection, education, and health systems in Egypt, as well as its wide technical expertise in the development and implementation of CCT programs and in strengthening of SSNs in numerous countries across the world, the Bank is well placed to assist the GOE in carrying out the planned reforms that would be supported under this project. The partnership between the Bank and the GOE in social protection is strong, and the project will benefit from the ongoing engagement in the areas of SSNs, education, and health to strategically position and implement this comprehensive SSN program with links to human development outcomes.

82. **The proposed project will also complement efforts of the recently approved Emergency Food Security and Resilience Support Project (P178926).** For example, under the project, beneficiaries of food ration cards or recipients of the Bread Subsidy can benefit from additional support if they have not qualified under Takaful. The Emergency Food Security and Resilience Support Project focuses on addressing wheat supply chain issues that affect food security, complementing the assistance provided through the TKP. Similarly, the proposed project complements the Decent Life Presidential Initiative “Haya Karima” for sustainable rural communities, which aims at improving access to basic services and infrastructure in target villages.

F. Lessons Learned and Reflected in the Project Design

83. **The project’s design has benefited from extensive policy dialogue, existing social protection projects, advisory and analytical services, and engagement with development partners.** Based on global and local evidence, the Project has adapted interventions that have successfully contributed to the accumulation of human capital. The Bank’s own



analytical exercises, including the recently launched PER (September 2022) and the draft Social Protection White Paper were used to identify key intervention areas. Moreover, the IFPRI independent evaluations (Box 1) have also provided excellent insights on the way forward and guided decisions on how to make the program more efficient and effective. Some of the key recommendations of the evaluations are outlined in the table below and have been considered in the project design.

Endline Evaluation Key Recommendations	FORSA Baseline Evaluation Key Recommendations
<ul style="list-style-type: none"> ✓ <i>Takaful should be continued and potentially extended. The program enabled HHs to avoid resorting to negative coping strategies to shocks. Social protection programs, including CT programs such as Takaful, could be an effective way to protect against large-scale shocks since the infrastructure to reach people is largely in place.</i> 	<ul style="list-style-type: none"> ✓ <i>Define and communicate Takaful eligibility timeline to negate the common belief that Takaful transfers are indefinite. Inconsistent communication creates distrust and misconception. The policy of Takaful eligibility lasting for three years and FORSA enrollees losing access to Takaful after the transition period (unless they successfully re-apply due to a change of circumstance in the future) needs to be legally articulated and announced credibly. Even after an official announcement, HHs that do not expect to make profits with the asset transfer may not be motivated to join FORSA.</i>
<ul style="list-style-type: none"> ✓ <i>Proceeding with plans for recertification and graduation of beneficiaries who have achieved self-sufficiency while using a generous cut-off for self-sufficiency, given that many HHs have not managed to substantially increase their consumption despite increased productive assets.</i> 	<ul style="list-style-type: none"> ✓ <i>Allow least confident HHs to drop out of FORSA. Truly poor HHs that lack confidence in their ability to make profits from the asset transfers should be allowed to opt for the certainty of receiving Takaful transfers. When HHs are given the freedom to self-select between FORSA and Takaful, HHs with better non-cognitive skills and less risk aversion are more likely to enroll in entrepreneurship training (Iacovone et al. 2018; Dasguta et al. 2014). This implies that letting least confident HHs drop out can improve the average potential to benefit from FORSA.</i>
<ul style="list-style-type: none"> ✓ <i>Complementary programming on issues such as nutrition practices or financial training should be intensive to be impactful. Ongoing programs implemented by the GOE (e.g., nation-wide nutrition campaign) could be paired and intensified by leveraging Takaful to link to already vulnerable HHs.</i> 	<ul style="list-style-type: none"> ✓ <i>Maximize the attractiveness of the FORSA package for Takaful beneficiaries by demonstrating a good probability of exceeding short-term benefits of CTs to avoid excessive drop-out. The program needs to clearly communicate the benefits that will be offered and commitment to on-going mentoring. Also, it may be worthwhile to keep 12 months of CTs to be consistent with successful graduation programs in other countries (Banarjee et al. 2015) and allow beneficiaries more time for their projects to become profitable.</i>
<ul style="list-style-type: none"> ✓ <i>improving communication to focus on exclusion restrictions, program length, and recertification so that beneficiaries understand that they will not be excluded from the program for formal sector work with income below a certain threshold, and to manage beneficiary expectations upon sudden changes in program status. Greater coordination with communication campaigns related to family planning is also needed if the behavioral response by families of having more children is confirmed and seen to be in conflict with other national policy goals.</i> 	<ul style="list-style-type: none"> ✓ <i>Replace HHs that have dropped out. The program should prepare for the potential that HHs that previously expressed interest, no longer want to join FORSA. The program could expand the share of HHs in the pilot from the Rejected group (e.g., currently 30 percent – with potential to increase to 50 percent). The program may also allow new sign-ups from HHs among the Takaful beneficiary group that did not attend the behavioral change sessions.</i>
<ul style="list-style-type: none"> ✓ <i>Work towards a comprehensive social protection strategy to help continue protecting the poor as well as contributing to achieving longer-term developmental goals. Coordinating with the ministries of Education and Health, respectively, to provide high quality public service delivery and magnify the impacts of increased school enrollment, and in terms of diets and nutrition.</i> 	<ul style="list-style-type: none"> ✓ <i>Continue with the current plan of keeping training sessions open to other HH members. The widespread nomination of a wife/mother as the potential FORSA participant is likely based on misinterpretation of FORSA. It may be necessary to (re) advertise the wage-employment track towards husbands or older sons and daughters of enrolled women who chose the asset-transfer track. Moreover, participation in training/ mentoring sessions should remain open to any HH member rather than restricting to specific participants.</i> ✓ <i>Anticipate participants’ need for support. Mentoring should be maximized to the extent possible, and training designed with this background in mind.</i>

(iii) IMPLEMENTATION ARRANGEMENTS



A. Institutional and Implementation Arrangements

84. Similar to the implementation arrangements under the ongoing SSSNP, the proposed project will be implemented by MOSS. The PIU, under the ongoing project was expanded to include staff to support the FORSA social inclusion component (Component 3). To ensure that adequate institutional arrangements for managing environmental and social risks are in place, an environmental and social unit has been established at the PIU which includes a senior environmental and social expert supported by an environmental officer and a social officer. The senior expert will monitor the implementation of the Environmental and Social Management Framework (ESMF) and will oversee the two officers. Together, the unit will monitor the projects' activities all over Egypt. The staff at the central unit will follow up with environmental and social focal points at local level (governorate/unit level) to monitor safeguards and ensure that the project follows World Bank Environmental and Social policies and regulations.

85. The project will be implemented through MOSS's existing structure, supported by a PIU which includes permanent staff from MOSS, and which forms the Program Task Force. The PIU will be responsible for day-to-day project management, in coordination with the Central Administration for Social Protection. The PIU ensures quality assurance with regards to the implementation of project components and enhancing TKP delivery chain, including cash transfer operations and enhancing payment systems, enforcement of conditionality under Takaful, timely and quality resolution of grievances, promoting human capital development through TKP and related cash plus interventions.

86. At the regional level, the project will be supported by regional directorates of MOSS, district offices, and MOSS' social units which exist in villages or groups of villages. These units are responsible for mobilization, outreach, and maintaining continuous contact with beneficiary HHs. MOSS has also signed Memoranda of Understandings with the ministries of health and education respectively, to support monitoring and reporting of conditionality. FORSA interventions will be channeled through the existing MOSS Rural, Environmental and Industries Support Fund.

87. Component 3 will be led by MOSS's Rural, Environmental, and Industries Support Fund (details are provided in Annex 2).

88. At the policy level, the Government established a high-level ministerial committee for social justice, chaired by the Prime Minister, and with participation of key ministers. This committee will continue overseeing progress of the social protection reform and ensure sectoral coordination.

B. Results Monitoring and Evaluation Arrangements

89. **Overall Responsibility of M&E:** Project progress will be monitored regularly by the PIU in line with the project's Results Framework, and key indicators will be tracked and reported on, based on information made available through the MIS as well as other field monitoring activities.

90. **Implementation Support:** bi-annual implementation support missions will be conducted over the course of project duration.

91. **Citizen Satisfaction survey:** to complement and build on the first two rounds of impact evaluations, a citizen satisfaction survey will be conducted to measure beneficiary feedback with regards to the different project components.



C. Sustainability

92. There is strong political commitment and Government ownership to expand and enhance the effectiveness and efficiency of TKP, as evidenced through the growing budget allocation for the program over the years. The TKP allocation in Egypt's national budget grew from EGP 1.2 billion in 2014/2015 when the program started, to EGP 22 billion in the current fiscal year, which is expected to cover over 90 percent of project cash payments during the coming three years. As such, the new project would enable the financing of the current wave of TKP expansion for almost two years whereas the Government would start covering this additional cost towards the end of the second year and onwards.

93. The program is also viewed as a key cornerstone of the social protection system in Egypt which, thanks to efforts to strengthen its delivery chain, has enabled rapid response to various shocks over the course of the past three years such as the COVID-19 pandemic and more recently the war in Ukraine. This is also part of Government efforts to broaden the scope of social protection programs and enhance their efficiency, which is in line with Egypt's Vision 2030.

(iv) PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

94. **The TKP can be an important component of an adaptive social protection system in Egypt, helping compensate HHs against the negative impacts of more predictable or regular shocks.** While an adaptive safety net program should be broader than TKP, the program can contribute to deal with repeated crisis and predictable crisis or regular shocks. Another component of the adaptive social protection with humanitarian or emergency response features would be needed to respond to rare or unpredictable situations.

95. **The project will help the Government to expand and further modernize social safety nets in Egypt and enhance their role as mitigation and response tools against crises/shocks as well as for building resilience to shocks.** This will be done via the expansion of the program to cover more poor HHs, extending impacts on health and education from the existing coverage of nearly 3.7 million to an additional 0.9 million HHs. In addition, the project will render TKP to be more inclusive and agile, complementing it with other cash plus interventions, including graduation programs, which all help to enhance human capital formation and consequently enhance resilience of the poor against future shocks.

96. **Despite strong evidence on the impact of conditional CTs in Egypt on welfare and human capital, spending can be enhanced.** Egypt spends about 0.3 percent of its GDP on CTs – this figure is less than half of global average (0.9 percent), and lower than the MENA regional average (0.42 percent). It is also below the lower middle-income country average of 0.94 percent. As set forth in several impact evaluations of TKP and analysis conducted as part of the 2022 Egypt Social Assistance Public Expenditure Review, TKP has shown its ability to reaching their objectives, though large coverage gaps remain in terms of covering all eligible poor HHs. The proposed project will support coverage expansion and improve efficiency and accessibility of TKP and will also help Egypt increase its spending on CTs as a percentage of GDP, to reach regional and global averages.

97. **Expanding TKP will likely contribute directly to protect poor and vulnerable HHs.** The program has demonstrated strong targeting performance measured by beneficiary incidence levels similar to Brazil's Bolsa Familia in 2017, and in several cases superior to major CT programs of similar coverage levels in other countries (Indonesia's PKH CCT in 2018, and Mexico's Prospera in 2016). Using the latest available household survey evidence, a fiscal incidence analysis shows high program beneficiary incidence to the poor: 86 percent of TKP beneficiaries are amongst the poorest 40 percent of



HHs. At the current level of coverage however, TKP covers just over 50 percent of poor eligible HHs in Egypt. As such, exclusion errors remain due to the size of the program relative to the poverty rate, as well as errors inherent to the use of PMT in targeting practices. Therefore, given the high beneficiary incidence rendered through the targeting methodology, the expansion of the program will directly reduce exclusion errors. The program is mainly focused on targeting the chronic poor.

98. **Evidence on the welfare impact of COVID-19 pandemic and the war in Ukraine and associated global impacts show that TKP can help compensate for losses associated with shocks.** Evidence on the early impacts of the pandemic find a contraction in average household income by about 1.7 percent and an increase in income-based poverty using the international line of \$3.65 a day (2017 PPP US\$) by 2.2 percentage points during FY20, compared with a counterfactual scenario without COVID-19. The expansion of social protection programs, in particular targeted cash transfers, helped dampen the shock. Income-based poverty would have been 1.1 percentage points higher in absence of the compensatory cash transfers.⁵⁰ Similarly, analysis on the impacts of the high inflation seen in 2022 shows that poverty is likely to increase by about 2.2 percentage points and that compensatory measures, especially the expansion of targeted cash transfers in March 2022 mitigated the increase in poverty by about 0.4 percentage points.⁵¹

99. **However, to be able to effectively compensate those impacted by shocks targeting rules should also adapt going forward.** First, as the program expands it would be important to invest in updating targeting formulas using the new HIECS 2020/21. The current PMT formula is based on older pre-COVID data and does not reflect changes in conditions observed since then. In addition, evidence from the effectiveness of TK expansion to compensate for COVID-19 losses and the recent high inflation/devaluation in 2022 show that TKP may need to invest in more adaptable targeting rules when compensating against shocks. Analysis of the role of TKP in smoothing the COVID-19 shock shows that given the targeting rules of TKP, the expansion of TKP was successful in compensating the income losses of rural HHs. However, urban HHs which were as highly impacted did not benefit as much and experienced much higher increases in poverty.⁵² Analysis on the welfare impacts of the high inflation in 2022 shows that the inflation shock has been widespread and not necessarily impacted more the chronic poor due to the importance of food subsidies in their consumption. This evidence again highlights the challenges of fixed PMT targeting rules when CTs aim to compensate people against shocks and point to the importance of devising adaptable targeting rules. Developing a set of flexible targeting rules needs to consider vulnerable HHs impacted by shocks, which may not be chronic poor before a shock hits, based on the PMT formula. Revising the flexibility of geographic targeting may be also important when considering using TK for compensating against labor market or high inflation shocks.

100. **Through including more poor HHs in the program, direct short-term impacts on poverty reduction can be expected but fiscal sustainability would be key to minimize negative welfare impacts in the medium term.** A microsimulation model built on the Egypt specific Commitment to Equity (CEQ) model developed by the MOF and the World Bank helps assess the potential effectiveness of the expansion of TKP vis a vis other programs for a given budget. The model shows that TKP makes the largest contribution to poverty and inequality in relative terms. Takaful reduces the poverty headcount by 0.1 percentage point per billion EGP spent, three times as much as the marginal contribution of the ration card benefits, and about 2.5 times as much as bread subsidies. Those results suggest that, for a given budget, a reallocation of social assistance spending to TKP would contribute to a more equity-enhancing distribution of expenditures. Expanding the coverage of TKP program to five million would translate into a short-term reduction of

⁵⁰ Gansey, R.; Genoni, M.; Helmy, I. (2022). The Role of Cash Transfers in smoothing the income shock of COVID-19 in Egypt. The World Bank.

⁵¹ Gansey, R.; Genoni, M.; Helmy, I. (2022). The Impacts of Higher Inflation on the Welfare of Egyptian HHs. The World Bank.

⁵² Gansey, R.; Genoni, M.; Helmy, I. (2022). The Role of Cash Transfers in smoothing the income shock of COVID-19 in Egypt. The World Bank.



poverty by one percentage points at a cost of EGP 9 billion, merely because HHs have extra cash that puts them above the poverty line. Nevertheless, it is important to consider the fiscal sustainability of the transfer and the potential indirect costs of increasing fiscal pressures which may lead to a devaluation or other budget cuts in welfare-enhancing policies. For instance, a potential devaluation will affect welfare substantially and increase poverty due to high inflation. One potential way to support the funding, would be to reduce the leakages of the food subsidy program and use savings for a more sustainable way to fund this TK expansion. **Moreover, Karama has shown its ability to help HHs to better cope with risks of food insecurity and malnutrition.** Evidence for Egypt shows that when faced with an income shock,

Box 2. Main results of first and second round impact evaluations of Takaful

Since its inception in 2015, Takaful and Karama¹ have delivered poverty targeted CCTs to a growing number of poor HHs in Egypt. Through a regression discontinuity instrumentalizing the programs eligibility threshold, IFPRI measured impacts in 2018 in the dimensions of spending, investment and health and education service delivery access and outcomes. These and new questions were revisited by evaluating program impact through a new set of HHs in 2022. See IFPRI 2018 and 2022.

The first evaluation revealed that HHs were less likely to be poor as a result of the program, by 11.4 percentage points (pp) versus non-beneficiaries, and significantly increased their spending on school supplies and transportation to school. Food spending for beneficiary HHs was 8.3-8.9 percent higher than non-beneficiary HHs particularly consuming more fruit and meat. As per the second round, longer term impacts on spending have been muted as have those on nutritious foods in particular - there was no concurrent increase in the consumption of unhealthy foods.

In comparison to the first round, new impacts appeared: the program has a significant impact on total household assets, driven by an increased household investment in productive assets. This positive impact however on assets and productive assets, did not seemingly translate into heightened resilience as on protecting HHs from the impacts of COVID-19 on welfare, the program did not appear instrumental. HHs did not however, resort to negative coping strategies, such as taking children out of school. There is also a reduction seen in levels of debt versus non beneficiary HHs. Concerningly, there appear some tendency for beneficiary HHs to be engaged more in informal labor markets though it could also mean that this result is driven by increased productive asset holdings, enabling new income streams to be generated outside of formal labor market participation.

Whilst no effects on education enrollment rates were registered in the first round, due largely to the lack of enforcement of program conditionalities, the second-round evaluation found beneficiary students had enrollment outcomes 6-8 percentage points (pp) and 2-3 pp higher in primary school and preparatory school enrollment rates, respectively, than non-beneficiaries. While the first round found reduced probability of treatment undergone for malnourishment, no impacts on health utilization were found at that time. Some health impacts appeared later on in the program, as per respondents that noted that they had ever been a beneficiary saw decreased tendency for children aged 6-23 months to be wasted (too thin for their age); no impacts were found on stunting in either evaluation round. Impacts on post-natal care and infant and young child feeding practices were encouraging though statistically insignificant in the second round. Lastly, there were small and significant impacts on gender norms – showing there to be higher gender equality in participating families. This change is particularly important given that the first-round evaluation saw negative impacts on women’s control over decision making within the household.

¹ Impacts on Karama were not established in the first round and the second round focused only on the Takaful component of TKP.

HHs tend to engage in sub-optimal coping responses – there is long standing and recent evidence that shows the program helps prevent this and supports welfare and health behaviors in human capital generation and protection - which are proven in successive impact evaluations (Box 2). Through raised spending on the program, the government can help reduce such risks and help protect human capital and help mitigate risks of food insecurity or loss of assets. This can be reinforced by the conditionality of the program, to minimize risks of taking children out of school or cutting health expenditures.

101. The positive but mixed results seen in the two rounds evaluation of the program prove the program is functioning effectively though its impacts could be greater. A range of potential adjustments to program design,



discussed in both evaluations and espoused in this proposed project, could raise impact vectors. Beyond program level adjustments, increased spending toward coverage expansion and potentially, benefit levels also could increase TKP's impacts. At the moment, TKP is not equitably accessed by all eligible poor HHs, including existing poor and newly poor. As such, the program should be extended to cover more poor HHs, reducing exclusion errors. The planned improvements on communication, complementarity and coordination would also boost impacts. Whilst in some dimensions (consumption and nutrition) results are not appearing significant, these could be augmented by raising benefit levels, among other methods. As shown in the PER, benefit levels are moderate in comparison to other cash transfer programs around the world and could be raised to reduce poverty directly but could also extend existing impacts on human capital protection and generation.

2. Rationale for public sector provisioning/financing

102. **TKP is a key program in the Egyptian social safety net and warrants continued government investment for two main reasons.** First, transfers themselves reduce poverty and inequality directly and can make broader policy reforms - such as energy or food subsidy reforms - more palatable. Second, the program's positive impacts in health and education behaviors of poor families lead to important impacts on the efficient functioning of the broader economy by evening out inequality of opportunities. Successive impact evaluations have proven the program to have sustained micro-economic impacts at the household and individual level; these compound to support poor HHs in acquiring the health and education outcomes needed to participate fairly and effectively in competitive and increasingly globalized labor markets and thus promotes improved intergenerational mobility. A workforce that is healthy and well educated, with reduced divergence in opportunities across the welfare distribution, can render labor market outcomes more efficient and thus promotes robust and inclusive economic growth.

3. Value added of the Bank's support

103. **The World Bank is very well placed to support Egypt in the expansion and strengthening of its social safety net via TKP.** The World Bank supports programs just like TKP in over 40 countries, through over 25 financing operations and in Egypt has supported MOSS for over seven years in developing and leveraging the program to help the country achieve its development goals. The Bank's support will ensure further institutionalization of the TKP which will help sustain and scale-up positive results in the longer term. This would be complemented by TA and analytical work and evidence-based research which inform/guide policy decision and program directions going forward.

4. Brief description of methodology/scope and next steps

104. **The technical preparation of the proposed project builds on the design of the SSSNP.** The project will build on the existing foundation of the TKP and the FORSA program further developing the capacities of MOSS to scale up and expand the programs in addition to strengthening the delivery chain and monitoring the programs' performance.

B. Fiduciary

(i) Financial Management

105. Egypt's public financial management (PFM) systems have witnessed some progress over the past few years, particularly with the implementation of the Government Financial Management Information System (GFMIS), and electronic payments through the central payment unit at MOF. While the new systems improve reporting oversight and treasury management in general, tracking finances at the project level continues to be challenging as the funds are



channeled through a pooled account before final payments are made to beneficiaries. Nevertheless, the PIU under the ongoing SSSNP has managed to keep track of individual project payments made through the above central unit.

106. MOSS will be responsible for all financial management (FM) functions including budgeting, accounting, and reporting. The PIU housed in MOSS under the ongoing SSSNP will continue to have the day-to-day responsibility for project-level FM functions. Complete accounting records will be maintained for daily management purposes and for periodic audits. In addition to documenting project expenditures through interim financial reports (IFRs), for Components 1 and 3, PBCs will be used as an additional measure to trigger withdrawals from the loan account. Financial statements will be prepared and audited annually by qualified independent external auditors recruited in accordance with terms of reference acceptable to the Bank. There are no outstanding audit reports under Bank-financed projects implemented by MOSS.

107. The main FM risks pertaining to the proposed project relate to: (a) identification and enrollment of eligible beneficiaries; (b) reliability of maintained database and applicable controls; (c) verification of payment processes; and (d) funds flow through NGOs/MFIs under Component 3. To address these risks, the following measures are pursued: (a) the enrollment system depends on household surveys that measure a number of poverty indices which are subsequently subject to formulas with assigned weights to determine eligibility; (b) MOSS has signed MOUs with the MOH and MOE to ensure smooth institutional coordination for the programs; and (c) performance audits will be carried out annually to assess the effectiveness and reliability of the program processes in addition to annual financial audits; and (d) a resolution was secured by MOSS through agreeing with MOF not to subject NGOs to bank guarantees requirement. Based on the FM assessment, the systems in place are adequate to support the implementation of project activities in accordance with the Bank fiduciary requirements.

(ii) Procurement

108. Procurement under the project will be carried out in accordance with the World Bank Procurement Regulations for Investment Project Financing (IPF) for Borrowers, dated July 2016 and revised in November 2017, August 2018, and November 2020 as well as the “Guidelines on Preventing and Combating Fraud and Corruption in projects Financed by IBRD loans and IDA Credits and Grants” dated October 15, 2006, and revised in January 2011 and as of July 1, 2016. The project will use the Systematic tracking of Exchanges in Procurement (STEP) to plan, record, and track procurement transactions.

109. MOSS through the existing PIU will hold the overall responsibility for procurement implementation following the same arrangements in place for the ongoing SSSNP. The PIU will act as the World Bank main counterpart for all procurement aspects including contract management in accordance with the signed contracts. The PIU employs experienced staff and consultants to manage overall project implementation.

110. A Procurement Risk Assessment and Management System (PRAMS) of MOSS’s Procurement Capacity (PCA) was carried out as part of appraisal. The PRAMS evaluated the institutional capacity of MOSS to implement procurement for the project activities. Furthermore, the assessment evaluated procurement risks and made recommendations on mitigation measures for efficient procurement under the Project. The assessment revealed that MOSS-PIU is experienced with World Bank procurement and its procurement capacity was further strengthened during implementation of the SSSNP.

111. No procurement is envisaged under Component 1 (Provision of Conditional and Unconditional Cash Transfers) a Components 2 and 4 include several small value and complex procurement for goods, consulting services and non-



consulting services, such as procurement of electronic and IT equipment, upgrading MIS services (for FORSA MIS, for GM, for M&E), training services and communication services, contracts of staff, Impact evaluation and citizen satisfaction surveys. Component 3 will include contractual arrangements led by MOSS’s Rural Fund to manage a dedicated wholesale financing window and partner with eligible licensed, regulated and supervised MFIs and NGOs to extend loan to the targeted segments. The local market will be approached for all the envisaged consultancy services and goods procurement activities under the project.

112. The procurement risk is therefore rated Moderate. The details of procurement risks and mitigation measures are detailed in Annex 1.

C. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

D. Environmental and Social

113. **The Environmental and Social Risk Classification (ESRC) for the project is Substantial.** The environmental risk rating of the project is Moderate, and the social risk rating is Substantial. This classification is based on the assessment of environmental and social risks and impacts of the project’s planned interventions, nature, and scale, as well as the institutional capacity of the PIU to manage the anticipated environmental and social risks and impacts. At this stage, the relevant Environment and Social Standards (ESSs) are determined to be: ESS1, ESS2, ESS3, ESS4, ESS9, and ESS10. The project is expected to have positive social impacts. The ongoing SSSNP, which the proposed project builds upon, has made significant improvements, in having a robust database in targeting, as well as in cash transfer delivery. The impact evaluation of the TKP indicates beneficiaries’ satisfaction. Component 3 (FORSA) is expected to help beneficiaries to access sustainable livelihood opportunities by improving access to micro-credit and fostering financial inclusion.

114. **Environmental risks.** The project is not expected to result in any significant adverse environmental risks and impacts and those that are anticipated are mainly from the interventions under Components 2 and 3 (FORSA); which include contracting arrangements with licensed MFIs and NGOs and environmental and social screening of projects as well as some limited procurement of electronic equipment to support the MIS system limited procurement of electronic equipment to support the MIS system. The proposed project will not support construction, rehabilitation works or procurement of major equipment. Component 1 will support the provision of conditional and unconditional cash transfers to beneficiaries under the TKP using a results-based approach. Under Component 2, the electronic devices will generate low quantities of e-wastes end of their lifetime that the implementing agency needs to address appropriately. Under Component 3, the micro to small scale asset transfer activities in sectors like handicrafts, agribusiness, trade, and services may potentially generate limited, site-specific impacts such as air emissions, odors, noise, occupational health and safety (OHS), and impacts due to improper disposal of effluents, and solid and hazardous wastes.

115. On the social front, the project does not include any land acquisition or major civil works. The main contributing risk factors are: (i) discrimination and inequitable targeting; (ii) exclusion of vulnerable and poor groups from benefiting from the project; (iii) discrimination when receiving project benefits, especially towards more vulnerable groups; (iv)



labor related issues, noting that most workers are civil servants and community workers; (v) lack of awareness of project beneficiaries on the eligibility criteria, the processes for application, the TKP and FORSA's objectives, the grievance mechanism details, etc.; (vi) potential GBV risks following the economic empowerment of women; (vii) fear of retaliation for employees and beneficiaries e.g., of being stopped from receiving project benefits in case of using the grievance mechanism; (viii) under Component 3, risks include child labor, GBV, lack of awareness on the grievance mechanism (GM); and (ix) the risk of exposure or propagation of COVID-19 during the implementation of activities, both in terms of community exposure and exposure of project workers. Furthermore, as seen acutely in 2022, currency volatility can reduce the real value of cash transfers, which are not often indexed to inflation.

116. The PIU is currently implementing the ESMF of the ongoing SSSNP which was prepared under the AF and adequately applying the procedures including the screening tool and assigning the appropriate environmental categorization. The current capacity of the PIU is considered sufficient to manage the project's E&S risks and impacts. Additional capacity building activities will be carried out during the life of the project.

117. To assess and manage the environmental and social risks and impacts of the project, and propose mitigation measures for the identified interventions, MOSS has hired an E&S consultant to prepare the following project environmental and social instruments which consist of (i) an Environmental and Social Management Framework (ESMF) for the project (except component 3) including Labor Management Procedures (LMP); (ii) Stakeholder Engagement Plan (SEP); and (iii) Environmental and Social Commitment Plan (ESCP). The prepared instruments were consulted upon and disclosed in-country on November 27, 2022 [<https://www.moss.gov.eg/ar-eg/Pages/advert-details.aspx?AdID=91>]. The ESCP lists all environmental and social instruments to be prepared, adopted, and implemented, during project implementation, the timeframe for their completion, and the assigned responsibilities. An Environmental and social management system (ESMS), to identify, assess, manage, and monitor the environmental and social risks and impacts of Financial Intermediary (FI) subprojects that receive support from the Project will need to be established and operationalized before screening out of any proposed FI subproject. The ESCP requires commitments to maintain the current staffing of the PIU to manage the E&S risks as well as additional coordination with the Women's Department through appointing a gender specialist in the PIU and expanding the role of the communications consultants to implement the SEP.

(v) GRIEVANCE REDRESS SERVICES

118. **Grievance Redress Services (GRS).** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.



(vi) KEY RISKS

119. The overall project risk rating is deemed ‘Substantial’ stemming from inherently substantial macroeconomic, technical design of the project, institutional capacity for implementation and sustainability, fiduciary, environment and social, and stakeholder risks. All other risks under the project are deemed ‘Moderate’ as outlined in the project’s systematic operations risk-rating tool. Key risks which are substantial, along with their mitigation measures are discussed below.

120. **Macroeconomic risk is rated Substantial.** Global market conditions may continue to put pressure on commodity prices and impact Egypt’s balance of payments. Potential risks that may arise from ongoing economic and subsidy reforms, along with high inflation and the resulting increase in government expenditures due to higher costs of government purchases and subsidies, may risk the fiscal sustainability of the CT program, especially if inflation and poverty rates continue to rise. This risk will be mitigated through the government’s commitment to social protection with a line item on the national budget for Takaful and Karama CT program.

121. **Institutional Capacity for Implementation and Sustainability risk is rated Substantial.** Though institutional capacity and program sustainability under MOSS has been strengthened to provide cash transfers through World Bank institutional capacity building, training of staff and hands on project implementation experience (including M&E, MIS, and GM functions) and through knowledge management of TKP rules and processes; the FORSA component continues to pose some risks and requires strengthening existing capacities. Moreover, the launch of the new micro-credit activity under Component 3 will require building the capacity of MOSS’s Rural Fund. These risks will be mitigated by investing in MOSS’s institutional structure and systems by devising a solid MIS module for operationally managing the economic inclusion component to ensure adequate information flow and monitoring and evaluation of performance as well as carrying out capacity building activities for the Rural Fund.

122. **Fiduciary risk is rated Substantial.** The Financial Management risk is deemed Substantial while the procurement risk is considered Moderate bringing the overall fiduciary risk to Substantial. The main FM risks pertaining to the project relate: to (a) identification and enrollment of eligible beneficiaries; (b) reliability of maintained database and applicable controls; (c) verification of payment processes and (d) funds flow through NGOs for the economic inclusion component. To address these risks, the following mitigation measures will be pursued: (a) the enrollment system depends on household surveys that measure a number of poverty indices which are subsequently subject to formulas with assigned weights to determine eligibility; (b) the MOSS has signed MOUs with the MOH and MOE to ensure smooth institutional coordination for the programs; and (c) in addition to the annual financial audits, a performance audit will also be carried out to assess the effectiveness and reliability of the program processes and (d) a resolution is being sought by MOSS through consultation with MoF to agree on the payment regulations under NGOs contracts.

123. **Environment and Social risk is rated Substantial.** The environment risk is deemed Moderate, while the Social risk is considered Substantial bringing the overall environment and social risk to Substantial as outlined under Section D “Environmental and Social”.

124. A number of mechanisms to mitigate the identified risks have been in place and improved under the ongoing SSSNP. In addition, Impact evaluations for the TKP were conducted in 2018 (baseline) and in 2022 (end-line). The findings of the studies highlighted some positive changes in behavior from beneficiaries following enrollment in the TKP. Both impact evaluation studies include satisfaction with the program, challenges faced during the application and in receiving transfers. The proposed project will consider the lessons learned and the recommendations of the latest impact



evaluation. As per findings in the human development PER, it was estimated that expansion is a more cost-effective use of resources while the program expands to at least five million HHs after which point increases in the benefit level become more cost effective. To strike a balance while the program expands, the team will continue to advocate via TA for adjustment in the benefit level in parallel to supporting coverage expansion via the project. Under the proposed project, the PIU prepared an environmental and social management framework (ESMF) including a Labor Management Procedures (LMP) conforming to ESF requirements, a SEP, and an ESCP. During implementation the FIs to be selected will prepare ESMS to manage the anticipated E&R risks from Component 3.

125. **Stakeholder risk is rated Substantial.** Stakeholder risks are mainly associated with potential negative public and civil society perceptions, particularly in the implementation of recertification/reassessment amidst rising poverty and inflation. This risk will be mitigated by ensuring that the existing GM ensures that grievances are resolved in a timely manner. To mitigate this risk, MOSS will continue implementing its three-pronged strategy for communication, including political/policy-level communications, public information campaigns through mass media and civil society consultations, and targeted beneficiary outreach. The communication strategy will also focus on raising awareness about TKP conditionality, recertification/reassessment processes, and graduation models to elicit continued public support for the program.



(vii) RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Egypt, Arab Republic of

Takaful and Karama Cash Transfer Expansion and Systems Building Project

Project Development Objectives(s)

To a) increase coverage and effectiveness of the Takaful and Karama Cash Transfer program; b) expand the social registry to support the targeting of SP programs; and c) enhance access of the poor and vulnerable to economic inclusion opportunities. Effectiveness is defined and measured by pro-poor targeting and intake registration in the TKP social registry.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	End Target
Increase coverage and effectiveness of the Takaful and Karama Cash Transfer Program			
Beneficiaries of social safety net programs (CRI, Number)		3,700,000.00	4,600,000.00
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number) (CRI, Number)		3,700,000.00	4,600,000.00
Of which women (Percentage)		70.00	70.00
Of which, people living in climate vulnerable areas (Percentage)		2.00	5.00
Program beneficiary households who are under the poverty line (Percentage)		81.10	85.00
Increase in number of households included in the MOSS social registry (Number)		9,000,000.00	10,000,000.00
Households registered in MOSS social registry that have their demographic, health and education data updated once a year,		0.00	40.00



Indicator Name	PBC	Baseline	End Target
including populations in vulnerable areas. (Percentage)			
Enhance access of the poor and vulnerable to economic inclusion opportunities			
Beneficiaries receiving economic inclusion opportunities (Number)		0.00	30,000.00
Of which, are residing in TKP beneficiary households (Percentage)		0.00	60.00
Of which, services were utilized by women (Percentage)		0.00	40.00
Of which, are PWDs (Percentage)		0.00	5.00
Of which, are people living in climate vulnerable areas (Percentage)		0.00	5.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Component 1: Provision of conditional and unconditional cash transfers			
TKP beneficiaries recertified for eligibility using the program's PMT (Number)		280,000.00	1,500,000.00
Of which, are women cardholders (Percentage)		70.00	70.00
Remaining Daman beneficiary households who are assessed and migrated to TKP using the program's PMT (Number)		0.00	320,000.00
Share of households in the Takaful sub-program who comply with school attendance education conditionality (Percentage)		63.00	70.00
Share of households in the Takaful subprogram who comply with health conditionality of 3 visits a year to the health unit and		19.00	40.00



Indicator Name	PBC	Baseline	End Target
maintain child growth monitoring record (Percentage)			
Percentage of Takaful and Karama beneficiaries who benefit from cash plus interventions (Percentage)		63.00	80.00
Beneficiary households issued ration cards (Percentage)		63.00	80.00
Beneficiary PWD issued integrated service cards (Percentage)		40.00	60.00
Illiterate female beneficiaries receiving literacy classes (Percentage)		35.00	80.00
MOSS has established a PWD registry classifying types of disabilities, severity level, disaggregated by governorate, gender, and age (Yes/No)		No	Yes
Component 2: Enhancing delivery systems and institutional capacities			
Grievances addressed within timeframe stipulated in the project operations manual (POM) (Percentage)		94.00	95.00
A survivor center accountability and response protocol is in place and responds to GBV cases under the program (Yes/No)		No	Yes
TKP Citizen Engagement (CE) Roadmap Strategy and action plan is adopted and rolled out, and progress of systematic institutionalization of SACs is reported on. (Yes/No)		No	Yes
Active SACs reporting actions taken based on citizens' and program beneficiary feedback (Percentage)		69.00	80.00
TKP beneficiaries who receive free mobile lines (Number)		3,000,000.00	4,600,000.00
Of which, are women (Percentage)		60.00	70.00
TKP beneficiaries who receive Meeza cards (Number)		2,900,000.00	4,600,000.00
Of which, are women (Percentage)		70.00	70.00
National awareness and communication campaigns launched by MOSS targeting TKP beneficiaries around the 12 Wai themes and awareness of the program GM (Number)		2.00	4.00
A Gender Based Violence (GBV) action plan is prepared and		No	Yes



Indicator Name	PBC	Baseline	End Target
adopted (Yes/No)			
Component 3: Economic inclusion/empowerment services			
Beneficiaries who successfully accessed loans (Number)		0.00	30,000.00
Of which are women (Percentage)		0.00	40.00
Of which, are PWDs (Percentage)		0.00	5.00
Of which, are people living in climate vulnerable areas (Percentage)		0.00	5.00
MIS for economic inclusion program includes linkages with implementing partners to facilitate reporting and data exchange (Yes/No)		No	Yes
Component 4: Project management, monitoring and evaluation and knowledge management			
Beneficiary satisfaction level of grievance resolution timeframe (Percentage)		0.00	80.00
Beneficiary overall satisfaction level with the program (Percentage)		80.00	90.00

Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Beneficiaries of social safety net programs		Every six months.	MOSS MIS.	Program MIS generated reports.	MOSS.
Beneficiaries of Safety Nets programs - Unconditional cash transfers		Every six months.	MOSS MIS.	MOSS MIS generated reports.	MOSS.



(number)					
Of which women		Every six months.	MOSS MIS.	MOSS MIS generated reports.	MOSS.
Of which, people living in climate vulnerable areas		Every six months.	MOSS MIS.	MOSS MIS generated reports.	MOSS.
Program beneficiary households who are under the poverty line		Every six months.	HIECS	Endline evaluation at the end of project; based on consumption survey on a random sample of beneficiaries.	MOSS.
Increase in number of households included in the MOSS social registry		Every six months.	MOSS MIS.	MOSS MIS generated reports.	MOSS.
Households registered in MOSS social registry that have their demographic, health and education data updated once a year, including populations in vulnerable areas.		Every six months.	MOSS MIS.	MOSS MIS generated reports.	MOSS.
Beneficiaries receiving economic inclusion opportunities		Every six months.	FORSA MIS.	FORSA MIS generated reports.	MOSS.
Of which, are residing in TKP beneficiary households		Every six months.	FORSA MIS.	FORSA MIS generated reports.	MOSS.
Of which, services were utilized by women		Every six months.	FORSA MIS.	FORSA MIS generated reports.	MOSS.



Of which, are PWDs		Every six months.	FORSA MIS.	FORSA MIS generated reports.	MOSS.
Of which, are people living in climate vulnerable areas		Every six months.	FORSA MIS.	FORSA MIS generated reports.	MOSS.

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
TKP beneficiaries recertified for eligibility using the program's PMT		Every six months.	Program MIS, Progress Reports, Implementation Support Missions	Program MIS	MOSS
Of which, are women cardholders		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
Remaining Daman beneficiary households who are assessed and migrated to TKP using the program's PMT		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS
Share of households in the Takaful sub-program who comply with school attendance education conditionality		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation	MOSS.



				Support Missions	
Share of households in the Takaful subprogram who comply with health conditionality of 3 visits a year to the health unit and maintain child growth monitoring record		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
Percentage of Takaful and Karama beneficiaries who benefit from cash plus interventions	Percentage of TKP beneficiaries who benefit from cash plus interventions (including percentages of beneficiaries accessing key services of “ration cards”, “integrated service cards, “literacy classes).	Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
Beneficiary households issued ration cards		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
Beneficiary PWD issued integrated service cards		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
Illiterate female beneficiaries receiving literacy classes		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
MOSS has established a PWD registry classifying types of disabilities, severity		Every six months.	Program MIS.	Program MIS, Progress Reports,	MOSS.



level, disaggregated by governorate, gender, and age				Implementation Support Missions	
Grievances addressed within timeframe stipulated in the project operations manual (POM)		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
A survivor center accountability and response protocol is in place and responds to GBV cases under the program		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
TKP Citizen Engagement (CE) Roadmap Strategy and action plan is adopted and rolled out, and progress of systematic institutionalization of SACs is reported on.		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
Active SACs reporting actions taken based on citizens' and program beneficiary feedback		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
TKP beneficiaries who receive free mobile lines		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
Of which, are women		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.



TKP beneficiaries who receive Meeza cards		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
Of which, are women		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
National awareness and communication campaigns launched by MOSS targeting TKP beneficiaries around the 12 Wai themes and awareness of the program GM		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions	MOSS.
A Gender Based Violence (GBV) action plan is prepared and adopted		Once.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions.	MOSS.
Beneficiaries who successfully accessed loans		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions.	MOSS.
Of which are women		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions.	MOSS.



Of which, are PWDs		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions.	MOSS.
Of which, are people living in climate vulnerable areas		Every six months.	Program MIS.	Program MIS, Progress Reports, Implementation Support Missions.	MOSS.
MIS for economic inclusion program includes linkages with implementing partners to facilitate reporting and data exchange		Once	Progress Reports, Implementation Support Missions.	Progress Reports, Implementation Support Missions.	MOSS.
Beneficiary satisfaction level of grievance resolution timeframe		Annually.	Performance audit.	Performance audit.	Independent firm.
Beneficiary overall satisfaction level with the program		Annually.	Customer Satisfaction Survey (one time exercise), Performance Audit (annual).	Customer Satisfaction Survey, Performance Audit	Independent firm.



Performance-Based Conditions Matrix

Performance-Based Conditions Matrix				
PBC 1	Number of households enrolled under TKP			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	120,000,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	3,700,000.00			
FY23/24	4,600,000.00		120,000,000.00	\$13,333,334 for every 100,000 added households from the baseline as a minimum threshold
FY24	0.00		0.00	0.00
FY25	0.00		0.00	0.00
FY26	0.00		0.00	0.00
PBC 2	Recertification of households eligible to receive Cash Transfers			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	35,000,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
FY23/24	0.00		0.00	0.00
FY24	1,500,000.00		35,000,000.00	\$7m for every 300,000 HHs certified



				from the baseline as a minimum threshold
FY25	0.00		0.00	0.00
FY26	0.00		0.00	0.00
PBC 3	Transition of all TKP households from cash to Meeza cards			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Number	40,000,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	2,900,000.00			
FY23/24	46,000,000.00		40,000,000.00	0.00
FY24	0.00		0.00	0.00
FY25	0.00		0.00	0.00
FY26	0.00		0.00	0.00
PBC 4	Expansion of TKP Social Registry			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	No	Number	50,000,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	9,000,000.00			



FY23/24	0.00		0.00	0.00
FY24	0.00		0.00	0.00
FY25	10,000,000.00		50,000,000.00	0.00
FY26	0.00		0.00	0.00
PBC 5	Percentage of households receiving Cash Plus interventions			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	No	Percentage	35,000,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	63.00			
FY23/24	0.00		0.00	0.00
FY24	80.00		35,000,000.00	0.00
FY25	0.00		0.00	0.00
FY26	0.00		0.00	0.00
PBC 6	Strengthening business process automation			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	No	Yes/No	80,000,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			



FY23/24	No	0.00	0.00
FY24	Yes	40,000,000.00	0.00
FY25	Yes	40,000,000.00	0.00
FY26	No	0.00	0.00

PBC 7	TKP Citizen Engagement (CE) Strategy developed			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Yes/No	20,000,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
FY23/24	No		0.00	0.00
FY24	No		0.00	0.00
FY25	Yes		20,000,000.00	0.00
FY26	No		0.00	0.00

PBC 8	Grievance Mechanism integrates a survivor-centered accountability and response protocol to address GBV			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	No	Yes/No	30,000,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			



FY23/24	Yes		15,000,000.00	0.00
FY24	No		0.00	0.00
FY25	No		0.00	0.00
FY26	Yes		15,000,000.00	0.00
PBC 9	Education and health conditionality compliance			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Percentage	40,000,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
FY23/24	0.00		0.00	0.00
FY24	70.00		20,000,000.00	\$2,857,142.86 for every 1% increase) (baseline: 63%) as a minimum threshold
FY25	40.00		20,000,000.00	\$952,380.952 for every 1% increase (Baseline: 19%) as a minimum threshold
FY26	0.00		0.00	0.00



Verification Protocol Table: Performance-Based Conditions

PBC 1	Number of households enrolled under TKP
Description	Bank staff/consultants have access in person/remotely to depersonalized MIS payment lists showing that at least one payment was transferred to beneficiaries. MOSS will provide MIS reports/payment lists to show that at least 4.6 million household beneficiaries have been determined eligible based on the revised PMT score and received their payment cards, and at least one payment was transferred under the TKP including those who moved from the old social pension -'Daman'.
Data source/ Agency	MOSS -Project MIS
Verification Entity	MOSS and World Bank to validate verification reports.
Procedure	Bank staff/consultants have access in person/remotely to depersonalized MIS payment lists showing that at least one payment was transferred to enrolled households.. MOSS will provide MIS reports/payment lists to show that at least 4.6 million households have been determined eligible based on the revised PMT score, received their payment cards, and at least one payment was transferred under the Takaful and Karama program including those who moved from old social pension.
PBC 2	Recertification of households eligible to receive Cash Transfers
Description	Recertification of 1.5 million beneficiaries under the Takaful and Karama Cash Transfer Program has been finalized (FY24).
Data source/ Agency	MOSS - Project MIS
Verification Entity	MOSS and World Bank to validate verification reports.
Procedure	Bank staff/consultants have access in person/remotely to depersonalized MIS payment lists showing the program households who had been recertified using the revised PMT.
PBC 3	Transition of all TKP households from cash to Meeza cards
Description	All TKP beneficiaries have transitioned to Meeza cards to cash their entitlements.
Data source/ Agency	MOSS/E-Finance



Verification Entity	MOSS and World Bank to validate verification reports.
Procedure	Bank staff/consultants have access in person/remotely to depersonalized MIS lists showing transition from TKP cards to Meeza cards. MOSS/E-finance generated reports on Meeza usage can also be used to complement the above.
PBC 4	Expansion of TKP Social Registry
Description	<ul style="list-style-type: none"> • TKP registry expanded to include 10 million households • TKP application includes questions that can help identify applicants living in climate vulnerable communities • TKP database allows for identification of beneficiaries and applicants in climate vulnerable communities
Data source/ Agency	MOSS
Verification Entity	MOSS and World Bank validates verification reports
Procedure	<ul style="list-style-type: none"> • TKP registry expanded to include 10 million households • TKP application includes questions that can help identify applicants living in climate vulnerable communities • TKP database allows for identification of beneficiaries and applicants in climate vulnerable communities
PBC 5	Percentage of households receiving Cash Plus interventions
Description	TKP beneficiaries benefit from one or more cash plus intervention implemented by MOSS ('First 1,000 days', 'No illiteracy with Takaful', 'FORSA', 'Food subsidy cards', etc.)
Data source/ Agency	MOSS
Verification Entity	MOSS and World Bank validates verification reports.
Procedure	Bank staff/consultants have access to depersonalized MIS reports showing that TKP beneficiaries are at least receiving one cash plus intervention. This requires linkages between the different program databases.



PBC 6	Strengthening business process automation
Description	Sub PBC 6-1: TKP operational staff have access to and use operational TKP platform’s front-end use interface for day-to-day program monitoring and administration by end FY 24 (\$40 million) Sub PBC 6-2: Operationalization of TKP Depository (FY25) (\$40 million)
Data source/ Agency	MOSS
Verification Entity	MOSS and World Bank to validate verification reports.
Procedure	<ul style="list-style-type: none"> • MOSS operational staff's user accounts (user name and password) are created in the system and staff are able to access the system using their login credentials. • MOSS staff are independently able to generate various reports by accessing the system. • Bank staff/consultants have access to the TKP depository to verify the storage of key TKP documents including operational manual & internal circulars. • Number of MOSS users is 200 (baseline is zero) • External website is operational and the number of users is at least 1,000.
PBC 7	TKP Citizen Engagement (CE) Strategy developed
Description	TKP Citizen Engagement (CE) Strategy developed, which includes an Action Plan and/or a Roadmap for the systematic institutionalization of Social Accountability Committees and a plan for beneficiary or participatory monitoring
Data source/ Agency	MOSS
Verification Entity	MOSS and World Bank to validate verification reports.
Procedure	Bank Staff/Consultants will review the CE strategy and action plan.
PBC 8	Grievance Mechanism integrates a survivor-centered accountability and response protocol to address GBV
Description	8-1: Referral mechanism and survivor-centered protocol are in place within MOSS by end FY 23/24 (\$15 million) 8-2: Grievance Mechanism remains operational and has a 90% or higher resolution rate of GBV complaints within 30 days, (60 days for appeal) as reflected through module reports (FY26) (\$15 million)



Data source/ Agency	MOSS
Verification Entity	MOSS and World Bank to validate verification reports.
Procedure	Bank Staff/Consultants will review: <ul style="list-style-type: none"> Review the established accountability and response protocol and ensure it is survivor centric. The reports from the MIS GRM module to verify the grievances collected are redressed and marked as “resolved” in the system in accordance with the manual at a resolution rate of 90% or higher.
PBC 9	Education and health conditionality compliance
Description	9.1 School attendance of 80% under Takaful Program reaches 70% by end FY 24 (\$20 mill) 9.2 40% of Takaful Beneficiaries went to three health visits per year by end FY 25 (\$20 mill)
Data source/ Agency	MOSS
Verification Entity	MOSS and World Bank to validate verification reports.
Procedure	Bank staff/consultants to review MIS system generated reports on education conditionality compliance Bank staff/consultants to review MIS system generated reports on health conditionality compliance



ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Egypt, Arab Republic of Takaful and Karama Cash Transfer Expansion and Systems Building Project

PDO Statement

1. To a) increase coverage and effectiveness of the Takaful and Karama Cash Transfer program; b) expand the social registry to support the targeting of SP programs; and c) enhance access of the poor and vulnerable to economic inclusion opportunities. Effectiveness is defined and measured by pro-poor targeting and intake registration in the TKP social registry.

PDO Level Indicators

2. The project development objective (PDO) will be measured by the following indicators:
- i) Beneficiaries of social safety net programs (of which, beneficiaries of safety net programs, unconditional cash transfers; of which women; of which people living in climate vulnerable areas) (measures increase in overall coverage).
 - ii) Program beneficiary households who are under the poverty line (measures accuracy of targeting⁵³).
 - iii) Increase in number of households included in the MOSS social registry (measures expansion in the social registry).
 - iv) Percentage of HHs registered in MOSS social registry that have their demographic, health and education data updated at least once per year (measures effectiveness of social registry system in keeping key socio-economic data updated).
 - v) Households registered in MOSS social registry that have their demographic, health and education data updated once a year, including populations in vulnerable areas.
 - vi) Beneficiaries receiving economic inclusion opportunities (of which, are residing in TKP beneficiary households; of which services are utilized by women of which, are PWDs; of which are people living in climate vulnerable areas).
3. The project will consist of four components, as follows:
4. **Component 1: Provision of Conditional and Unconditional Cash Transfers (US\$448.75 million).** This component will support the provision of conditional and unconditional CTs to beneficiaries under the TKP using a results-based approach, with eligible expenditures comprising CTs. As of June 2022, 3.69 million HHs are benefitting from the TKP under the SSSNP.
5. *Takaful* (solidarity) is a CCT program providing income support to HHs with children under 18 years of age (with a

⁵³ Source: HIECS 2019/2020 and World Bank calculations. Beneficiary incidence is used to indicate targeting accuracy by seeing how many beneficiaries are in different groups of the population as the program aims to reach poor HHs – a higher share of program beneficiaries being in the poorest 30% of HHs indicates strong targeting accuracy. Household groupings are measured in terms of pre-transfer welfare



maximum of two children). HHs receive a monthly transfer, provided that children between six to 18 years of age attend a minimum of 80 percent of school days; and that mothers and their children under six years of age attend a minimum of three annual health care clinic visits to monitor maternal and child health and wellbeing⁵⁴. The conditionality element works toward improving education and healthcare outcomes with the aim of promoting human capital accumulation and breaking cycles of inter-generational poverty. It also serves as a nudge to influence behavioral changes over the longer term. *Karama* (dignity) is an unconditional cash transfer (UCT) program which targets the elderly poor (over 65 years of age), orphans, widows and individuals living with permanent and severe disabilities, through the provision of monthly income support.

Takaful (Benefit Level)		
Mother with Children	Monthly payment (EGP)	Equivalent (US\$)
Base amount	325	16.63
0-6 years	60	3.07
Primary School Child	80	4.09
Preparatory (middle) School Child	100	5.12
High School Child	140	7.16
Other parameters: Capped at 2 children (highest education level) and paid to female head of HH.		

Karama (Benefit Level)		
Number of elderly persons or living with a disability	Monthly payment (EGP)	Equivalent (US\$)
Persons living with a disability transfer value	450	23.03
Elderly transfer value	450	23.03
Orphan transfer value	350	17.91
Other parameters: Capped at 3 eligible members of HH and paid to each individual separately.		

6. **TKP utilizes Proxy Means Testing (PMT) methodology for targeting beneficiaries.** The PMT formula is developed based on a series of statistical regressions using the HIECS, and is frequently updated, considering the most recent available data. Through an automated process, the formula is run for applicants, who then receive PMT scores, and eligibility is determined through the PMT score (against a predetermined PMT threshold). Verification measures are undertaken including cross-checking through Egypt’s UNR using applicant ID numbers.⁵⁵ For Karama applicants with a disability, the PMT approach is coupled with the International Classification of Functioning (ICF) assessment whereby applicants undergo a functional disability assessment conducted by a trained cadre of medical commissions to determine the functional and social impact of the disability, and to certify their eligibility to qualify for the program. TKP recertifies beneficiaries every three years. The process of recertification involves administering an updated application form to existing beneficiaries and applying the most updated PMT formula.

7. **In October 2021, MOSS concluded the development of a new PMT formula based on the 2019/2020 HIECS.** The formula attempts to capture the multi-dimensional nature of poverty covering aspects such as demographic and household characteristics, asset ownership, ownership of agricultural land (using different land size categories by region), housing conditions, education, employment, etc. To verify the performance of the new formula, it was found that the formula identifies other deprivations such as HHs whose heads work in informal jobs, HHs who declare that food consumption is barely sufficient or insufficient to meet their dietary needs, and HHs with insufficient caloric intake. In practice, MOSS has addressed the relationship between poverty, age, gender of the head, and marital status by setting different PMT cut-off scores by head age, marital status, and disability.

8. Component 1 will support the expansion of the TKP in all 27 governorates of Egypt to reach 4.6 million beneficiary

⁵⁴ Child growth monitoring, nutrition awareness, regular immunization, anti-natal and post-natal care for women.

⁵⁵ Containing information such as ownership of assets; enrollment in social insurance schemes, among others.



HHs by the end of the project to help reduce the exclusion of poor HHs. The component will co-finance CTs with the GOE with the IBRD loan constituting approximately 10 percent of the cost of benefits for the targeted 4.6 million HHs over the course of three years and the amount will largely cover PBCs allocation of the Bank. The additional HHs will be from among the HHs already registered in the TKP database. The increase in coverage will include new applicants as well as the remaining eligible HHs from the old social solidarity pension system (Daman) who will be recertified using the PMT (the remaining number of HH under Daman is only 320,000), as part of the process of dissolving Daman.⁵⁶ Beneficiaries will continue to undergo recertification every three years (current batch is 1.5 million HH needing recertification - this work was delayed in light of COVID-19 and MOSS has a backlog of HH requiring recertification) in line with the original program design to ensure they remain eligible for CTs.

9. **Building resilience through CCT and other cash plus interventions.** This component will help build resilience through CCT and other cash plus interventions by supporting the expansion of TKP to cover poorer and more vulnerable HHs to ensure they have access to food and nutritional needs and mitigate any food insecurity risks during shocks. It will continue to oversee the implementation of health and education conditionalities which have a positive impact on human capital accumulation and can help break cycles of intergenerational poverty. It will also introduce a new conditionality to combat early marriage which is common in rural upper Egypt, and which has an impact on health, high fertility, school drop-out, and low female labor force participation. MOSS will track the conditionality through girls' school drop-out rates. The project will also focus on further leveraging the TKP social registry to link beneficiaries to cash-plus interventions including illiteracy eradication, improving reproductive health, and promoting family planning (*Two is Enough Program*), and combating child malnutrition and stunting (*1,000 days program*). It will also ensure TKP beneficiaries are linked to social protection programs such as food subsidies, health insurance, and integrated service provision cards for PWDs. TKP will ensure linkages with 'Haya Karima'.

Implementation of Education and Health Conditionality

10. **The program will also continue to observe health and education conditionalities under Takaful as follows:** families with children aged six-18 years will be supported by the program, provided that children attend a minimum 80 percent of school days, and that mothers and children under six years of age attend a minimum of three annual health care clinic visits to monitor maternal and child health and well-being. MOSS will also introduce a new conditionality on: (a) combatting early marriage; and a soft conditionality or nudge around (b) illiteracy eradication of Takaful mothers, both of which are expected to have a positive impact on girls and women's education, reproductive health and overall well-being for women and girls.

11. **Under the education conditionality, this component will support expanding Takaful coverage to additional HHs/ students in primary, preparatory, and secondary education in general education, Azhar schools, and nursing schools for at least 80 percent attendance as the condition for compliance.** Given the lessons learned under the SSSNP, the proposed PBC "*Education conditionality – school attendance compliance reaches 80 percent*" - would be a scalable PBC (latest figure reported/baseline is 69 percent). The project would focus on basic education and would not address compliance for higher education Takaful beneficiaries, and would leverage progress made under the ongoing project, including: (a) memorandums of understanding (MOUs) between MOSS and the ministries of education and technical education (MOETE), and health (MOHP) for nursing schools, as well as Al-Azhar for Azhari schools; (b) data collection

⁵⁶ The PMT score is calculated based on household characteristics, asset ownership, and housing conditions and since the start of TKP in 2015, three PMT formula were developed based on the 3 successive HIECS while also drawing lessons learnt from implementation of the original PMT.



procedures and protocols; and (c) incentives paid to promote data collection at the level of schools.

12. **Under the health conditionality, the project would aim to build on and expand on the activities initiated under the ongoing SSSNP.** The project would support, through a dedicated PBC, the compliance of beneficiaries to at least three yearly health facility visits and access to an integrated package of: (i) preventive health and immunizations; (ii) child health, nutrition and anthropometric monitoring; (iii) maternal health, family planning and reproductive services including combating FGM practices; (iv) clinical services with referral to appropriate higher levels of care; and (v) health promotion activities including education on healthy life style, early detection of disease and nutritional education classes. The project would aim to attain a 40 percent compliance rate for the conditionality by beneficiaries (latest figure reported/baseline is 19 percent). The program would also closely integrate with the mandatory Universal Health Insurance System (UHIS) during its gradual roll-out through different Governorates in areas like IT integration and data transfer, monitoring of eligibility/compliance for both programs, and refined targeting mechanisms (all TKP beneficiaries are automatically eligible for a fully state subsidized enrollment/empanelment under UHIS). Finally, the project will ensure that TKP beneficiaries have adequate access/enrollment in other national programs e.g.: (i) Family Development Program⁵⁷, and also expanding on the *'Two is enough'* initiative to support Egypt in achieving a demographic dividend; (ii) *'100 million healthy lives'*⁵⁸; and (iii) using the TKP database to support mothers/children under the *'1000 days'* initiative to promote healthy nutrition and address stunting.

13. **Component 2: Enhancing Delivery Systems and Institutional Capacities (US\$22 million).** This component will support enhancing the system building blocks including targeting, quality, and institutionalization of the TKP operational systems to support GOE efforts to improve TKP effectiveness and efficiency. Withdrawals under this component will be made against eligible expenditures for specific activities set out in the Procurement Plan. This component will support technical assistance (TA) and investment in the design and implementation of TKP operational systems, including: (i) update of registration, database cross-checking, enrollment, case management and beneficiary data; (ii) continuous relevant update of the PMT formula as needed; (iii) timely, regular, and systematic recertification of beneficiaries, an adequate institutionalization of such approaches in MOSS, and clear communication to beneficiaries on recertification; (iv) systems and data collection improvement of conditionality monitoring and verification; (v) enhancement of payment delivery systems, including follow-up on distribution of Meeza cards to all beneficiaries and examining how they can be further leveraged to enhance the financial inclusion of beneficiaries; (vi) expansion and strengthening of CE mechanisms, including quality advancement of grievance resolution, which entails for instance, enhancement of GBV related grievances management, systematic institutionalization of SACs, rollout of beneficiary or participatory monitoring, and integration of beneficiary satisfaction questionnaires and/or modules in the annual performance audits and/or impact evaluation; (vii) development of a program-level citizen engagement strategy to harness synergies and support systematic institutionalization of various CE mechanisms; (viii) follow-up on the provision of SIM cards to facilitate communications with beneficiaries and optimize their use to support M&E activities; (ix) further leveraging of TKP social registry for cash-plus intervention including improving the flow of information across social programs and the management of social programs' information leading to the implementation of more integrated and responsive cash plus initiatives; and (x) promoting use of digital technologies in program operations as well as support enhancements to the TKP MIS. Activities under component 2 will also include building the capacity of the Rural Fund, under MOSS, as the entity overseeing the implementation of Component 3 which is focused on microcredit activities.

⁵⁷ A 5 pillared program of women economic empowerment, family planning, communication, legal and enhanced IT platforms.

⁵⁸ A group of 12 recurrent public health campaigns targeting all age groups with specific screening and prevention activities (e.g., pre-marital screening and genetic consultations, non-Communicable diseases, school-age screenings, liver and kidney health, women's health, combating anemia, breast cancer, mass immunizations, Hepatitis B & C screening and treatment, etc.



14. In addition, this component will focus on improving the administrative infrastructure and enhancing automation of MOSS offices; and strengthen institutional capacity through provision of training for staff. This component will also include communication activities targeting TKP beneficiaries to enhance awareness and knowledge of the program and its requirements (eligibility criteria, recertification, conditionality, etc.). This component supports building a registry of PWDs for the Karama program. The registry will document the types and severity of disability by governorate, gender, and age to enable MOSS to further link PWDs to other support and integrated services. The project would aim to address data collection challenges, particularly for Al Azhar schools and MOHP's nursing schools to help improve quality of data collection and availability of data supporting compliance.

15. **Promoting adaptive and shock-responsive social protection including comprehensive and agile registries will allow the Government to respond more quickly to climate-related crises by identifying and targeting emergency cash transfers to existing or new beneficiaries, in response to onset of climate-related disasters.** Through this component, the project will continue to enhance TKP delivery systems to enhance the program's adaptability and responsiveness to various shocks. It will aim to further expand the TKP registry to help identify populations living in climate vulnerable areas to ensure a rapid response during crisis while also reaching these populations through the various interventions as part of mitigation and resilience building efforts. The expansion of the registry represents the cornerstone of an adaptive system and creates a unique window of opportunity to establish 'adaptive' social protection programs as an integral part of the Government's disaster risk management strategy in the long run. The project will also continue to strengthen the capacities of social units at the local level to support beneficiaries through the life of the project including with registration, enrollment, grievances, and case management. It will continue to improve payment delivery systems and enhance the financial inclusion of beneficiaries which helps reduce overcrowding and minimize transportation.

Outreach and Communication

16. The project will develop a solid communication strategy focusing on the following aspects, which are in line with the recommendations of the recently concluded TKP endline evaluation which highlighted the need to improve communication regarding the program's exclusion restrictions, program duration, and recertification.

17. **Ensuring continuation and expansion of awareness-raising on TKP overall objectives and conditions.** This will be done through assessing (i) the project's communication objectives, opportunities, and challenges (ii) effectiveness of communication efforts carried out to date, and accordingly determining needed improvements and way forward. The strategy will largely focus on effectively reaching beneficiaries through personal communication (including increasing the magnitude of SMS text messaging as a means of communicating with beneficiaries and monitoring the social behavior of beneficiaries pertaining to the conditionalities), coupled with mass communication activities to raise TKP's visibility and prominence amongst target audiences as well as to access vulnerable families through social protection packages provided by MOSS. Under the proposed project, TKP communication efforts will to the extent possible, partner with the "Waii" communications campaign to capitalize on the latter's wide reach. Communication efforts will be guided by key performance indicators which would guide any required modifications.

18. The project will also finalize all pending requirements of TKP depository which is an online platform developed by MOSS to: a) store electronically all institutional documents related to TKP (circulars, decrees, manuals etc.); b) create an online learning platform for MOSS staff in connection with TKP service delivery; and c) create a public platform/website with useful information on the program's design and eligibility. As such, the project will ensure that the platform is running effectively, is user friendly, and has the required key performance indicators to periodically assess its efficiency, given its importance for the institutionalization of the program. A thorough handover technical



manual for the depository will also be delivered to MOSS to that effect.

Integrated Management Information System (MIS)

19. This activity will include: (i) enhancing system efficiency by strengthening business process automation with much integrated techniques for seamless data sharing (e.g. integration with FORSA MIS) and adapting user friendly approaches to enable all program operational staff to use front-end user interfaces (UI) of the platform for day-to-day program monitoring and administration; (ii) ensuring robust, reliable and efficient means of performing external data verification through establishing system interoperability across all relevant databases e.g. UHIS database; and (iii) establishing robust business intelligence and data mining capability for enhanced program monitoring, reporting and performing big data analytics. Under the new project, the MOSS team will continue to further upgrade and enhance other system features including the integration of additional measures pertaining to data privacy as needed and building on the strong measures that MOSS already have in place, while also ensuring full alignment with the World Bank's data privacy regulations.

Payment Systems

20. Considerable progress has been made under the TKP payment systems of the SSSNP. As part of Government efforts to enhance financial inclusion, MOSS has been overseeing the gradual roll-out of Meeza cards to all TKP beneficiaries. Meeza cards are debit cards that are to replace TKP cards to allow program beneficiaries to withdraw their entitlements from ATMs and cashing outlets, as opposed to post offices only (21,000 outlets vs 4,000 offices nationwide), and to make electronic/digital payments. The transition is still at an early stage as the cards are still being rolled out (2.5 million out of 3.69 million cardholders have received their cards to date). The cards have already showed a positive impact as 40 percent of beneficiaries with Meeza cards are cashing their entitlements through ATMs and other outlets helping to reduce overcrowding at post offices. This component also has a strong impact on closing the gender gap in financial inclusion since 74 percent of TKP card holders are women. As the scale increases, the impact is expected to increase and can also help address mobility challenges for beneficiaries; it can also have a positive impact on the environment by contributing to limiting the use of transportation and can consequently help reduce carbon emissions. MOSS will continue to monitor the usage of Meeza cards to analyze the behavior of beneficiaries and how these cards are impacting them and examine ways to further leverage Meeza cards to enhance the financial inclusion of TKP beneficiaries. This includes raising awareness on the functionalities of these cards while also considering additional efforts to enhance the digital and financial literacy of beneficiaries to improve/maximize the usage of Meeza cards. If and when beneficiaries have access to mobile wallets or bank accounts, MOSS may consider transferring benefits directly into those accounts rather than issuing a Meeza card. Owning a bank account would have an important impact on the financial inclusion of beneficiaries as it can enable them to access other financial services such as savings, credit, insurance, among others.

Grievance Mechanism (GM) and other CE and Social Accountability Mechanisms

21. **The TKP employs a well-established GM.** With multiple uptake channels at three levels (District, Governorate, and Ministry), it allows citizens to inquire about the program; program applicants to inquire and appeal the assessment outcomes; and program beneficiaries and the public to provide feedback about program implementation, such as inclusion and exclusion errors, payment- and payment card-related concerns, staff performance, and services. Since the launch of TKP, the program GM has collected approximately 2 million grievances and addressed 1.94 million of them, with a resolution rate of 94 percent. Beyond closing the feedback loop for each grievance collected by systematically



addressing them and informing individual complainants on the resolution outcomes and relevant actions taken, MOSS has been able to utilize the GM data as the program's performance management tool to close the feedback loop at the program level. For example, MOSS was able to update the procedures of how functional disability assessment was applied to Karama applicants and provide further technical trainings to doctors by analyzing the GM data relating to Karama. A case study on the TKP GM was published, documenting the program's experience with developing the system.⁵⁹ This effort to utilize GM data as the Ministry's performance management tool will continue with support of the enhanced TKP MIS. The project will support the enhancement of the program GM by focusing on the resolution timeline and quality, stronger coordination with the MOSS Women's Administration on GBV complaints, complainants' experience and satisfaction of the program GM, and public disclosure of the program-level GM data. It will also continue to support further enhancement of the system to handle grievances pertaining to the economic inclusion component "FORSA" which is piloting microcredit under this project. In view of these developments, and the anticipated expansion of the scope of the GM component, it is expected that the resolution rate may not increase much beyond the current resolution rate which is currently at 94 percent. As such, the project will work towards maintaining a resolution rate of 95 percent.

22. **Under the SSSNP, MOSS has activated over 2,200 SACs in 24 Governorates.** SACs play an important role in relaying beneficiary voices and collectively discuss service delivery challenges, opportunities, and potential solutions in health, education, and social protection sectors. In an effort to strengthen SACs, the project will consider expanding its role to pilot beneficiary or participatory monitoring of the program activities and delivery of health and education services. As a multi-stakeholder engagement platform, SAC is well-positioned to serve as a government-beneficiary interface in facilitating beneficiary or participatory monitoring. MOSS's SAC implementation experience to date as well as the pilot of TKP beneficiary groups in Assiut and Giza will inform this potential expansion of the SAC roles. In addition, the project will support the establishment and implementation of the CE Strategy to advance synergies among different CE approaches taken under the program and further strengthen its effort to systematically institutionalize SACs and other CE mechanisms.

23. The project will support a systematic integration of beneficiary satisfaction questionnaires and/or a module through the program's annual performance audit and/or the impact evaluation. Under the SSSNP, MOSS collects beneficiary awareness, usage, and perception data on GM. While the sample size is limited (representative sample of roughly 1,000 beneficiaries), it enables MOSS to improve the GM usability and effectiveness. Based on this experience and lessons learned of annual audits to date, the project will support beneficiary satisfaction and perception data collection at the program level (beyond GM) in a systematic manner. Together with beneficiary voices collected through the GM and SACs, the beneficiary satisfaction data will serve as an additional data point for TKP to improve its program transparency, efficiency and effectiveness, and accountability. A brief non-technical and anonymized summary of the findings of the beneficiary satisfaction and how those findings are informing TKP will be made public.

Cash-Plus Interventions

24. As part of efforts to adopt a more integrated and holistic approach to social protection, the project will continue to leverage the growing TKP registry, to promote cash-plus interventions which address multi-dimensional aspects of poverty and complement CTs with other programs that help address gaps in human capital and enhance resilience of beneficiary HHs against shocks. These include: The 'First 1000 Days' which provides additional support to help Takaful mothers to enhance children's health and nutrition which tackles the challenge of child stunting in Egypt which currently

⁵⁹ <https://openknowledge.worldbank.org/handle/10986/37644>



stands at 13 percent and anemia below five years of age, which stands at 43 percent; *'Decent Housing'* which improves housing conditions for the poor (fixing roofs, providing access to potable water); *'No Illiteracy with Takaful'* to help eradicate illiteracy among Takaful mothers (currently at 60 percent) according to data collected by MOSS. *'Two is Enough'* provides women with access to subsidized birth control and reproductive health services aligning with the National Family Empowerment program which aims to promote family planning to lower the fertility rate which is currently 3.171 births per woman. This is in addition to scaling up the economic inclusion program FORSA through Component 3 to promote sustainable livelihoods and job creation for the poor including youth and women. Efforts will also continue to link beneficiaries with other social protection programs such as food subsidies card, free health insurance, as well as ensure TKP alignment with *'Haya Karima'* to help efforts to expand coverage and maximize the impact of such programs.

25. **Component 3: Economic Inclusion and Empowerment Services (US\$25 million).** This component will further build on the pilot FORSA program being implemented under the ongoing SSSNP and will aim to continue to institutionalize it within MOSS to ensure its sustainability. FORSA is an economic inclusion program which is being piloted in eight governorates (Qalioubia, Sharkia, Fayoum, Beni Suef, Menia, Assiut, Sohag and Luxor), while gradually expanding to other areas beyond the scope of the project. The program's strategic goal is to promote economic inclusion by enabling TKP beneficiaries and other individuals with low income to better integrate into the economy and transition from poverty to prosperity through participation in economic activities and reducing long-term dependency on CTs to eventually help them graduate from the TKP.

26. The program is based on BRAC's Ultra poor graduation model which entails a set of integrated, time-bound, and sequenced interventions that help beneficiaries adopt sustainable livelihood opportunities and achieve economic resilience. FORSA adapted this model and introduced some innovations drawing from theories of behavioral economics, by kickstarting its activities with outreach to potential beneficiaries to participate in behavioral change sessions to introduce the program and disseminate information on its objectives, as well as encourage participants to engage in economic inclusion activities. Participants who choose to apply to FORSA then undergo profiling to collect information on their educational background, skills, job preferences, demographic characteristics, among others. This is followed by the counseling phase to help guide beneficiaries to select one of two tracks/modalities offered by FORSA, namely-the asset transfer/self-employment track: or the wage employment track. In this respect, FORSA expanded the graduation model to include wage-employment rather than only focusing on self-employment.

27. The asset transfer/self-employment modality includes the transfer of a significant productive asset for starting an income generating activity (IGA), in addition to business and technical training to help beneficiaries start this IGA. This track helps beneficiaries improve their entrepreneurial capacities through the offered non-financial services and works toward helping them create economically viable projects, while ensuring their linkages to value chains and markets. The wage employment modality aims to improve the participation of beneficiaries in the labor market through job placement/matching in the private sector, enhancing employability skills through training, and incentives to encourage employment in the private sector and promote skills development through on-the-job training (examples include temporary wage subsidies, transportation allowance, partial coverage of social security). Beneficiaries under both tracks would also receive continuous mentoring to regularly follow-up on their progress and ensure they are on the right track. The program also offers financial literacy trainings to enhance financial inclusion while also promoting savings to help beneficiaries better manage risks and build financial resilience against shocks.

28. This component will build on the Rapid Market Assessment conducted under the SSSNP and which examined the market and business ecosystem in the eight target governorates to assess business opportunities, with an emphasis on



expanding existing value chains and organic clusters, as well as to assess labor market opportunities. This study was used to inform the design and finalization of both the wage and self-employment tracks which are currently being implemented. It also informed the program targeting analysis and helped MOSS finalize the selection of villages and districts within the eight target governorates. The Rapid Market Assessment was also complemented with a partnership strategy which maps the various stakeholders (NGOs, development partners, government, private sector, etc.) and which will continue to guide outreach and partnership building efforts.

29. In terms of implementation arrangements, the self-employment track will be carried out as a micro-credit using the MOSS Rural, Environmental and Industries Support Fund. The operation will benefit from the comprehensive MIS module which will be developed for this component, under the ongoing SSSNP, to ensure the effective administration and monitoring of all program functions, including the monitoring of beneficiaries throughout the project lifecycle (registration, profiling, training, wage employment and self-employment packages, coaching and mentoring, etc.). The MIS will also facilitate reporting and data exchange.

30. **Component 3 will finance economic inclusion packages for 30,000 beneficiaries from the TKP Social Registry (60 percent accepted TKP and 40 percent rejected that fall close to the PMT cut-off point).** The project aims to capitalize on the “Rural, Environmental and Industries Support Fund”, under MOSS, to implement activities under this component, which will also support efforts to institutionalize and ensure the sustainability of this component. The establishing law of the Fund, its bylaws and financial regulations were reviewed by the Bank which confirmed its capacity to channel loan funds through it while observing the Bank fiduciary requirements. The Fund was established in 1956 as a non-profit entity under the supervision of the Ministry of Social Solidarity (MOSS) as per presidential decree no. 433 of 1999 with the objective to help improve economic and livelihood conditions for HHs that are most in need in rural areas. It focuses on enhancing the productivity of industries which are household- or community-based and do not require large capital, creating employment, and helping fulfill the needs of local markets; this includes garments, leather goods, oils and fragrances, dairy products, baked goods, food packaging, among others. Moreover, the project will further build the capacity of the Fund, based on the FIF assessment to ensure consistency with the related (i) paragraph 15 of the Bank Policy for Investment Project Financing (IPF) and (ii) the Bank Guidance on Financial Intermediary Financing, 2016. This will be done in consultation with the World Bank Finance, Competitiveness, and Innovation (FCI) Global Practice. In addition, in the contract with each FI to be selected, the Fund will incorporate the requirements of developing an ESMS in accordance with environmental and social standard 9 (ESS9). The ESMS will need to be reviewed and cleared by the Bank, prior to financing any subprojects. This assessment ensures that the project does not contradict the World Bank Group’s ongoing financial sector policy dialogue and does not promote unsustainable practices.

31. The proposed operation will build on the findings and recommendations of the recently concluded FORSA baseline evaluation which provides a clear understanding of target beneficiaries, their education and skills levels which are fairly low, their aspirations, barriers they face, among other factors, which will allow the program to better tailor its interventions to the needs of beneficiaries. The study has shown that unemployment rates are very high in target communities especially among females. Only eight percent of potential FORSA beneficiaries have previously worked (20 percent males and five percent females) while approximately 25 percent of adults in FORSA eligible HHs are employed, mostly in irregular wage employment; approximately 50 percent of males have made attempts to look for work compared to 15 percent of women. The evaluation also revealed low levels of literacy rates, especially among females, in addition to low level of access to financial services and bank accounts. Around 14 percent of potential FORSA participants suffer from chronic illnesses such as diabetes, asthma, cancer, heart disease, high blood pressure, and hepatitis which affects their work attendance. Furthermore, HHs primarily nominated females to participate in FORSA (76 percent); these females have fewer years of education compared to males in addition to more caretaking



responsibilities. There is also strong tendency to select self-employment over wage employment. In light of these findings and emerging recommendations, the program will aim to intensify/maximize its mentoring/coaching component and further finetune and tailor training packages taking into consideration the limited skills level and work experience among FORSA beneficiaries. The program will also enhance its outreach and communication activities to raise awareness on program eligibility and benefits, and to encourage wider participation from other eligible household members (husbands, sons, and daughters), especially for the wage employment track. Enhancing communication on TKP recertification and eligibility timeline will also be instrumental to clarify any misconceptions among beneficiaries and incentivize participation in FORSA. There will also be an opportunity to further refine the program following the FORSA endline evaluation planned in 2023, which is part of the program's approach to active learning through monitoring and evaluation activities. The endline evaluation will provide will help determine the impact of the different economic inclusion modalities adopted by the program and which of them perform better, as well as any challenges and bottlenecks, to allow for course correction.

32. **Mitigating climate induced food insecurity and unemployment through economic inclusion:** The project will continue to scale-up economic inclusion interventions which help diversify livelihood opportunities and protect vulnerable rural communities who are dependent on agriculture activities and help ensure food security for these populations. This entails various models of economic inclusion interventions, which will be implemented in cooperation with NGOs and in coordination with other partners including FAO, ILO and WFP, to avoid duplication, with a focus on enhancing local agricultural and livestock value chains. Collective productive units will also be established, mainly employing women and youth, to promote value added manufacturing based on the agricultural specificities of each target community, to help maximize the impact of interventions on local communities. This component will also seek to increase employability and technical skills for beneficiaries to help them pursue wage employment in the private sector; this opens up opportunities to build skills for green sectors.

33. **Component 4: Project Management, Monitoring and Evaluation, and Knowledge Management (US\$3 million).** This component will support project management including running costs of the PIU to ensure that the project is successfully and efficiently implemented consistent with the legal agreement. The component will finance: (i) salaries of PIU staff (non-civil servants); (ii) PIU equipment and operating costs, which are directly linked to the daily management of the project (office space, utilities and supplies, bank charges, communications, translation, transportation, maintenance and insurance, building and equipment maintenance costs, and travel and supervision costs); (iii) regular internal audits and annual external audits (audits of financial and procurement aspects according to the Bank's legal requirements); and (iv) cost of independent evaluations and research/case studies including modules to measure beneficiary satisfaction of the program.

Corporate Requirements

Climate Co-Benefits

34. According to the CCDR, Egypt is highly exposed to natural disaster risks. Over the next century, as temperatures increase (+2-6°C) and sea levels rise (+0.25-2.5m), the frequency and intensity of extreme weather is expected to grow.⁶⁰ Vulnerable HHs are more adversely impacted by climate shocks as a result of their disadvantaged living conditions, their reliance on subsistence agriculture, the employment challenges they face, as well as their lack of savings and assets and their limited skills which affect their ability to cope with shocks. Furthermore, predicted decreases in Nile River releases

⁶⁰ *Egypt country profile*, Climate Change Knowledge Portal, World Bank Group (2018)



are expected to reduce irrigated land by 22 percent and reduce agricultural jobs by nine percent. Women also suffer disproportionately as they make up 57 percent of the agricultural sector yet are more limited than men in terms of access to formal credit; only seven percent of women farmers have an account at a formal financial institution, compared to 12 percent for men.⁶¹ Climate change will likely impact food prices and availability in a context where Egyptian HHs spend almost 40 percent of their disposable income on food⁶². Market disruptions resulting from the war in Ukraine as well as the decreases in water availability are set to put more pressure on more vulnerable HHs. Climate change can also exacerbate malnutrition, including stunting and bone deficiencies, by impacting household access to safe and adequate food and environmental health.

35. The transition to the green economy, while creating millions of new jobs in emerging sectors, will also trigger losses of other jobs⁶³ 40 percent of Egypt's employment share is concentrated in brown sectors.⁶⁴ With many jobs vulnerable to disruption, it is essential that the transition results in temporary frictional unemployment rather than structural unemployment with skill mismatches. This is particularly important as Egypt's workforce skills ranks 99 out of 141 countries in the Global Competitiveness Index with the future workforce ranking even lower, at only 133 out of 141 countries.⁶⁵ A 2019 survey indicated that Egypt has significant skill gaps for the green economy, particularly in project management and financing⁶⁶. Another aspect of the green transition that may lead to negative coping strategies is the impact on prices and consumption patterns. Changing regulations, carbon taxes, and the elimination of fuel subsidies will impact energy and food prices, and overall consumption patterns.⁶⁷

36. Well-designed and well-implemented social protection programs play a transformative role, in terms of climate change adaptation and mitigation, as they can significantly enhance human capital and productivity, reduce inequalities, build resilience, and help break inter-generational poverty. Adaptive social protection systems which anticipate increased demand during times of crisis and identify vulnerabilities to shocks as well as potential impact such as loss of employment, loss of income and assets, food insecurity, and displacement, enable strong, timely and effective response not only during and after the crisis but also act as a mitigation tool before the crisis takes place to build resilience of HHs against shocks and help obviate some of the impact. Furthermore, developing and adapting delivery systems, such as targeting, registries, payment systems and mobile banking, GM and social accountability, and citizen engagement, all contribute to the expanded capacity of safety nets. Given that adaptation is crucial for the poor and vulnerable, the project will also seek to explore the provisions of support to MOSS to build its capacity in applying a stress test tool which assesses the readiness of service delivery systems in terms of responding to shocks. This is done through the mapping of climate risks, poverty, and safety nets to identify those who are vulnerable to shocks.

37. Social protection programs such as Takaful and Karama help enable HHs to better cope with climate related shocks, as they can make up for welfare losses and prevent negative coping strategies that interrupt human capital accumulation and perpetuate cycles of poverty and vulnerability. The TKP mainly targets poor rural HHs who face multiple vulnerabilities including a high level of illiteracy, poor access to basic services, malnutrition and poor diet, high dependence on agricultural activities which are prone to seasonality and weather shocks. In 2018, it was estimated that

⁶¹ World Bank (2021). Irrigation modernization in Egypt: A policy note

⁶² World Bank (2022). Resilient cities and coastal Economies, Egypt: Background paper of Egypt CCDR

⁶³ Social Protection and Labor: A Key Enabler for Climate Change Adaptation and Mitigation_ Jamele Rigolini. DISCUSSION PAPER. No. 2108 | December 2021

⁶⁴ World Bank (2022). Country Climate and Development Report: Egypt

⁶⁵ http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

⁶⁶ 2019 Survey of the MENA Clean Energy Business Council

⁶⁷ Social Protection and Labor: A Key Enabler for Climate Change Adaptation and Mitigation Jamele Rigolini. DISCUSSION PAPER. No. 2108 | December 2021



only 43 percent of HHs have access to sanitary drainage network and 2.5 percent have access to natural gas connections. Also, poor housing materials and leaky ceilings make HHs vulnerable to damage from heavy rains and floods. An impact evaluation of TKP conducted in 2018 showed an increase in food expenditures per adult equivalent to (8.3–8.9 percent) for beneficiary HHs as well as an improvement in quality of diets and child nutrition status; it also reduced the probability of beneficiary HHs falling below the poverty line by 12 percent. The endline evaluation conducted in 2022 showed that HHs can use CTs in different ways including increasing consumption, paying debts, investing in productive assets which can result in higher income generation and consumption; it also showed an increase in likelihood of children being enrolled in primary and secondary schools by 9 and 21 percentage points respectively. TKP has also successfully put in place strong delivery systems that enabled expansion in response to shocks such as the COVID-19 pandemic and helped HHs avoid negative coping strategies.

38. The proposed project will contribute to the World Bank corporate commitments on climate change. It will continue to support the expansion and development of TKP to improve resilience of targeted populations through adaptation and mitigation activities that are explained in later sections. This is also in line with the CCDR which promotes a people-centered green transformation through mechanisms to support vulnerable groups to adapt to economic and natural shocks and transitions, including well-targeted adaptive social protection systems, and strategies to reskill and upskill human capital for current market needs and upcoming green jobs. It is also in line with the with the GRID approach which promotes the strengthening of social protection systems for their important role in fostering more inclusion, building human capital, bolstering the resilience of the poor and vulnerable to shocks, and preventing non-poor HHs from falling into poverty.

39. **The TKP has successfully established strong delivery systems that enabled the program to cushion the impacts of the COVID-19-induced shock, and which will be critical in mitigating the impact of potential climate shocks on the most vulnerable HHs.** The well-developed and adaptive social registry of 35 million individuals will be further expanded to cover more HHs. The social registry has also been leveraged to implement a number of cash-plus interventions which tackle multiple aspects of poverty and vulnerability including eradicating illiteracy, improving housing conditions, improving access to family planning and reproductive health services, all of which help enhance the resilience of HHs and their overall living conditions. Such databases are key for the kind of social protection for the most affected in Operational Response Plans from the CCDR⁶⁸ proposed drought risk management system. Takaful and Karama social registry acted as the main entry point in the COVID-19 pandemic for the kind of rapid intervention which is also needed to prevent long term harmful effects of climate shocks. Coping mechanisms such as taking children out of school, infant malnourishment, productive asset sales such as livestock, and incurring high interest debt, can all set back HHs' welfare permanently and can be irreversible.

40. **The proposed project will continue to enhance the TKP social registry to make it more agile and adaptive to allow for swift registration in case of emergencies/shocks including climate related shocks and within the framework of Disaster Risk Management.** It will also continue to leverage the TKP database to further advance cash-plus interventions with the aim of working towards a more integrated social protection system which tackles multiple aspects of poverty and vulnerability and offer a comprehensive package of services to beneficiaries. These aim to link beneficiaries with the food subsidy system (if they do not have a food ration card), issue free universal health insurance while also improving literacy levels for Takaful mothers, promote reproductive health and family planning, improve child nutrition, improve housing conditions, which have a positive impact on improving their overall living conditions while enhancing their resilience to shocks (economic, health, climate related, etc.). This will be monitored through the

⁶⁸ World Bank (2022). Country Climate and Development Report: Egypt – Draft



indicator “expanding the social registry to become adaptive and responsive”.

Gender

41. The project will contribute to the World Bank corporate commitments on gender, decreasing gender gaps in various ways. Global evidence shows that assigning women as primary recipients of CTs has multiple positive externalities, both for HHs and women. Designating women as direct transfer recipients maximizes the impacts on the outcomes among children and the overall wellbeing of the families while also improving women’s financial inclusion and economic empowerment. Global evidence confirms that CTs were more effective in reducing GBV when the transfer recipient was female, boosting bargaining power, increasing spending on food, schooling, and health care. Greater bargaining power of women has also been associated with better educational and health outcomes among children.

42. In 2020, Egypt ranked 134th out of the 153 countries in the Global Gender Gap Index. It ranked 140th out of 153 countries in women’s economic participation and opportunity. According to the World Bank and NCW Women Economic Empowerment Report, only 18 percent of the working-age women are participating in the economy compared to 65 percent of men. The labor force participation rate was at 41.5 percent in 2020 with females representing 15 percent. The low labor force participation of females is due to constraints on their mobility, difficulty to balance between family responsibilities and work (compounded by the dearth of affordable support services -especially childcare), and prevailing norms and beliefs about the prescribed role of women as nurturers and caregivers. Contributing to low female labor force participation rates, the share of women owning their own businesses in Egypt is only 23 percent. While access to finance is one of the major constraints, evidence shows that before taking on credit, low-income producers/microbusinesses need to first learn how to produce, market and maximize profits, which can be costly. As such, the proposed project will address the gap that exists between men and women in economic and social empowerment as well as their participation in social protection programs through CTs. The qualitative study of the impact evaluation of TKP indicated positive results in the area of gender empowerment under the SSSNP, given that women are the main recipients of the CTs, which has positively affected their ability to make spending decisions, face less of psychological pressures, and place less of a financial stress for the overall household.

43. Moreover, the productive/economic inclusion under Component 3 will address gaps in economic participation and enhance the financial inclusion of women, a key aspect of women’s economic opportunities as it facilitates women’s control over resources and access to benefits. Female Labor Force participation (FLFP) and financial inclusion are also closely correlated: women with a job are more likely to open a transaction account and women having a transaction account are more likely to get a credit to finance a revenue-generating activity. However, the gap with men remains large, the current gender gap is 12 percent. Specifically, activities will focus on addressing gaps facing women in order to support their wage employment, such as targeted job matching and job placement services, transportation allowance, and partial coverage of social security as well as linking beneficiaries with partner organizations and Non-Governmental Organizations (NGOs) offering hard and soft skills trainings to women and youth. The project will also pilot economic inclusion interventions that include asset transfer to support self-employment of women. This includes offering training to women on the efficient use of the asset across various sectors popular among them i.e., handicrafts, agribusiness, trade, and services and improving their entrepreneurial capacities through non-financial services to allow them to be later linked with microfinance institutions.

44. Monitoring the conditionality under the CCT will help address the regional gender disparities in human endowments given that the illiteracy rate of young females in Upper Egypt is 24 percent, twice that of their male counterparts, and 10 percentage points higher than the national average for young women. Additionally, girls in rural



upper Egypt make up the largest group of those left behind in education. Studies show that girls are 2.3 times more likely not to have ever been to school than boys mostly due to mobility constraints. The SSSNP indicated that: (a) distribution of Takaful beneficiaries for the education conditionality leaned towards primary, followed by preparatory education; (b) decrease in children enrolled at the university level or higher that is driven by decrease in age of the head of the household; (c) increased regular attendance in secondary education that is driven by higher rates of attendance among female students; and (d) highest rates of compliance in Fayoum at 80 percent and the lowest in Port Said with 42 percent. Further, the Egyptian Family Health Survey (2021) shows that: (i) 11.8 percent of all newborns were not planned for/wanted with an unmet needs for family planning services at 13.8 percent; (ii) women being subjected to unnecessary cesarian births (with 72 percent of all births being cesarian) ranking Egypt as the highest globally (WHO recommendation of 15-20 percent); and (iii) 27 percent of girls below 19 years of age are expected to undergo female genital mutilation (FGM) if not otherwise prevented. The impact on women will be positive from the income support, better healthy lives, and provision of higher incentive for schooling at higher levels, where girls usually drop out, is the highest in poor and rural families. Moreover, combating early marriage will have a positive impact on school retention, fertility, female labor force participation and overall well-being of the girl child and the health of Egyptian women over time.

45. The project may also have positive impacts in increasing GBV awareness, Intimate Partner Violence (IPV), and combating FGM practices or any other points on social and inclusive development among beneficiaries through inclusion and empowerment messages. The project has a solid, functioning GM, which will be used to flag any gender related abuses/harassment to ensure that proper mitigation measures are put in place. Efforts under MOSS's 'Waii' (awareness) program focus on key messages related to women and girl's empowerment (equal education, combating GBV, FGM and early marriage, women's employment, women's reproductive health, among others).

Citizen Engagement

46. Throughout the TKP's delivery system, MOSS has integrated systems, processes, and procedures to engage with the project beneficiaries, applicants, and citizens. These are critical features of TKP to achieve greater transparency, program effectiveness and efficiency, and accountability. Building on the ongoing citizen engagement (CE) approaches of the SSSNP, the project will support expanding the scope and the quality of such CE approaches and move towards systematic institutionalization. The complementary CE mechanisms that are embedded throughout the delivery chain enables MOSS to listen to citizens, program applicants, and beneficiaries in order to improve transparency and awareness of the program, address concerns, and reflect on their feedback and suggestions to improve the program procedures and performance by closing the feedback loop. The CE strategy will also incorporate aspects related to increasing resilience of beneficiaries to climate risks.

47. Specifically, the project will support the following CE mechanisms in the delivery system through: (i) communications and outreach efforts to the target populations, applicants, and beneficiaries as per the Stakeholder Engagement Plan (SEP), (ii) continued strengthening of the program grievance mechanism (GM), which includes FORSA module, to achieve greater timeliness of resolution, resolution quality, user experience, and coordination with the MOSS' Women's Administration to embed a well-established and fully functioning survivor centered accountability and response protocol that includes referral systems to accessible, quality BGV services and support, (iii) further enhancement and institutionalization of Social Accountability Committees (SACs), which are the multi-stakeholder groups that serve as the government and citizen/beneficiary interface on services related to TKP, and rolling out beneficiary or participatory monitoring as part of the enhancement of such government-citizen interface, and (iv) systematic integration of beneficiary satisfaction questionnaires or modules in the annual performance audits and/or



the planned program-level impact evaluation. A brief non-technical and anonymized summary of the findings of the beneficiary satisfaction and how those findings are informing TKP will be made public. Furthermore, the project will support the development of program-level CE Strategy to harness synergies and systematic institutionalization of various CE mechanisms.

A. Financial Management and Disbursement Arrangements

48. Egypt’s public financial management (PFM) systems have witnessed some progress over the past few years, especially with the implementation of GFMS, electronic payments through central payment unit at the Ministry of Finance. While the new systems are improving the reporting oversight and treasury management in general, tracking finances at the project level continues to be challenging as the funds are channeled through a pooled account before final payments are made to beneficiaries. Nevertheless, the PIU under the current Strengthening Social Safety Nets Project (SSSNP) has managed to keep track of individual project payments made through the above central unit

49. MOSS will be responsible for all financial management (FM) functions including budgeting, accounting and reporting. The Project Implementation Unit (PIU) established at MOSS will continue to have the day-to-day responsibility for the project FM functions. Complete accounting records will be maintained for daily management purpose and for periodic audits. In addition to documenting the project expenditures through IFRs, PBCs will be used as additional measure to trigger withdrawals from the loan account. Financial statements will be prepared and audited annually by qualified independent external auditors recruited in accordance with terms of reference acceptable to the Bank. There are no outstanding audit reports under Bank-financed projects implemented by the MOSS.

50. The main FM risks pertaining to the proposed project relate to (a) identification and enrollment of eligible beneficiaries; (b) reliability of maintained database and applicable controls; (c) verification of payment processes and (d) funds flow through NGOs for the economic inclusion component. To address these risks, the following measures are pursued: (a) the enrollment system depends on household surveys that measure a number of poverty indices which are subsequently subject to formulas with assigned weights to determine eligibility; (b) the MOSS has signed MOUs with the MoH and MOE to ensure smooth institutional coordination for the programs; and (c) in addition to the annual financial audits, annual performance audits will also be carried out to assess the effectiveness and reliability of the program processes and (d) a resolution was secured by MOSS through agreeing with MoF not to subject NGOs to bank guarantees requirement. Based on the FM assessment, the systems in place are adequate to support the implementation of project activities in accordance with the Bank fiduciary requirements.

Risk assessment and mitigating measures (MM)

The nature of cash transfer (CT) programs poses high risk of fraud and error, especially with the targeting of eligible beneficiaries and the huge number of applications.	H	The T&K program uses an internationally well-tested targeting methodology known as Proxy Means Testing (PMT). It also relies on checking the beneficiaries’ information against the database of the Unified National Registry (UNR).	S
The targeting of beneficiaries can be affected by subsequent changes in beneficiaries’ conditions.	S	Re-certification is required every 3 years and PMT formula updates reflect new HIECS results.	M
The conditional cash transfers	S	The MOSS has already signed MOUs with the	M



(CCTs) depend on information generated by the MOE and MoH.		MOE and MoH to ensure smooth institutional coordination for the programs. The Project will consider including the testing of database in the audit terms of reference.	
Funds flow through NGOs for the economic inclusion component has experienced some impediments under the ongoing SSSNP project.	H	A resolution was secured by MOSS through agreeing with MoF to agree not to subject NGOs to bank guarantees requirements.	S
MIS and payment systems handle huge number of transactions on a monthly basis.	S	Egypt Post and Nasser Social Bank provide payment service through their expanded network of branches. The Program has also adopted the use of "Meeza" payment cards that are already issued and are being distributed to beneficiaries.	M
Monitoring and oversight of the program implementation require reliable reporting and auditing arrangements.	S	Periodic (quarterly) reporting will be issued by the MOSS PIU. In addition to the annual financial audits, a performance audit will also be carried out to assess the effectiveness and reliability of the program processes.	M
Risk Before MM	S	Risk After MM	M

H: High - S: Substantial - M: Moderate - L: Low

Internal controls

51. *Beneficiary registration.* Registration will follow preformatted survey templates that incorporate data related to household composition, welfare, assets, and sources of income. Documents required with applications (for example, IDs and birth and medical certificates) will be uploaded on tablets used by social workers.

52. *Sample checking.* Sample checking will be conducted on data registered by social workers and public service workers.

53. *Assessment.* The back-office process will apply the PMT formula and arrive at the score to evaluate beneficiaries' applications and decide on the eligibility. The PMT scoring function will be implemented based on a certain weighting scheme of the application variables. Applying the formula on the reviewed application will result in a numeric value which will not be shared with the system users. System users will only be informed that the PMT has successfully been applied on the entered data.

54. *Verification.* Cross-checking with other database and National ID Registry will take place. False declaration under registration or under request of revision is penalized by permanent suspension of an applicant from the program benefits.

55. *Results-based financing.* Component 1 disbursements (the bulk of project disbursements) will be linked to the achievement of a set of indicators. Many of these indicators directly or indirectly contribute to enhanced governance and control. (TBC upon final agreement on PBCs).

Accounting and reporting



56. Agreed formats for Interim Financial Reports (IFRs) under the ongoing project will be extended to the new project with minor changes to reflect the components design. The IFRs will cover calendar quarters and will be due within 45 days after the end of each quarter.

57. The project annual audited financial statements will be submitted to the Bank within six months after the closing of the fiscal year.

External audits

58. MOSS will remit the financial audit report to the Bank not later than six months after the end of each year. The external audit report shall encompass all project activities and shall be in accordance with ISA. In addition to the audit reports, the auditor will prepare a 'management letter' identifying any observations, comments, and deficiencies in the system and controls that the auditor considers pertinent and shall provide recommendations for improvement. The TOR for the auditor will be prepared by the MOSS and submitted for the Bank's no-objection. In addition to the annual financial audits, annual performance audits will also be carried out to assess the effectiveness and reliability of the program processes and will also be due within six months from the fiscal year end. The audit scope will incorporate testing the reliability of database used by the project.

Flow of funds and disbursement arrangements

59. To ensure that funds are readily available for project implementation, a designated account (DA) in USD will be opened at the Central Bank of Egypt in the name of the project, by MoSS. For the purpose of withdrawal and documentation of advances, records for three designated accounts will be maintained in the World Bank system (DA-A for Component 1, DA-B for Component 3 and DA-C for Components 2 and 4). The project will maintain records and prepare IFRs and WAs accordingly. Deposits into, and payments from the DAs, will be made in accordance with the provisions stated in the loan agreement and the disbursement letter. Disbursement under this loan will be made according to an IFR-based model. Withdrawal applications and replenishments of the DA should be duly signed by authorized signatories as determined by the MOSS and the Fund. The names and corresponding specimen of signature of authorized signatories will be submitted to IBRD through the Ministry of International Cooperation. The MOSS and the Fund will apply to get access to the Bank's Client Connection website to use the electronic disbursement function, follow up on the status of withdrawal applications, and reconcile their records with the Bank records.

60. Cash transfers to T&K beneficiaries will follow the same arrangements under the ongoing SSSNP where monthly payments applications are prepared by the PIU, processed by MoSS accounting unit, and transferred to the accounts of Nasser Social Bank (for Meeza card holders) and Egypt Post (for beneficiaries who are yet to receive Meeza cards). For the microcredit beneficiaries under Component 3, payments will be processed by the Fund's accounting unit upon fulfillment of the lending eligibility criteria. In addition to documenting the project expenditures through IFRs, for Components 1 and 3, PBCs will be used as additional measures to trigger withdrawals from the loan account (whether for replenishing used advances or for reimbursing the government for self-financed eligible expenditures). For the Bank to accept and process a withdrawal application, the eligible expenditures incurred should have an equivalent or corresponding value of achieved PBCs. Otherwise, the disbursement by the Bank will be capped by the value of the PBC even if the reported eligible expenditures exceed the value of achieved PBC.

Transparency and grievance mechanism

61. All applicants will be notified by SMS about the result of the eligibility decision. The SMS will be sent to the mobile



number identified in the registration. The results will also be reported/shared at the social unit level. Another available channel will be using the ministry hotline that the applicant can call to find out about the application status by providing his/her ID number.

62. A GM is a rule-based system which collects, resolves, and documents complaints, queries, requests, and suggestions from citizens and beneficiaries. TKP GM has multiple uptake channels for receiving complaints, including GM portal and hotline. The TKP GM, its experience, and lessons learned to date were documented by the World Bank as a good practice example⁶⁹. This project will support further enhancing the quality of resolution for the program GM to become more citizen-centric by design and make further strides on the implementation quality and beneficiaries' perception. On expansion of TKP GM, the project will (i) revisit the option of integrating SMS-based communication with complainants and (ii) further harness the collaboration and coordination with the MOSS's Women's Administration to address risks related to gender-based violence (GBV). This will entail, for example, establishing a systematic and survivor center response mechanism to GBV related complaints. On quality of GM implementation, the project will (i) consider generating resolution timelines per key complaint category; (ii) make further improvements on grievance resolution procedures, particularly on grievance categories related to the assessment and registration phases, so grievances are resolved within the stipulated timeframe; (iii) collect meaningful and actionable feedback on GM improvement areas from beneficiaries through the annual performance surveys and the IE; and (iv) continue to strengthen efforts to collect and resolve FORSA related grievances and explore the implementation modality in particular with the implementing NGOs during implementation. Inter-governmental coordination with MoH and MOE for grievance resolution will continue under the proposed project. The TKP GM will also benefit from the GM module of the program MIS in order for the PIU to report on grievances more in detail (e.g., periodic reporting, trend analysis) and utilize GM data analysis for program-level improvements, including coordination with relevant line Ministries and agencies.

63. **Data Privacy.** MOSS has in place strong data protection standards including strong measures for data encryption, protection of MIS user passwords, secured cloud storage; furthermore, accessing beneficiary data is restricted to authorized personnel and requires multi-factor authentication. Periodic tests are also conducted to detect any system vulnerabilities. Under the new project, the MOSS team will continue to further upgrade and enhance TKP systems including the integration of additional measures pertaining to data privacy if and when needed and ensuring full alignment with the World Bank's data privacy regulations. In addition, any beneficiary data shared with the World Bank will be depersonalized/anonymized to ensure that no vital information on beneficiaries is disclosed.

B. Procurement

64. The new GOE procurement law and regulations are aligned with international good practices. MOSS has solid experience in implementing World Bank projects, and a qualified PIU which employs a Procurement Specialist, who is responsible and accountable for project procurement activities.

65. Procurement under the Project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers, dated July 2016 and revised in November 2017, August 2018, and November 2020. The "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD loans and IDA Credits and Grants" dated October 15, 2006, and revised in January 2011 and as of July 1, 2016, shall apply to the Project. The Project will use the STEP to plan, record and track procurement transactions.

⁶⁹ <https://openknowledge.worldbank.org/handle/10986/37644>



66. No procurement is envisaged under Component 1 Provision of Conditional and Unconditional Cash Transfers and component 3 Economic Inclusion/Empowerment Services call for proposals with NGOs for FORSA Program.
67. Procurement activities under Component 2, include consulting services for upgrade/development of MIS system, purchase of IT and automation, capacity building and training services and outreach and communication services.
68. Procurement activities under Component 3 include individual consultant contracts, external audits, Impact evaluation and citizen satisfaction surveys, and external audits.
69. Financing of operating costs may take place through outsourced services, as needed, via external service providers.
70. The overall procurement risk for the project is considered Moderate. The main risks to procurement are limited technical capacity in developing/ upgrading MIS system, delayed procurement processes, inefficient contract management. These risks will be mitigated by hiring MIS/ICT technical expert and providing continuous handholding and training to MOSS procurement staff on procurement and contract management.
71. The World Bank prior review thresholds for Moderate risk rated operations will apply to the project. In addition to contracts estimated to be above those thresholds, ToR for all consultants' services and TA packages will be subject to the World Bank's technical review and clearance. The World Bank will carry out two implementation support missions a year, including an ex-post procurement review that would cover at least 10 percent of the contracts awarded during the review period.



Annex 2: World Bank FIF Review for Component 3

COUNTRY: Egypt, Arab Republic of
Takaful and Karama Cash Transfer Expansion and Systems Building Project

I. Background Information

1. **Objective.** This review is based on the information provided by the project task team, the project appraisal document (PAD), and documentation received from the government counterparts to date. The Project Development Objective is to: a) increase coverage and effectiveness of the Takaful and Karama Cash Transfer program; b) expand the social registry to support the targeting of SP programs; and c) enhance access of the poor and vulnerable to economic inclusion opportunities. Successful implementation is defined and measured by pro-poor targeting and intake registration in the TKP social registry. In the context of Component 3: Economic Inclusion/Empowerment Services (planned US\$25 million investment), the use of micro-credit schemes to build on systems and the operational experience of the restructured Rural, Environmental and Industries Support Fund under the Ministry of Social Solidarity (MOSS)⁷⁰ will be embedded in the proposed project’s design. The stated objective is to support the transition of cash transfer recipients under TKP with minimal means out of the program. Therefore, a Financial Intermediary Financing (FIF) assessment, including a due diligence of corporate governance arrangements and financial performance, is required. The aim of this assessment is to confirm that the fund is capable of playing this intermediary role and justify the rationale for debt financing through qualified financial institutions to on lend at – time bounded/temporary - subsidized lending rates to an excluded – yet possible commercially viable – segment of the TKP graduates with sound business ideas or already self-employed.

2. **FIF Assessment Rationale.** The rationale behind the FIF assessment is to ensure that the project is well aligned with sound financial sector development principles and does not create new or aggravate existing distortions in the financial sector (e.g., misallocation of resources, distortions in the financial markets, damage to the solvency of financial institutions, trigger moral hazard and intentional default of financially uneducated borrowers, and magnify the adverse impact on the credit culture in the country). The project team realizes the challenges facing the integration of TKP registered individuals in the formal financial system. The proposed design is meant to support TKP registered individuals - who are first time borrower and engaged in income generating activities to be eligible for - initially - subsidized interest rate loans from formal financial institutions, but with the commitment to “graduate” over an estimated 18-month period to commercially priced and sourced loans as their businesses grow and their management experience improves.

3. **Macroeconomic Conditions in Egypt.** Egypt has been on the path of an ambitious reform program since 2016, which was generating promising results before the interruption of the COVID-19 pandemic. Given the economic implications of the pandemic, combined with war in Ukraine and global and domestic inflationary pressures, Egypt has seen severely affected. A sharp depreciation of the exchange rate in March 2022 and October 2022 has built on global cost pressures and led to an inflation rate of 17.9 percent for the year to September 2022.

⁷⁰ Please see annex () for a background about the fund



Most recently, on October 27, 2022, the Central Bank of Egypt (CBE) announced moving to a flexible exchange rate regime to contain imbalances in the external sector and strengthen its resilience of the external sector in the long term. The CBE has also committed to improve monetary policy transmission and achieve price stability, with the objective of gradually reducing inflation to within the inflation target.⁷¹ This coupled with CBE raising the policy rate by two percent effective October 27, 2022, with interbank rate rising from 11.6 percent on October 26, 2022 to stand at 13.7 on October 27, 2022. Moreover, the official exchange rate jumping from EGP per USD 19.77 to 22.9 (following the announcement) and remain on a rising trajectory as it stands at EGP per US\$24.25 on November 3, 2022. The CBE announced that it remains committed to an effective and credible monetary policy that targets inflation through a mix of a flexible exchange rate channel and proactive interest rate channel.

4. Going forward, inflation is expected to continue increasing over the coming months as the ongoing monetary tightening will take time to result in lower inflation rates. In addition, the fiscal situation remains stretched with elevated debt levels (at 92.4 percent of GDP at end-FY2020/21), extensive refinancing demands in the next few years, and ‘claims on the government’ continue to absorb the largest portion of total domestic credit (58.9 percent in June 2022). The IMF sees the budget deficit narrowing to 6.3 percent of GDP by the end of the current fiscal year, compared to 7.3 percent in FY2020-2021. Although that may seem promising, the 6.3 percent figure is up 0.5 percentage points from the fund’s previous forecast for the FY2021-2022.⁷²

Chart (1): Lending Rates and Headline Inflation in Egypt (Jul. 2018 – Sep. 2022)



Source: Central Bank of Egypt⁷³

II. Sectoral Context and Market Failure

⁷¹ For details on the recent CBN reform measures and Staff Level Agreement (SLA) between the IMF and Egypt for a new EFF please see <https://www.imf.org/en/News/Articles/2022/10/26/pr22363-egypt-imf-reaches-staff-level-agreement-on-an-extended-fund-facility-arrangement>

⁷² Please see <https://enterprise.press/wp-content/uploads/2021/10/IMF-Oct.-Fiscal-Monitor-Report.pdf>

⁷³ CBE’s publicly available lending rate data doesn’t capture CBE’s decision to raise rates end October 2022, we inserted estimates for October 2022 and November 2022 of 16% based on the team’s market sounding during appraisal.



5. **Relevant Enabling Institutional, Legal and Regulatory Environment.** Key factors to be considered when designing a financial intermediary financing relate to the existence of an effective legal, regulatory, and business environment in the country. In Egypt, authorities have been keen to promote the microfinance industry over the past decade and ensure that the required institutional, legal, supervisory, and regulatory frameworks are in place. The microfinance activities are regulated by the Financial Regulatory Authority (FRA)—Egypt’s non-bank financial institutions (NBFIs) regulator—through its Law 141 of 2014; and its amendments issued by Law 201 of 2020. This law was designed and developed in line with good international practice, and in consultations with industry players and the donor community. Its development and implementation were supported by the World Bank Group. Also, the Central Bank of Egypt (CBE), the banking regulator, plays a major role in the microfinance space as it contributes to providing the funding for the industry, through encouraging banks to lend to micro, small and medium enterprises (MSMEs) and microfinance institutions (MFIs), as part of its national MSME initiative—providing credit at subsidized rates to this segment.

6. **Another major player in the microfinance scene is the Micro, Small, and Medium Development Agency (MSMEDA),** the apex institution responsible for coordinating MSME and entrepreneurship activities in Egypt, whose Board is chaired by the Prime Minister. The new MSME Law 152 of 2020 outlines the unified definitions of MSMEs; formalization incentives; tax and non-tax incentives; and other financial and non-financial incentives. MSMEDA is also the implementing entity, that has undergone an FIF assessment and has been found eligible, of the Bank-funded US\$200 million Catalyzing Entrepreneurship for Job Creation project—US\$146 million of which is a line of credit to eligible participating financial institutions (PFI), that provides a comprehensive package of financial and non-financial services to MSMEs and start-ups by availing debt and equity financing through financial intermediaries (including Tier C MFIs⁷⁴ reaching out to the poorest segments all over Egypt). Bank funds flow through the regulated financial system (banks by CBE and NBFIs by FRA), under the MSMEDA project. In addition, there is an active MSME Federation that plays a key role in the market. Past and on-going World Bank Group operations support all key players active in the microfinance space in Egypt.

7. **Access to finance, although improved across all sectors as per Enterprise Survey data, remains a constraint.** In 2020, 15 percent of firms in the manufacturing sector and 14 percent of firms in the services sectors nationwide reported access to finance as a major constraint to business. This is compared to 27 percent and 21 percent, respectively, in 2016. Only seven percent of firms have a bank loan or line of credit in Egypt, compared with an average of 28 percent in MENA. According to the latest 2021 Findex data, account ownership declined from 33 percent in 2017 to 27 percent in 2021. Borrowing from family and friends is five times higher than borrowing from financial institutions. Despite efforts by the government, the low financial intermediation remains to be a binding constraint for MSMEs, micro-entrepreneurs and individuals. Since 2010, substantial public refinancing needs have clearly deflected banks’ lending activities toward government bonds and SOEs financing. Low-risk, high-yield government debt instruments were deemed more attractive than resource-intensive, risky MSME lending activities. The share of credit extended to the private sector has been decreasing continuously since 2010.

8. **The microfinance sector in Egypt is characterized by a large number of institutions, but lending is concentrated at a few large players.** In terms of active borrowers, Egypt is the largest market in the MENA region. Outstanding microfinance portfolio volume in Egypt amounted to US\$3 billion (EGP 47 billion) in 2021, EGP 27.1 billion of which are through NBFIs. Microenterprises in Egypt are mostly informal in nature, and beneficiaries are

⁷⁴ FRA classifies NGOs into three categories according to the size of their portfolios: Tier A NGOs have a minimum loan book of EGP 50 million, Tier B of EGP 10 million (but less than 50m) and the rest of the NGOs are classified as Tier C.



mostly women in rural areas. Microfinance institutions include three types of NGOs Tier (A), (B) and (C) and for-profit organizations (microfinance company MFIs). There are 968 active MFI NGOs, and 15 MFI companies, all serving 3.5 million active borrowers. Tier A institutions and MFIs are relatively sophisticated and on par with the best MFIs in the MENA region. FRA classifies NGOs into three categories according to the size of their portfolios: Tier A NGOs have a minimum loan book of EGP 50 million, Tier B of EGP 10 million (but less than 50 million) and the rest of the NGOs are classified as Tier C. Given their small size and limited means, Tier C NGOs and, to a lesser extent, Tier B NGOs are facing challenges in their abilities to cope with FRA's regulations, however FRA regulations are constantly developing to accommodate all classifications. As of June 2021, Tier A NGOs represented 52.2 percent of total microfinance beneficiaries, with loan portfolio of EGP 8.6 billion (38.25 percent of total microfinance portfolio), while Tier B NGOs represented 2.5 percent of total microfinance beneficiaries, with a loan portfolio of LE 614 million (2.7 percent of total microfinance portfolio).

9. As for Tier C NGOs they amounted to 4.5 percent of total microfinance beneficiaries, with a loan portfolio of EGP 784 million (3.48 percent of total microfinance portfolio). MFI companies represent 40.65 percent of total microfinance beneficiaries with a loan portfolio of EGP 12.52 billion (55.55 percent of total microfinance portfolio). Microfinance sector is also the main lender to women with 62.18 percent of all MFI borrowers being women as of June 2021. Regarding sectoral distribution of the microfinance portfolio (by activity type) as of June 2021, the commercial sector amounted to 61.25 percent of total microfinance portfolio, representing 65.26 percent of total microfinance beneficiaries, while the agricultural sector amounted to 18.4 percent of total microfinance portfolio, representing 16.14 percent of total microfinance beneficiaries. The services sector amounted to 13.48 percent of total microfinance portfolio, representing 12.42 percent of total microfinance beneficiaries.

10. **In the context of the TKP, the IFPRI FORSA baseline evaluation⁷⁵ carried under the existing loan reported that 77 percent of working-age adults in Takaful beneficiary families are unemployed or underemployed, and only five percent are self-employed in the informal sector.** It is clear that most Takaful beneficiaries do not have entrepreneurial experience or training. This high unemployment suggests the existence of a poverty trap or transaction costs in the labor market which could be overcome by a “big push” investment to change employment and earnings prospects for the poor. Evidence is accumulating that a cohesive set of complimentary interventions that are included in a transfer can graduate even very poor beneficiaries from poverty. This set of interventions is a bundle of short-term consumption support alongside a one-time transfer of a productive asset, technical training related to that productive asset, regular mentoring, and savings support.⁷⁶

11. **According to the evaluation, access to bank accounts or financial services was also very low with only 1.4 percent of HHs having a bank account and with less than one percent using e-wallet services such as Vodafone cash and WE Pay.** This means that further efforts are also needed to ensure sustainable lines of credits and financial literacy training to the poorest who otherwise have no access to finance in the current overall microfinance architecture in Egypt. Especially catering for the needs of poor rural populations which are often served through informal agents/mechanisms which offer a narrow range of financial services. This is critical since rural financial markets are extremely important for economic growth and poverty reduction. Safe savings facilities,

⁷⁵ The FORSA baseline evaluation collected information on key characteristics which are expected to be predictive of future program outcomes, prior to the start of the FORSA program. The household survey conducted for that purpose included various modules including on assets, employment history, skills, income expectations, food consumption and non-food consumption, financial inclusion, debts and savings. An endline survey will re-survey the same HHs two years later to measure the impact of FORSA.

⁷⁶ The State of Economic Inclusion Report, issued by the World Bank's Partnership for Economic Inclusion (PEI), provides a global assessment on the state of economic inclusion programs that reach the extreme poor and vulnerable, drawing on experiences from over 75 countries <https://www.peiglobal.org/state-of-economic-inclusion-report-2021>.



payment services, access to credit, and reliable insurance mechanisms enable poor HHs to reduce vulnerability by smoothing consumption and mitigating risks. Rural income cycles are particularly volatile which makes financial intermediation especially important. To that effect, there is a need for appropriately designed financial services which constitute an essential component to create an enabling environment for rural economic growth and poverty reduction.

12. **In an attempt to identify the market failure and define further the problem statement** and as part of preparation for the proposed operation, the Bank – in collaboration with MOSS –conducted a rapid phone survey in order to determine particular challenges pertaining to access to credit for the target population (TKP potential graduates).⁷⁷ This exercise aimed at building robust evidence that the segment of program beneficiaries who are engaged in income generating economic activities are unable to integrate into the formal financial system through (NBFIs and banks), particularly for first-time borrowers.⁷⁸ The survey was conducted via phone interviews drawing on a representative sample of 2146 observations from the TKP registry covering 20 governorates (including accepted beneficiaries and rejected applicants). The sample is representative from a geographical and gender perspective whereby 84 percent are women and 16 percent men.

13. A summary of the key results is as follows: Demand for the proposed modality is evident, as 57 percent are willing to engage in an income-generating activity/start a business for the first time—hence demonstrating entrepreneurial activity. Also, 28 percent tried to apply for a loan to start a business. When asked about their views on impediments to be tackled, 76 percent of respondents requested reducing the cost of borrowing; while 33 percent mentioned facilitating the processes for having access to finance. Also, MOSS is working on cross-checking other information/data available in that domain i.e. extracted based on integration with i-score (including a brief on the process of registering TKP beneficiaries with i-score), Waii Program information, any data from the FORSA behavioral change training pertaining to the above-mentioned market failure.

14. **The proposed implementation modality under Component 3 would thus provide a segue for the potential TKP graduates to integrate into the formal financial system in the future.** It is designed in a way that will benefit/target only first-time borrowers with sound business ideas and a clear understanding of the obligations involved in debt but who are otherwise excluded from the financial sector. This will be complimented by providing TA to strengthen financial literacy ahead of loan origination to increase the chance of responsible use and clear understanding of the commitments taken on the scheme will help integrate them financially and will then be converted to market terms. It would also be a good opportunity to explore ways to enhance their readiness to access market funds, as well as work on their financial literacy and resilience. Also, the required capacity building and institutional technical assistance for the implementing entity to be equipped with the required skills to run the scheme will be covered through other components.

Eligibility criteria for selection of potential borrowers

15. **The design of Component 3 is meant to support potentially viable⁷⁹ first-time borrowers registered in**

⁷⁷ An earlier World Bank in Mongolia successfully achieved to graduate ultra-poor to income generating activities through conducting a pre-entrepreneurship test of 5-6 questions before the graduate moves into a micro-enterprise including those running self-employed business now.

⁷⁸ For the purpose of the project preparation survey respondents self-declared their (in)ability to access formal credit, however, should this component proceeds to implementation this will be verified by i-score.

⁷⁹ The operations manual will include detailed criteria for borrowers' potential viability. This includes demonstrating quantitative and qualitative evidence of income generating commercial activities to ensure borrowers' loan repayment capacity.



the TKP registry⁸⁰ (henceforth eligible borrowers) –with entrepreneurial potential - with appropriately designed loan products to grow their micro businesses. The proposed design would allow World Bank funding to flow through the MOSS Rural Fund on-lent (tier 2 lending) through a dedicated window to eligible licensed, regulated and supervised MFI NGOs. During appraisal, MOSS provided a proposal to design these loan products in the form of three consecutive loan cycles with escalating pricing. First time borrowers come into a bracket of up to EGP 10,000 loan (this is equivalent to US\$400 based on average prevailing exchange rate in November 2022) priced at a - temporary subsidized –interest rate linked to the central bank reference lending rate. The maturity of this cycle is up to six months after which the loan should be fully repaid to conclude the first cycle. This will be followed by a second cycle to successful borrowers with an increase of the loan amount to up to EGP 25000 (equivalent to US\$1000) for another six-month period with a slightly higher interest rate still linked to the CBE’s lending rate (reference rate).⁸¹ Once this loan is fully repaid on time – within six months - with interest and principal, the borrower enters the third cycle and receives up to EGP 50000 (equivalent to US\$2000) for another six months with a slightly higher rate of interest equivalent to the central bank reference lending rate, hence, graduating to commercial sources of loans at market interest rates. MOSS also proposed that TKP registered potential borrowers with notional outstanding loan exposures of US\$400 as at the date of applying for financing under the window should be treated as first time borrowers and benefit from Component 3’s second and third loan cycles lending terms detailed earlier.

16. The PIU will ensure that all first-time borrowers will be registered in i-score (the credit bureau). Moreover, MOSS will offer mandatory financial literacy courses to all first-time borrowers to develop a sound credit culture. It is also expected that financing from the window to the PMFIs as well as microfinancing to end borrowers will all be in local currency.⁸² Moreover, MOSS/ Rural Fund is expected to pass the IBRD borrowing cost (roughly 4 percent)⁸³ to the participating MFIs/NGOs. This enables these institutions to acquire a margin that is ranging from around 10 percent for first cycle borrowers; to 11 percent for second cycle borrowers and 12 percent⁸⁴ for third cycle borrowers. Should the project in early stages of implementation (first six months) proceed with this cost structure; PNGOs are expected to be able to more than double their net lending margins– compared to the market-based cost/pricing structure. This range is expected to provide an adequate incentive and sufficient cushion to – at least PNGOs to adequately manage the credit risk on top of the operational cost of managing this program. The Bank will reassess these margins – every 6 months - in view of developments in the macroeconomic landscape to ensure convergence with market prices. The Bank will also ensure that the ToR of the finance and investment committee will include this undertaking as a key function of the committee (disbursement conditions section). The revision modality will be detailed in the Operations Manual and will be subject to World Bank no objection. Further, the Bank will lead a proactive project implementation support approach and alert the Borrower to any - off cycle - revisions as feasible and required. The regular review of the margins and loan conditions every six months would ensure that reasonable cost, risk, return covering spreads would be maintained.

⁸⁰ MOSS proposes that around 60% of the borrowers will be amongst the top quintile of the TKP beneficiaries receiving stipends and below the cut off poverty line and 40% will be registered in the TKP registry, yet, above the poverty line. This approach is meant to push TKP beneficiaries – lying in the upper income quintiles and engaged in income generating activities– to graduate the program and land above the poverty line. In addition to safeguarding those lying just above the poverty line – and engaging in income generating activities - from slipping into poverty.

⁸¹ CBE’s published monthly deposit and lending rates, calculated as weighted average rates for a sample of banks whose deposits represent around 80% of total deposits of the banking system and calculated on a monthly basis, accessible at <https://www.cbe.org.eg/en/EconomicResearch/Statistics/Pages/MonthlyInterestRates.aspx>

⁸² Currency mismatch will not be allowed to mitigate passing exchange rate risks to borrowers.

⁸³ <https://treasury.worldbank.org/en/about/unit/treasury/ida-financial-products/lending-rates-and-fees>.

⁸⁴ Based on the difference between the IBRD pricing of around 4% and a conservative estimate of CBE Lending rate of 16% for November 2022.



Chart (2): Comparative Funding Cost and Pricing Structure^{85, 86}



Source: Task team interviews with NGOs and MFIs during appraisal mission, November 2022

17. The details of loan design with PMFIs including grace period, equal or non-equal repayments, maturity that matches cashflow, as well as possible interest rate rebate for the best repayment clients will be detailed in the project Operations Manual and will be subject to the Bank’s no objection to ensure that the design is consistent with FIF guidelines. The eligibility criteria for selection should be detailed in the POM and should consider lessons learnt from the ongoing WB-funded Egypt Catalyzing Entrepreneurship for Job Creation project (implemented by MSMEDA). They should meet national registration requirements, as well as regulatory and performance norms. This includes meeting published prudential ratios as set out by FRA (capital adequacy, liquidity, NPLs and provisioning, positive financial returns), in addition to an emphasis on internal controls, and an adequate monitoring information system to comply with reporting requirements.

18. The specific loan details will be detailed in the project Operations Manual, with flexibility to reflect changes in market conditions, the cost structures of NGO/MFIs, changes in the CBE reference rate, and the performance of targeted clients in terms of on-time repayment. A term sheet will be developed, subject to a covenant and with the World Bank maintaining a no objection for the initial term sheet and for significant revisions. There will be no hidden fees and any conditions, such as compensatory balances to serve as collateral, will be specified in the term sheet. The FRA is developing a regulation to control interest rates to avoid exorbitant rates, and the Bank will coordinate with the FRA’s effort.

Eligibility criteria for selection of participating microfinance institutions (MFIs)

19. The eligibility criteria will be detailed in the POM and will be subject to no objection by the World Bank. The project will provide access to resources to any NGO/MFI that meets the due diligence requirements in the operational manual. This will contribute to broader outreach and access to financial services, longer maturities,

⁸⁵ The project source’s margin of 11% is the average of the proposed margins for the three lending cycles

⁸⁶ Effective cost of lending is based on average CBE’s corridor rate for MFIs and Corridor rate +2% for NGOs



innovative products and lower interest rates through competition. Below is a summary of the key considerations:

20. **Financial performance and non-prudential requirements.** Financial performance and non-prudential requirements. Participating MFIs must meet all national registration, supervisory, regulatory, and performance norms. These cover standard financial sector indicators as established and defined by FRA, Egypt's NBF regulator and to be submitted on case by case basis and updated on quarterly basis for World Bank's review and no objection; including—capital adequacy defined as (Self-finance Resources (including the surplus, grants and donations if any) / Total Assets), adequate liquidity defined as (Liquid assets (Cash balances, Treasury Bills, High liquidity Securities & projected portfolio inflows less than 1 year) / Short term Liabilities less than 1 year), and well managed or no maturity gaps, GIRAFE acceptable score, Portfolio at Risk for more than 30 days (PAR>30 days) has not passed 8 percent for the last year of operation. Additionally, the nonperforming loan ratio as percentage of total assets shouldn't exceed 5 percent. The MFI's profitability should be demonstrated through a stable earnings trend and a well-managed cost structure. Other definitions and regulatory requirements have been set for credit portfolio quality systems (including loan classification and provisioning and a nonperforming loan ratio as percentage of total assets not exceeding five percent), adequate internal controls, with an Audit Committee and independent internal controls, and an adequate management information system. In addition to adherence to non-prudential requirements including proper registration, governance, and 'fit and proper' characteristics; and adherence to reporting standards, including reporting to relevant credit information systems.

21. **Projects assessment.** MFIs will have the liberty and autonomy to assess the business cases and creditworthiness of the potential debtors. Each MFI will follow its own applicable credit risk appraisal and approval management procedures.

III. Assessment

22. The qualitative and quantitative evidence detailed above provide – just sufficient – evidence to justify the proposed intervention under component 3. This includes the data driven argument supporting the dysfunctionality in credit markets when it comes to first time – possibly commercially viable - borrowers of TKP graduates. Hence, a time bounded/temporary subsidized interest rate targeting the aforementioned segment is compliant with OP10 guidelines.

23. The current governance structure of the fund is a good step forward but can be enhanced to ensure independence, further alignment with international good practices for fit and proper board members for financial institutions.

24. There is also a need to setup the relevant board committees – particularly the finance and investment committee. This committee is in charge of undertaking the internal risk and investment management and operational decisions in addition to developing the internal operational guidelines of the fund.⁸⁷

25. While a Ministerial decree was issued to endorse the administrative structure and organogram of the fund, several functions need to be filled with able and competent professionals with adequate finance / microfinance experience and knowledge.

⁸⁷ As detailed in Ministerial Decision No. 622 of October 16, 2022 stipulating the lending and financing criteria of the Rural, Environmental and Industries Support Fund.



26. Although the fund was audited for the past two years, the quality of the independent finance needs to be enhanced and to fully capture the fund performance and in compliance with IFRS9.

Table 1: Component’s 3 subsidy eligibility test

Test #	Factor for Subsidized interest rate under FIF	Justification for the proposed project design
1	Transparent	The proposed design– using World Bank financing – does not require a funded subsidy allocation since it is meant to promote graduating borrowers to the formal commercial lending space. Potential borrowers – registered in TKP registries, will be subject to a credit screening by participating MFIs and NGOs based on a transparent, well defined and widely advertised eligibility criteria. Potential borrowers will be educated about this as part of the financial literacy TA that will be mandatory for successful borrowers.
2	Targeted	The proposed project design is meant to target new borrowers (first time users of formal credit) of the TKP registries through staggered lending and elevated interest rate to the targeted potential borrowers.
3	Timebound and capped	There will be a time limit of 18 months for each borrower, and the interest rate will be capped and indexed to the Central Bank reference rate.
4	Fiscally sustainable	The Government has provided assurances that the system is affordable fiscally during the life of the Bank project.
5	Level playing field	The Government will use the due diligence system as an eligibility filter, then all interested qualified financial institutions will have the same terms and conditions of the line of credit. Subsidy conditions will be the same for all financial institutions.
6	Economically justified	This approach will build a medium-term bridge from welfare payments to training on basic business and financial literacy skills to subsidized and finally commercially priced loans.



IV. Disbursement conditions, legal covenants, and institutional arrangements

27. In view of the outcomes of the assessment, the team agreed with MOSS that the following **disbursement conditions** – pertaining to Component 3 - will be included in the Loan Agreement in order to ensure that there are adequate institutional arrangements in place for robust and effective implementation:

- **Strengthening the Board’s independence through revising the board composition and executive management:**
 - Expand the membership of the fund’s board to include fit and proper members with relevant microfinance experience and adopting a schedule of regular BoD meetings (Ministerial Decree issued with the revised BoD composition and new fit and proper members appointed and deciding to meet at least quarterly for the next three years).
 - BoD issues a resolution that ensures that the chairman is a non- executive member without any executive privileges to ensure independence of the board (BoD resolution to confirm non-executive status of the Chairman).
 - BoD appoints a competent managing director CEO with relevant expertise in finance and microfinance (BoD resolution to appoint the CEO and signed contract).

 - **Building the institutional capacity of the fund to manage the window:**
 - The finance and investment committee of the BoD should be established with adequate expertise in microfinance and risk management (BoD resolution establishing the committee and selecting the members).
 - The finance and investment committee of the BoD should prepare a detailed internal risk management operational guideline that defines the loan classification and provisioning methodology that is compliant with FRA guidelines (BoD resolution issuing the guidelines that meet FRA compliance requirements).
 - BoD selects an external auditor from the FRA qualified auditors for microfinance institutions whitelist that is compliant with (IFRS9) (BoD resolution to appoint the audit company from the FRA list and signing the contract with the audit company).
 - BoD endorses a resolution to retain and re-invest any surplus generated from the World Bank’s funding under component 3 (the window)– throughout the lifetime of the project - into the fund with the same terms and conditions and operational modalities and/or maintain the financial resources directed to the window at a minimum of the equivalent in EGP of USD 25 million throughout the lifetime of the World Bank project. (BoD resolution stipulating the above undertaking).
28. Moreover, ensuring the robust implantation of component three will require **adhering to the following legal covenants:**
- The World Bank financing will be only supporting the indirect / wholesale lending activity of the Rural fund through FRA regulated and supervised NGOs and / or MFIs. The utilization of World Bank financing- under component three - to any other purposes or activities including but not limited to direct lending to borrowers, in kind financing to borrowers, administrative costs of the fund will be considered ineligible expenditure.

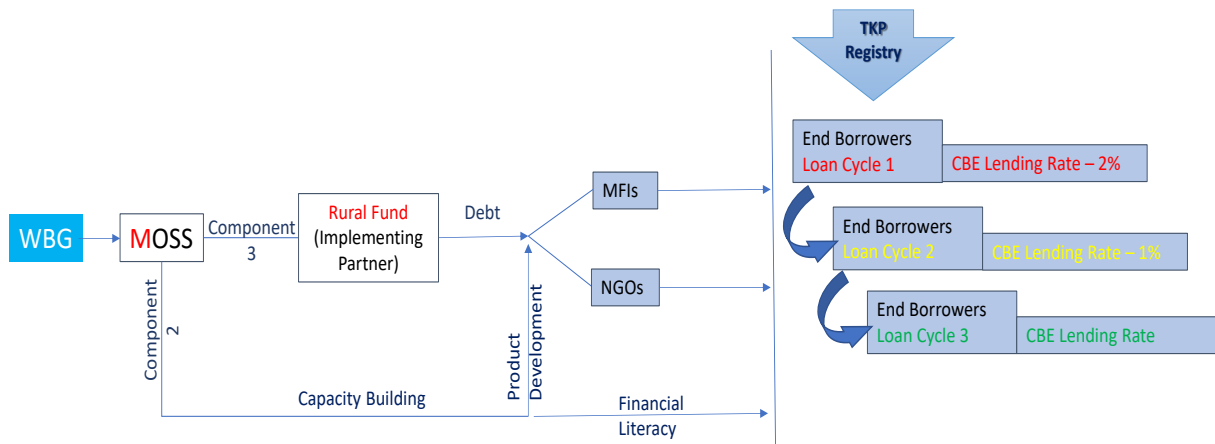


- BoD of the fund – through the finance and investment committee will - on regular basis every six months review the margins and loan conditions to therefore ensure that reasonable cost, risk, return covering spreads would be maintained throughout the project lifetime to eliminate any potential distortions as well as to accommodate financial markets conditions and macroeconomic developments.

V. Flow of funds

29. The entire allocation for Component 3 will be directed to the on-lending activity through the dedicated window in the rural fund. The World Bank funding will not be used to finance any operational or administrative expenses for the fund. Moreover, component 2 will support financial literacy programs to end borrowers as well as product development for participating MFIs and NGOs.

Chart (3): Flow of funds



VI. Monitoring and Evaluation:

30. Selected MFIs will be required to monitor results related to project beneficiaries and submit M&E reports to MOSS Rural Fund. MFIs will be required to include, in their funding applications, the mechanisms that will be used to monitor results related to the project funds; and to submit M&E reports to MOSS Rural Fund on a semiannual basis. MOSS Rural Fund will be responsible for consolidating the M&E reports received from financial intermediaries as part of its reporting to the World Bank.



Appendix (I): The Rural and Environmental Industries Support Fund – Background

I. Legal Statute:

The Rural and Environmental Industries Support Fund was established in 1956 through law no. 167 which was then revised in 1964 as per presidential decree no. 1075. It is a non-profit that is currently under the supervision of the Ministry of Social Solidarity (MOSS) as per presidential decree no. 433 of 1999. The Fund has its independent budget which encompasses an allocation from MOSS in addition to grants.

The objective of the Fund is to help improve economic and livelihood conditions for HHs that are most in need in rural areas. It focuses on enhancing the productivity of industries which are household or community based and do not require large capital, create employment, and help fulfill the needs of local markets; this includes garments, leather goods, oils and fragrances, dairy products, baked goods, food packaging, among others.

The Fund offers a wide variety of financial and non-financial services for individuals as well as for NGOs and institutions engaged in the development of such industries. This includes trainings through its training centers, supporting the development of feasibility studies for projects, business incubation, as well as supporting the marketing of products in local and international exhibitions.

The Fund is also providing financial solutions to support small and micro enterprises through three modalities: 1) Direct Cash Lending to beneficiaries for the purchase of raw materials and goods and/or the payment of operational expenses; 2) Direct Finance for Asset Acquisition (Cashless Lending) to entities which provide services and/or supplies, fixed assets, operational requirements, and/or goods and materials to the ultimate beneficiary; and 3) Indirect Lending to beneficiaries through other partners and entities. Furthermore, the Fund offers additional benefits to loan recipients including facilitating enrollment in health and social insurance.

II. Corporate Governance:

The ministerial decree number 122 issued on February 23, 2022; has appointed the members of the board of the fund that is chaired by Minister of MOSS; the members include:

- Assistant MOSS Minister for Social Safety Nets
- Deputy Chairman of the Financial Regulatory Authority (FRA; regulating NBFIs)
- Former Chairman of FRA (investment expert)
- Representative of the Ministry of Local Development
- Representative of Agriculture Development Bank
- Representative of the Cooperatives Sector
- Legal Advisor to the Minister MOSS
- Handcrafts industry expert
- Environmental Expert

III. Financial Performance:

	EGP (000)	
	June 2021	June 2020
Total Assets	150235	18940



Initiatives (other income) ⁸⁸	133927	1055
Interest income	5100	1049
Goods (in kind finance)	4196	2010
Loans to NGOs	4657	4657
NGOs NPLs	853	2484
Direct Lending (initiatives)	-	1662
Net Surplus (Total Revenue – Total Expense)	143670	3930

⁸⁸ This represents funding for initiatives to support rural – productive families for (i) EGP 109 million from Tahya Misr social support fund, (ii) EGP 5 million from Egypt Settlement and Clearance Company, (iii) EGP 19 million from Sawiris CSR foundation.



Appendix (II): List of documentation received

To date, the team has received the following information on the Rural, Environmental and Industries Support Fund from the Ministry of Social Solidarity (MOSS):

- Survey template on project financing formulated by MOSS.
- Ministerial Decree No. 620 of October 16, 2022 stipulating the Restructure of the Financial and Administrative Regulations of the Rural, Environmental and Industries Support Fund.
- Ministerial Decision No. 621 of October 16, 2022 amending Decision No. 179 of 2022 regarding the regulations pertaining to the governance and organizational structure of the Rural, Environmental and Industries Support Fund.
- The original Ministerial Decision No. 179 of April 3, 2022 stipulating the regulations pertaining to the governance and organizational structure of the Rural, Environmental and Industries Support Fund.
- Ministerial Decision No. 122 of February 23, 2022 stipulating the formation of the Board of the Rural, Environmental and Industries Support Fund. The Board is to comprise of the following:
 - Dr. Mervat Abdel Salam Abdel Megeed, Assistant Minister for Solidarity and Social Protection
 - Representative from the Ministry of Local Development (to be chosen by the Minister of Local Development)
 - Representative from the Agricultural Bank of Egypt (to be chosen by the Chairman of the Bank)
 - Representative from the Manufacturing and Cooperation Association
 - Legal Consultant from the Ministry of Social Solidarity (to be chosen by the Minister)
 - Dr. Islam Abdelazeem Azzam, Deputy Chairman of the Financial Regulatory Authority
 - Mr. Sherif Samy, Investment Expert (Non-Executive Chairman of Commercial International Bank)
 - Mr. Hisham Elgazzar, Industry and Market Expert
 - Dr. Dalia Sakr, Environmental Economics Expert
- Ministerial Decision No. 622 of October 16, 2022 stipulating the lending and financing criteria of the Rural, Environmental and Industries Support Fund.
- Draft Operations Manual for a microfinancing program worth \$25 million under the Rural, Environmental and Industries Support Fund.



Annex 3: Background on FORSA Program

COUNTRY: Egypt, Arab Republic of
Takaful and Karama Cash Transfer Expansion and Systems Building Project

1. FORSA is an economic inclusion program which is being piloted in eight governorates (Qalioubia, Sharkia, Fayoum, Beni Suef, Menia, Assiut, Sohag and Luxor), while gradually expanding to other areas. The program's strategic goal is to promote economic inclusion by enabling TKP beneficiaries and other individuals with low income to better integrate into the economy and transition from poverty to prosperity through participation in economic activities and reducing long-term dependency on CTs to eventually help them graduate from the TKP.
2. The existing FORSA program under the ongoing SSSNP is based on BRAC's Ultra poor graduation model which entails a set of integrated, time-bound, and sequenced interventions that help beneficiaries adopt sustainable livelihood opportunities and achieve economic resilience. FORSA adapted this model and introduced some innovations drawing from theories of behavioral economics, by kickstarting its activities with outreach to potential beneficiaries to participate in behavioral change sessions to introduce the program and disseminate information on its objectives, as well as encourage participants to engage in economic inclusion activities. Participants who choose to apply to FORSA then undergo profiling to collect information on their educational background, skills, job preferences, demographic characteristics, among others. This is followed by the counseling phase to help guide beneficiaries to select one of two tracks/modalities offered by FORSA, namely -the asset transfer/self-employment track, or the wage employment track.
3. Under the ongoing project (SSSNP), MOSS has dedicated US\$50 million to test the asset transfer/self-employment modality (70 percent of targeted group), based on the BRAC model, which includes the transfer of a significant productive asset for starting an income generating activity (IGA), in addition to business and technical training to help beneficiaries start this IGA. This track helps beneficiaries improve their entrepreneurial capacities through the offered non-financial services and works toward helping them create economically viable projects, while ensuring their linkages to value chains and markets. A small wage employment modality (30 percent of the targeted group) is also being tested to improve the participation of beneficiaries in the labor market through job placement/matching in the private sector, enhancing employability skills through training, and incentives to encourage employment in the private sector and promote skills development through on-the-job training (examples include temporary wage subsidies, transportation allowance, partial coverage of social security). Beneficiaries under both tracks would also receive continuous mentoring to regularly follow-up on their progress and ensure they are on the right track. The program also offers financial literacy trainings to enhance financial inclusion while also promoting savings to help beneficiaries better manage risks and build financial resilience against shocks. FORSA is targeted to 70 percent of the enrolled TKP HHs who are starting their second or third year. The other 30 percent is targeted to unsuccessful TKP HHs with a poverty score close to the PMT cut-off point. Moreover, at least 30 percent of beneficiaries are women and 5 percent are people living with disability.
4. While in some countries such as Ethiopia, evidence has shown that grants-based programs (following the BRAC model) tend to perform better than credit-based interventions, there is evidence from Egypt's JPAL study that characteristics of beneficiaries determine business success more than the type of assistance (cash vs. in-kind grant, subsidized loans). The study confirmed that personal characteristics are more important than the type of assistance in predicting the effectiveness of capital assistance.



5. Additionally, the most cost-effective form of assistance may depend on which outcome policymakers are looking to improve. In the context of the JPAL Egypt study, this showed that loans were more cost-effective than grants at increasing employment, but loans and grants—both cash and in-kind - were equally cost-effective at increasing income. Global evidence also suggests that intensive coaching and monitoring leads to better performance and allocation of funds in both cases, grants, and credit. Grants may also often be seen to create a disincentive for beneficiaries leading them to make an inefficient use of the opportunity. The ultra-poor usually adopt a short-term approach and therefore they may allocate the assets to current consumption instead of investing in future income generating activities. There is also a challenge pertaining to scaling-up grant interventions given their high cost compared to other alternatives such as credit-based interventions. Cost considerations may also lead to small grant amounts which may not be attractive to beneficiaries nor productive.

6. Against this backdrop, supporting a micro-credit component for FORSA beneficiaries under the World Bank operation represents an opportunity to address rural financial market gaps and can contribute to successful graduation from TKP. Risks pertaining to accurate targeting of credit would be mitigated through the strong TKP targeting approach which helps identify the poorest populations in Egypt along with the profiling of beneficiaries that have potential higher success rates running micro-credit schemes. FORSA would also continue the scope of activities pertaining to non-financial services which includes skills development, financial literacy trainings, savings groups, coaching, etc.

7. The approach of using micro-credit with the poor can also promote a higher degree of discipline among beneficiaries committed to periodic repayment, which can also have implications on increasing the efficiency of microbusinesses. There are still risks involved such as the need to pay back the capital with interest which limits investment choices, reduce the rate of return as well as capital growth rate compared to grants, leading to a slower graduation process, however, the use of micro-credit along with matching grants through MOSS may reduce this risk.



Annex 4. Climate risks vulnerability context and need for adaptation

COUNTRY: Egypt, Arab Republic of
Takaful and Karama Cash Transfer Expansion and Systems Building Project

1. The highest population density in Egypt is observed in the Nile River Delta, along the Nile River banks, along Suez Canal, and in the southeast region along the coast of the Red Sea. The highest density does not fully coincide with the poverty maps in Egypt, indicating that highest poverty rates are observed in rural areas at a distance from urban agglomerations, ports, and tourism centers to the west from the Nile River and south from the Nile River delta. The maps of smartphone usage further indicate that the areas with highest poverty rates do not have high rate of smartphone usage (iPhone and Android OS), possibly alluding that population in the poorest strata cannot afford a smartphone and mobile contract, or have no use for it, which also implies that they cannot benefit from digital information on social support systems and/or early warning systems for climate disasters.

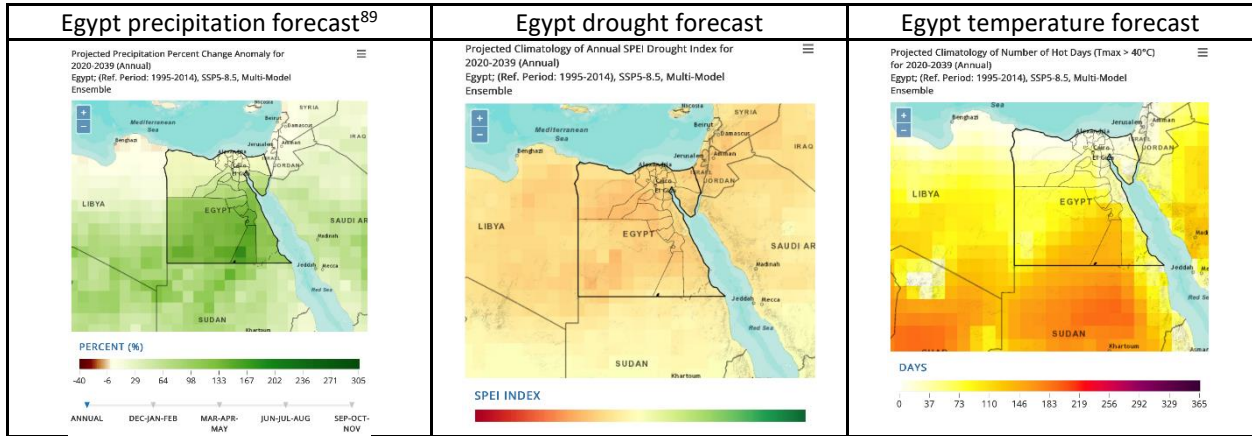


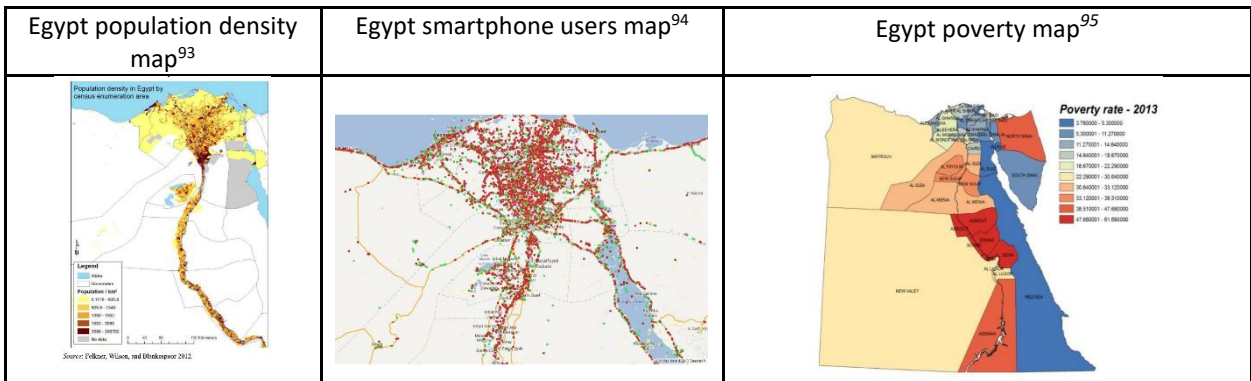
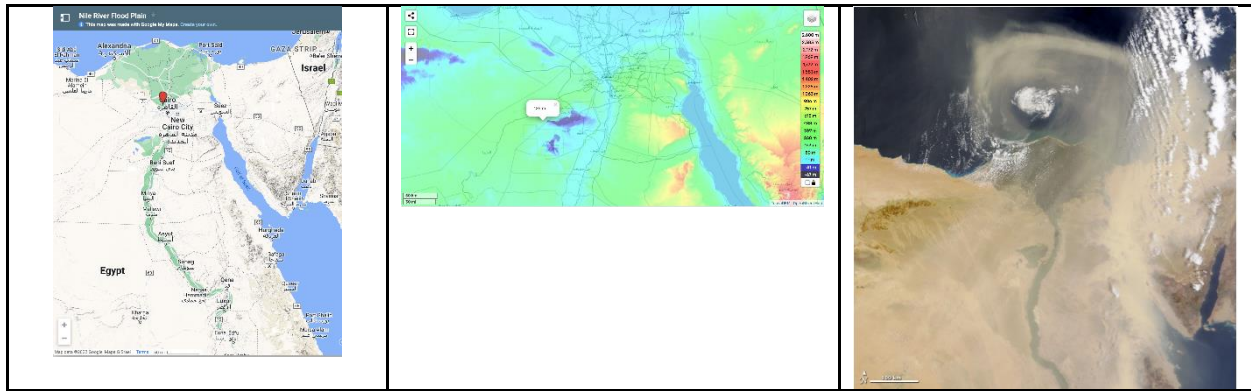
Table with 3 columns: Egypt Nile River floodplain, Elevation along Nile River, Egypt dust storms satellite map

89 https://climateknowledgeportal.worldbank.org/country/egypt/climate-data-projections

90 https://www.google.com/maps/d/embed?mid=1jyKzJfKdHkEd36tgWvKWkyf4PHM&ll=28.58237278547003%2C36.10708394644897&z=7

91 https://en-gb.topographic-map.com/map-cbdnx/Egypt/?center=29.65613%2C31.3134&zoom=8&popup=29.45461%2C30.26464

92 https://earthobservatory.nasa.gov/images/44164/dust-storm-over-egypt-and-libya



2. As seen from the maps above, the areas with highest population density are exposed to dust storms and sea level rise. Whereas the areas with highest poverty rates are exposed to dust storms, floods and larger number in a year of hot days with temperatures exceeding 40C. The area with the highest poverty rate coincides with low-elevation area prone to annual flooding of the Nile River, which is likely to be exacerbated by increasing precipitation during the rainy season due to climate change in the region upstream (Egypt precipitation forecast map). Rural areas with the highest poverty rates will also be vulnerable to heat, droughts, and dust storms, that could reduce productivity of crops and cause severe financial and nutritional insecurity of rural population and vulnerable HHs. In view of these challenges, priority will be given to rural areas that are highly dependent on agriculture as well as coastal governorates as well as areas around the Nile Basin. This is in addition to border governorates, many of which already suffer from flooding.

⁹³ <https://documents1.worldbank.org/curated/en/626851468262536108/pdf/712490ESW0v10P0nt0Platform0Volume01.pdf> and also here: <https://sedac.ciesin.columbia.edu/data/set/grump-v1-population-density/maps/2>

⁹⁴ <https://irevolution.files.wordpress.com/2013/06/screen-shot-2013-06-30-at-10-22-50-am.png>

⁹⁵ https://erf.org.eg/app/uploads/2022/03/1648295758_595_1283574_69governmdinaelshahawany.pdf