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Report No: PAD611

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$400 MILLION

TO THE

ARAB REPUBLIC OF EGYPT

FOR A

STRENGTHENING SOCIAL SAFETY NET PROJECT

MARCH 20, 2015

Social Protection and Labor Global Practice
MIDDLE EAST AND NORTH AFRICA

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CURRENCY EQUIVALENTS

(Exchange Rate Effective March 5, 2015)

Currency Unit = Egyptian Pounds (EGP)
EGP1 = US\$0.13
US\$1 = EGP7.630

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ATM	Automated Teller Machine
BD	Bidding Document
CDA	Community Development Association
CDC	Community Development Committee
CSPD	Central Social Protection Department
CUSP	Central Unit for Social Pension
CPF	Country Partnership Framework
CT	Cash Transfer
CCT	Conditional Cash Transfer
DA	Designated Account
DLI	Disbursement Linked Indicator
ESSPP	Emergency Support to Social Protection Project
FM	Financial Management
FMS	Financial Management Specialist
GDP	Gross Domestic Product
GoE	Government of Egypt
GRM	Grievance Redress Mechanism
HBS	Household Budget Survey
HH	Household
HIECS	Household Income, Expenditure, and Consumption Survey of Egypt
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IFR	Interim Financial Report
IMF	International Monetary Fund
IPF	Investment Project Financing
ISA	International Standards on Auditing
ISR	Implementation Status and Results Report
M&E	Monitoring and Evaluation
MIS	Management Information System
MM	Mitigating Measures
MNA	Middle East and North Africa

MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoPAR	Ministry of Planning and Administrative Reform
MoIC	Ministry of International Cooperation
MoSS	Ministry of Social Solidarity
MOU	Memorandum of Understanding
NGO	Nongovernmental Organization
POM	Project Operations Manual
PA	Payment Agency
PAD	Project Appraisal Document
PCA	Procurement Capacity Assessment
PDO	Project Development Objective
PFM	Public Financial Management
PIU	Project Implementation Unit
PMT	Proxy Means Test
PP	Procurement Plan
PPR	Procurement Prior Review
PST	Project Support Team
PTF	Program Task Force
RFP	Request for Proposal
SFD	Social Fund for Development
SORT	Systematic Operations Risk-Rating Tool
SPD	Social Protection Department
SSN	Social Safety Net
SSP	Social Solidarity Pension
TA	Technical Assistance
TOR	Terms of Reference
UNR	Unified National Registry
WA	Withdrawal Application

Regional Vice President:	Hafez Ghanem
Acting Country Director:	Poonam Gupta
Senior Global Practice Director:	Arup Banerji
Practice Manager:	Yasser El-Gammal
Task Team Leader:	Afrah Al-Ahmadi

ARAB REPUBLIC OF EGYPT
Strengthening Social Safety Net Project

TABLE OF CONTENTS

	Page
I. STRATEGIC CONTEXT	1
A. Country Context.....	1
B. Sectoral and Institutional Context.....	3
C. Higher-Level Objectives to which the Project Contributes	5
II. PROJECT DEVELOPMENT OBJECTIVES	6
A. Project Development Objectives.....	6
B. Project Beneficiaries	6
C. PDO Level Results Indicators.....	6
III. PROJECT DESCRIPTION	7
A. Project Components	9
B. Project Financing	12
Project Cost and Financing	13
C. Lessons Learned and Reflected in the Project Design.....	13
IV. IMPLEMENTATION	14
A. Institutional and Implementation Arrangements	14
B. Results Monitoring and Evaluation	15
C. Sustainability.....	16
V. KEY RISKS AND MITIGATION MEASURES	16
A. Risk Ratings Summary Table	16
B. Overall Risk Rating Explanation	17
VI. APPRAISAL SUMMARY	18
A. Economic Analysis	18
B. Technical.....	19
C. Financial Management.....	20
D. Procurement	21
E. Social (including Safeguards).....	21

F. Environment (including Safeguards)	22
G. World Bank Grievance Redress	22
Annex 1: Results Framework and Monitoring	23
Annex 2: Detailed Project Description.....	31
A. Introduction.....	31
B. Project Components.....	31
C. Project Economic Analysis.....	55
Annex 3: Implementation Arrangements	59
Annex 4: Implementation Support Plan	71

PAD DATA SHEET
Arab Republic of Egypt
Strengthening Social Safety Net Project (P145699)
PROJECT APPRAISAL DOCUMENT
MIDDLE EAST AND NORTH AFRICA
GSPDR

Report No.: PAD611

Basic Information			
Project ID P145699	EA Category C - Not Required	Team Leader(s) Afrah Alawi Al-Ahmadi	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 10-April-2015	Project Implementation End Date 31-May-2019		
Expected Effectiveness Date 30-June-2015	Expected Closing Date 30-Nov-2019		
Joint IFC No			
Practice Manager /Manager Yasser Aabdel-Aleem Awny El-Gammal	Senior Global Practice Director Arup Banerji	Acting Country Director Poonam Gupta	Regional Vice President Hafez Ghanem
Borrower: Government of Egypt, Ministry of International Cooperation			
Responsible Agency: Ministry of Social Solidarity			
Contact:	Ms. Ghada Waly	Title:	Minister
Telephone No.:	37607498	Email:	mwaly@mss.gov.eg
Project Financing Data(in US\$, millions)			
[X] Loan	[] IDA Grant	[] Guarantee	
[] Credit	[] Grant	[] Other	
Total Project Cost:	4,507.00	Total Bank Financing:	400.00
Financing Gap:	0.00		

Financing Source	Amount
Borrower	4,107.00
International Bank for Reconstruction and Development	400.00
Total	4,507.00

Expected Disbursements (in US\$, millions)

Fiscal Year	2016	2017	2018	2019	2020	0000	0000	0000	0000	0000
Annual	150.00	100.00	100.00	40.00	10.00	0.00	0.00	0.00	0.00	0.00
Cumulative	150.00	250.00	350.00	390.0	400.00	0.00	0.00	0.00	0.00	0.00

Institutional Data

Practice Area (Lead)

Social Protection & Labor

Contributing Practice Areas

Cross Cutting Areas

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Health and other social services	Other social services	70		
Public Administration, Law, and Justice	Public administration-Other social services	30		
Total		100		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Social protection and risk management	Social Safety Nets/Social Assistance & Social Care Services	70
Social dev/gender/inclusion	Social Inclusion	30

Total	100
Proposed Development Objective(s)	
The project development objective (PDO) is to support the Borrower to establish an efficient and effective Takaful and Karama cash transfer program.	
‘Efficient’ is defined and measured by good targeting of the poor. ‘Effective’ is defined and measured by coverage of the poor and having basic administrative building blocks of the program.	
Components	
Component Name	Cost (US\$, millions)
Provision of Conditional and Unconditional Cash Transfers	375.00
Support SSN Targeting and Operational Systems	22.00
Project Management and Monitoring and Evaluation	3.00
Systematic Operations Risk- Rating Tool (SORT)	
Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Substantial
9. Other	Substantial
OVERALL	Substantial
Compliance	
Policy	
Does the project depart from the CAS in content or in other significant respects?	Yes [] No [X]
Does the project require any waivers of Bank policies?	Yes [] No [X]
Have these been approved by Bank management?	Yes [] No []
Is approval for any policy waiver sought from the Board?	Yes [] No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X] No []
Safeguard Policies Triggered by the Project	Yes No
Environmental Assessment OP/BP 4.01	X

Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12		X
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X

Legal Covenants

Name	Recurrent	Due Date	Frequency
Schedule 2, Section I.E.1	No	no later than three months after the Effective Date	

Description of Covenant

The Borrower shall, through MOSS, no later than 3 months after the Effective Date, hire an independent Verification Agent under terms of reference, acceptable to the Bank, to carry out annual cash transfer performance audits.

Name	Recurrent	Due Date	Frequency
Schedule 2, Section I.E.2	No	no later than two months after the Effective Date	

Description of Covenant

Not later than two months after the Effective Date and throughout implementation, the Borrower shall cause MOSS to appoint project director, procurement and financial management specialists, and monitoring and evaluation specialist for the Project in accordance with terms of reference acceptable to the Bank.

Name	Recurrent	Due Date	Frequency
Schedule 2, Section I.A.1	Yes	throughout the implementation of the Project	

Description of Covenant

The Borrower shall cause MoSS to maintain, throughout the implementation of the Project, the PIU, CUSP and PTF, with mandate, functions and resources, terms of reference, and with staff of adequate qualifications and experience, all acceptable to the Bank, to be responsible for overall implementation and coordination of Project activities and such other functions as set forth in the Project Operations

Manual.			
Name	Recurrent	Due Date	Frequency
Schedule 2, Section I.A.2	Yes	throughout the implementation of the Project	
Description of Covenant			
Without limitation on the provisions of paragraph 1 of this Section, the Borrower shall maintain, throughout the implementation of the Project, the PIU with a director, a financial management specialist, a procurement specialist and a monitoring and evaluation specialist, acceptable to the Bank.			
Name	Recurrent	Due Date	Frequency
Schedule 2, Section I.B.1	Yes	throughout the implementation of the Project	
Description of Covenant			
The Borrower cause MoSS to implement the Project in accordance with the provisions of the Project Operations Manual.			
Name	Recurrent	Due Date	Frequency
Schedule 2, Section I.C.1	Yes	throughout the implementation of the Project	
Description of Covenant			
Without limitation on the provisions of Section I.B of this Schedule, the Borrower shall ensure that the selection of Beneficiaries for purposes of Part A of the Project shall be undertaken in a manner and in accordance with eligibility criteria and procedures as set out in the Project Operations Manual.			
Name	Recurrent	Due Date	Frequency
Schedule 2, Section I.E.3	Yes	In a timely manner	
Description of Covenant			
The Borrower shall, through MOSS hire in a timely manner an independent entity under terms of reference acceptable to the Bank: (a) to evaluate the targeting of Beneficiaries, once after the first wave of enrolment of Beneficiaries and second during the last year of Project implementation; and (b) to undertake process evaluation after the end of the first wave of enrolment of Beneficiaries and provision of Cash Transfer payments to them.			
Name	Recurrent	Due Date	Frequency
Schedule 2, Section I.E.4	No	no later than the end of the first round of the first wave of enrollment of Beneficiaries,	
Description of Covenant			

The Borrower shall through MoSS, no later than the end of the first round of the first wave of enrollment of Beneficiaries, as set-out in the Project Operations Manual, establish a complaints and grievance redress mechanism to handle complaints and grievances from Beneficiaries or third parties relating to any aspects of the Project, including allegations of fraud and corruption. Such mechanism shall, *inter alia*, contain procedures for recording of complaints and grievances, directing the complainants to the appropriate level for action, the review process, and provision of feedback to the complainant on the action taken on the basis of best practice service standards.

Team Composition

Bank Staff

Name	Role	Title	Unit
Afrah Alawi Al-Ahmadi	Team Leader (ADM Responsible)	Senior Social Protection Specialist	GSPDR
Penelope Jane Aske Williams	Team Member	Senior Social Protection Specialist	GSPDR
Amr S. Moubarak	Team Member	Social Protection Economist	GSPDR
Moustafa Mohamed Abdalla	Team Member	E T Consultant	GSPDR
Lire Ersado	Team Member	Senior Economist	GSPDR
Gustavo C. Demarco	Team Member	Program Leader	MNC03
Badr Kamel	Procurement Specialist	Senior Procurement Specialist	GGODR
Mohamed Yahia Ahmed Said Abd El Karim	Financial Management Specialist	Senior Financial Management Specialist	GGODR
Aissatou Dicko	Team Member	Operations Analyst	GSPDR
Amira Mohamed Ibrahim Kazem	Team Member	Senior Operations Officer	GEDDR
Amr Elshalakani	Team Member	Health Specialist	GHNDR
Alaa Mahmoud Hamed Abdel-Hamid	Team Member	Senior Health Specialist	GHNDR
Dina N. Abu-Ghaida	Team Member	Senior Economist	GEDDR
Sanjay Agarwal	Team Member	Senior Social Development Specialist	GGODR
Syed I. Ahmed	Counsel	Lead Counsel	LEGAM
Maiada Kassem	Finance Officer	Finance Officer	WFALA
Surhid P. Gautam	Safeguards Specialist	Environmental Specialist	OPSOR
Eman Fouad Wahby	Team Member	Communications Specialist	MNAEC

Extended Team

Name	Title	Office Phone	Location

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Egypt, Arab Republic of	Suhaj	Muhafazat Suhaj	X		
Egypt, Arab Republic of	Qina	Qina	X		
Egypt, Arab Republic of	Asyut	Muhafazat Asyut	X		
Egypt, Arab Republic of	Aswan	Muhafazat Aswan	X		
Egypt, Arab Republic of	Luxor	Luxor	X		
Egypt, Arab Republic of	Al Giza	Muhafazat al Giza	X		

I. STRATEGIC CONTEXT

A. Country Context

1. **Egypt continues to be in a period of transition with political uncertainties.** The January 2011 Egyptian people's revolution ushered in a sea change of political transformation that continues to unfold four years later. A political roadmap was announced in July 2013, leading to the ratification of a newly amended constitution and the election of former Field Marshall Sisi to president in May 2014. The parliamentary elections initially planned to be held in two rounds, beginning March 21–22, 2015, and ending May 6–7, 2015 have been recently postponed. The new election dates are expected to be announced in March/April 2015. The removal of Morsi (one year after his presidential election in June 2012) has fueled tensions across the country that have occasionally spilled over into violent clashes and caused social instability. The progressing political roadmap has helped to partially contain the political and social unrest. However, this relative stability seems fragile in the face of the ongoing attacks on the police and the military, and the period since military intervention in July 2013 has been characterized by political polarization.

2. **Growth in Egypt over the past three decades has been moderate and insufficient to catch up to more advanced middle-income countries and to absorb the rapidly growing population and labor force.** Average per capita growth has been limited to around two percent per year since 1980. Though growth accelerated sharply during 2003–2008 and remained strong through 2010, this did not prevent a rise in poverty.¹ Between 2005 and 2010, poverty increased by nearly five percentage points and has likely increased further since then.² While regional disparity in poverty is an enduring feature in Egypt with rural Upper Egypt hosting nearly half of the poor population, the metropolitan region³ poverty headcount rate tripled in the five-year period, from 5.7 percent (the lowest in 2005) to 15 percent in 2010. The income growth of the bottom 40 percent (that is, the shared prosperity indicator) was also negative in this period, at - 1.5 percent, whereas the country's average income fell faster at - 2.0 percent. These results explain the slight decrease in inequality in Egypt. The observed increase in poverty and decrease in the income of the bottom 40 percent reflect that gross domestic product (GDP) growth did not translate into household income growth.

3. **The political turmoil and economic shocks have increased poverty over the last few years.** Since the period covered by the data above, Egypt has undergone a profound economic, social, and political upheaval. This uncertainty has been reflected in significantly lower

¹ Egypt experienced strong growth acceleration during 2004–2008 in the context of important reforms, including reduction in corporate taxes and simplifications to the tax regime, reduced tariffs, and strengthening of the business environment that placed Egypt among the top reformers in 2009–10. FY2006–10 witnessed the longest, highest, and most durable growth episode in Egypt since 1980, with growth proving relatively resilient in the wake of the global financial crisis. It is possible that high growth rates could have been sustained if reforms had been continued and deepened, though the lack of inclusion and fragmentation and inefficiency of social programs to address poverty and shared prosperity would have undermined longer-term social sustainability.

² While data have been released for 2012–13, the methodology has changed and figures are not immediately comparable.

³ The region includes Cairo, Alexandria, Port Said, and Suez. In 2010, this region includes households from Helwan and 6 October as well.

economic growth, which has likely further worsened the welfare of the lower-income groups. At the household level, the poverty incidence has increased from 16.7 percent in FY1999/2000 to 26.3 percent in FY2012/13, with close to half the population remaining poor or vulnerable (49 percent). Economic regional disparities also continue to widen; the poverty rate in rural Upper Egypt exceeded 50 percent in 2010, which compared to less than 15 percent in metropolitan Egypt. During the last quarter of fiscal 2014, 3.7 million Egyptians (13.4 percent of Egypt's 27.6 million labor force) were unemployed, of which 70 percent were between 15 and 29 years old. The macroeconomic profile has limited the ability of growth to benefit the less well-off. The squeeze on fiscal space from interest payments, subsidies, and higher wages has constrained spending on social sectors which would benefit the poor. Over 7 percent of GDP in 2013/14—more than the combined spending on health, education, and public investment—went to finance energy subsidies. Subsidies largely benefit the non-poor: 68 percent of total energy subsidies accrue to the richest two quintiles of the population.

4. The post-July 2013 governments embarked on a major economic stimulus and initiated an ambitious social and economic reform program. The stimulus spending has contributed to early signs of an economic recovery but macroeconomic imbalances remain large. Capitalizing on the country's improved stability, the Government took important steps in early FY2015 to launch critical reforms and begin fiscal consolidation. Early in July 2014, the newly elected president approved long-awaited structural reforms, including increasing existing taxes, enacting new ones, and streamlining electricity and fuel subsidies. These measures should bring the fiscal deficit down to 10.5–11 percent of GDP in FY15. The drop in oil prices since the end of 2014 provides a suitable environment to control the fiscal deficit. The Government has also made a commitment to improve its pro-poor investment to protect the poor and address historical regional and social disparities. The energy subsidy reform initiative, undertaken by the Government, aims at liberalizing energy prices over the coming 5–10 years and allow for the necessary fiscal space to implement and sustain pro-poor investments. In July 2014, the Government introduced comprehensive price increases for fossil fuels and electricity and announced the allocation of EGP 27 billion (US\$3.6 billion) of the total EGP 51 billion of fiscal savings from these reforms to health, education, scientific research, and social protection programs, particularly reform and expansion of the social safety net (SSN).

5. Despite good progress in human development indicators over the past two decades, further attention is needed in specific areas of human development and especially in the poor regions. In the health sector, in spite of significant overall progress in maternal and child mortality, in lagging regions, 46 per cent of births in the lowest quintile took place without trained staff and 55 per cent of births took place outside of health facilities. Several health indicators have worsened across the country, including childhood malnutrition (stunting, underweight, wasting), but these are particularly worrisome in Upper Egypt. Stunting is also more prevalent in Upper Egypt, at 26 percent, compared to Lower Egypt or metropolitan Egypt, at 18 and 19 percent, respectively. While a strong family planning program managed to reduce the annual population growth rates to 1.9 percent between 1980 and 2010, population growth rates rebounded to 2.3 percent by 2013 and 3 percent in rural Upper Egypt. People's inability to have adequate and nutritious food is largely attributed to rising poverty rates and a succession of crises from 2005. Additionally, inadequate feeding and childcare practices among young mothers are believed to be associated with repeated diarrheal episodes and malnutrition. As for education, while there is nearly full enrollment for children in the richest quintiles, the poorest quintile still

registers enrollment rates of about 73 percent in basic education and below 50 percent at secondary levels. Girls in rural Upper Egypt make up the largest group of those left behind in education. An analysis of their situation emphasizes that they face major mobility constraints for cultural reasons related to norms of gender propriety.⁴ Another study shows that girls are 2.3 times more likely not to have ever been to school than boys.

6. Addressing the challenge of inequality in health and education gains would require tackling both demand and supply side constraints. The supply side in both health and education suffers from irregularity of service delivery, distorted distribution of service providers, low quality of inputs, and governance and accountability issues. While a well-designed SSN can help address the demand side by promoting human development and providing the funds and incentives to access services, addressing the supply side challenge in Egypt would require a holistic approach and cross-sectoral transformation. In recent years the Government has established the ‘Ministerial Committee for Social Justice’, headed by the prime minister, with a policy formulation and coordination mandate to transform social policies and social programs for proactively tackling social inequality.

B. Sectoral and Institutional Context

7. Egypt’s social protection programs are highly fragmented and do not provide adequate protection to the poor. Egypt has a complex social protection system that relies heavily on fuel and food subsidies. These subsidies cost between 6 and 9 percent of GDP, dwarfing the funding for non-subsidy SSN programs (at 0.2 percent of GDP), but are very poorly targeted: the top 20 percent of Egyptian households, by income, receive 36 percent of total energy subsidies, and 73 percent of non-poor Egyptian households have access to food ration cards.⁵ There are also tremendous leakages in the food subsidy system, estimated at 29 percent in 2008.⁶ Nevertheless, food subsidies have played an important role in protecting the poor from the impact of high food prices, and it is estimated that removing food subsidies would increase the national poverty rate by 9 percentage points. Recent efforts have improved the leakages in the food subsidy system as a result of the use of technology where recipients are using smart cards, thereby reducing waste.

8. Egypt lacks well-designed, non-subsidy SSNs directed to the extreme poor and that can be scaled up to protect against shocks. The existing safety net programs are characterized by low coverage rates, poor targeting, fragmentation, and poor coordination and therefore, low impact on poverty. Egypt’s largest cash transfer (CT) program (the Social Solidarity Pension [SSP]) reaches less than 10 percent of the poorest quintile and less than a quarter of the program’s resources accrue to this income group; it has been deemed an inefficient program. Egypt requires an integrated approach of strengthening its SSN system (CT programs, labor-intensive programs for unskilled and semiskilled, and food subsidy programs) along with improving its targeting mechanisms.

⁴ Assaad, Ragui, and Ghada Barsoum. “Youth Exclusion in Egypt: In Search of “Second Chances.” Wolfensohn Center for Development. Middle East Youth Initiative Working Paper.

Source: <http://datatopics.worldbank.org/hnp/files/edstats/EGYpub07.pdf>.

⁵ International Food Policy Research Institute (IFPRI).

⁶ World Bank. 2010. *Egypt’s Food Subsidies: Benefit, Incidence, and Leakages*. Washington, D.C.

9. **The Government is committed to reforming its SSN.** Recognizing the current deficiencies in the existing system and within the framework of the post-2011 revolution social and economic reform program, the government of Egypt (GoE) has made a commitment to reform its SSN system with emphasis on improving targeting and delivery systems before further expansion in coverage and launching significant reforms to legacy (but inefficient) programs. Given the political economy challenge of reforming existing SSN programs, the Government has chosen a phased approach to the reform, starting with quick wins and less politically challenging steps. The overarching nature of the reform is to gradually move from universal subsidies to targeted programs to protect the poor and vulnerable and enhance the quality of social services they receive.

10. **In 2014, the Government introduced changes to the food subsidy system which has improved the supply chain by introducing output-based financing.** In the new system, the government is no longer subsidizing flour for bakeries to produce subsidized *Baladi* bread, but instead is subsidizing the actual loaves of bread distributed by the bakeries to the citizens through the smart card system. The new system introduced a capping mechanism whereby each citizen is allowed a maximum of 5 loaves of bread per day, thus minimizing the consumption abuse of subsidized bread in the old system.

11. **The Government also introduced changes to the ration food system by moving away from subsidized commodities to an allowance-based system.** In the old system, each citizen was allowed a specific monthly quantity of subsidized basic food commodities (cooking oil, sugar, rice, and macaroni), leading to poor quality products and an active black market. The new system provides a monthly allowance of EGP 15 (US\$2) per citizen and the individual is free to buy any product from a basket of 20 food commodities. The unused monthly allowance of *Baladi* bread can be converted into points and used to buy other food commodities within the same smart card system. This offers an incentive for citizens to ration their use of *Baladi* bread while allowing them to set their consumption priorities of available food commodities.

12. **To improve targeting of the poor and delivering targeted safety net, the Government has taken concrete steps.** In 2012, the Government established a Labor Intensive Works Program, implemented by the Social Fund for Development (SFD) (supported by the World Bank and the European Union), targeted at the able-to-work poor and unemployed youth, with focus on lagging regions. The Government has made the commitment to establish a well-targeted and evidence-based CT program—Takaful and Karama—targeted at poor families with children and the poor elderly and severely disabled. To support the long-term reform, the Government has launched a Unified National Registry (UNR) initiative, led by the Ministry of Planning and Administrative Reform (MoPAR). The objective of the UNR is to establish a national database platform to support consolidation of SSN programs and facilitate coordinated targeting and delivery mechanisms. The UNR initiative has already made some progress toward linking the Family Smart Card (food subsidy), SSP, and social security databases through the national ID.

13. **The Government intends to set aside 10–15 percent of savings from structural subsidy reforms for social investments including, among other things,⁷ financing the new national targeted CT program, Takaful and Karama.** The Ministry of Social Solidarity (MoSS) has been mandated to establish and implement the new CT Takaful and Karama (‘Solidarity and Dignity’) program, with emphasis on building effective targeting and efficient operational systems; reaching newly identified 1.5 million households to be enrolled in the new program. The Ministry of Finance (MoF) has already allocated an additional EGP 500 million (US\$67 million equivalent) in fiscal year (2014 -2015) and began disbursing to the MoSS, which has been directed to fund the initial round of the new Takaful and Karama program.

14. **The Government has launched a communication campaign targeting a wide range of stakeholders from the academia, civil society, youth groups, and private sector to gain public support for the social and economic reforms and for the new targeted CT program.** Multiple channels are being used in the campaign, including talk shows and debates, media conferences, information dissemination through printed and visual media, meetings with community and religious leaders, and public hearings. Key messages include, among others, how the new CT program supports the post-2011 social and economic reforms and the importance of energy subsidy reform to allow the fiscal space to launch and sustain pro-poor service and benefit delivery.

15. **The GoE is seeking technical and financial support from the Bank as it rolls out the new Takaful and Karama program.** Takaful and Karama is being designed based on best practice. Therefore, the GoE has requested that the Bank provide technical support as well as advances to partially co-finance the first 4 years of the program benefits while the fiscal space for gradual expansion is secured.

16. **The proposed project will build on and scale up the ongoing Bank support to the reform efforts by the GoE.** In particular, the Programmatic Technical Assistance on Social Safety Nets has provided support to the MoSS, MoF, and MoPAR to build capacity and receive technical advice, especially in the initial phases of the preparation of the SSN reforms. A US\$2.0 million component of a US\$6.5 million grant financed by the Middle East and North Africa Transition Fund has financed the technical work to design the new CT program, Takaful and Karama; develop the targeting methodology; and launch the UNR. Additionally, a recently approved grant under Energy Sector Management Assistance Program (ESMAP) will provide complementary technical assistance (TA) to the implementation of the Takaful and Karama program, as needed.

C. Higher-Level Objectives to which the Project Contributes

17. **The proposed project is aligned with the proposed World Bank Group’s Country Partnership Framework (2015–18),** specifically to Pillar 3, objective 3.4 ‘develop targeted and sustainable safety nets’. It is also consistent with the MNA Regional Strategy Update (Report no. 59364, January 22, 2013) supporting the pillar of ensuring social and economic inclusion.

⁷ Other priorities for savings from subsidy reform include free health insurance for the poor; targeted food subsidy; and increased spending in health and education services, especially in poor regions.

18. **The project responds to priorities selected by stakeholders during the preparation for the Country Partnership Framework (CPF).** In June 2014, stakeholder consultations were conducted in Cairo, Alexandria, and Aswan and attended by a wide range of stakeholders from the academia, civil society, youth groups, and private sector. In two out of three face-to-face consultations, social justice, SSNs, and health were voted by the stakeholders among Egypt's top five development priorities. Gender, disability, and inclusion were three cross-cutting issues as determined by the stakeholders.

19. **Bank support under the proposed CPF is organized under two focus areas: (a) private sector job creation and spatial integration and (b) service delivery, especially to the poor, and social protection.** The latter focus area includes improving the targeting of the SSN system to ensure that the system properly identifies the poor, ensures that its resources reach the poorest segment, and improves the business processes of the SSN to become more efficient, responsive, and accountable to clients. A well-targeted SSN is also considered as a critical element to accompany the energy subsidy reforms.

20. **The proposed operation is expected to directly support the World Bank Group's twin goals of reducing extreme poverty and promoting shared prosperity.** It will help Egypt move away from an inefficient and untargeted social protection system to a more effective one, targeted at the poorest in society; continue building the registry of the poor to improve coordination and efficiency of services to the poor; and contribute to the human development outcomes of the poor. Therefore, this operation would have a contribution to poverty reduction and protection against falling into extreme poverty in the medium-term. It also enhances access to human development opportunities by the poor, contributing directly to the inclusion agenda.

II. PROJECT DEVELOPMENT OBJECTIVES

A. Project Development Objectives

21. **The project development objective (PDO) is to support the Borrower to establish an efficient and effective Takaful and Karama cash transfer program.**

22. 'Efficient' is defined and measured by good targeting of the poor; 'Effective' is defined and measured by coverage of the poor and having basic administrative building blocks of the program.

B. Project Beneficiaries

23. The proposed project will support the establishment of the Government's national Takaful and Karama program which would benefit about 1.5 million poor households by the end of 2017. Program beneficiaries are poor households with children under 18 years, poor elderly (aged 65 years and above), and poor persons with severe and permanent disability.

C. PDO Level Results Indicators

24. The key performance indicators that will be used to track progress toward these objectives are as listed:

- (a) Percentage of the program's beneficiary households who are under the poverty line (to measure targeting efficiency) - Target: 60%
- (b) Percentage of poor households covered by the program (to measure program's coverage) - Target: 20%⁸
- (c) Number of days, after payment due date,⁹ the funds deposited in beneficiaries' individual accounts (a measure of administrative building block of the program) - Target: 10 days

25. The number of direct CT beneficiaries with gender disaggregation (core Bank social protection indicator) will be captured, among other indicators related to key building blocks of a CT program (proxy means test [PMT], management information system [MIS], and grievance redress mechanisms), in the intermediary results indicators.

III. PROJECT DESCRIPTION

26. **The Takaful and Karama program is being developed as a national targeted SSN program aimed at protecting the poor through income support.** The program will be rolled out in a phased approach in three consecutive waves to register and enroll poor households. Wave 1, expected to end in FY2015 (June 2015), will cover 500,000 households in the 19 poorest districts of Egypt, where the poverty rate is at 60 percent and above; all these districts fall in six governorates of the poor Upper Egypt region.¹⁰ Wave 2 will cover an additional 500,000 households, expanding coverage to 1.0 million households by end of 2016; and Wave 3 is expected to add another 500,000 households, taking the program's overall coverage to 1.5 million households by the end of 2017. Detailed quarterly rollout plan and associated cost projections are illustrated in annex 2. Geographical rollout in Waves 2 and 3 and districts identification beyond the first 19 districts will be decided during the later months of Wave 1 implementation, with TA from the Bank, using poverty maps and learning from the experience of the Wave 1 rollout. Targeting and operational processes in each wave will benefit from the targeting and process evaluations of the previous wave to ensure improved design and processes, following a 'learning-by-doing' approach before expansion.

27. To offset the targeting inefficiency of the existing SSN programs, Takaful and Karama will use a combined targeting method including geographical (poorest districts) and the PMT mechanism to identify the eligible poor households within the selected districts. Simulations of the PMT adjusted to geographical targeting indicate that with coverage of 10 percent of the poor, there would be about 37 percent inclusion error and about 59 percent exclusion error, and with 20 percent coverage, the inclusion error can be reduced to 29 percent and exclusion error to 42 percent. During the project's life, Takaful and Karama will cover about 1.5 million households, representing about 10 percent of the population and 37 percent of the poor. The annual cost of the program when it reaches the full coverage of 1.5 million households will be EGP 10.89 billion (US\$1.46 billion). The simulations show that, during the project's life, the Takaful and Karama program is likely to result in about 24 percent (or 6.3 percentage points) reduction in the national poverty rate, 35 percent reduction in the poverty gap.

⁸ Takaful and Karama planned coverage at 1.5 million households, will reach 36.80 percent of the poor (assuming perfect targeting); with a targeting accuracy of 60 percent (project target), the program is expected to reach 22 percent of the poor.

⁹ 'Due date' as defined in the program's Operational Manual.

¹⁰ Districts in Souhag, Asyut, Luxur, Qena, Aswan, and Giza.

28. **Takaful is a family income support with co-responsibility (conditional) CT program aimed at reducing poverty and producing human development improvements (in health and education).** Co-responsibility is a policy decision adopted by the Government for both political economy consideration as well as a strategic objective to support investing in human development of the poor. However, given the supply side challenges which are being addressed through different national and donor-supported initiatives, it has been decided to select co-responsibilities that are within the control of the household and that are administratively easy to monitor. Therefore, the family co-responsibilities will be (a) school attendance of 80 percent and above of the school days by children aged 6–18 years and (b) two visits a year to health clinics by mothers and children below 6 years, maintaining child growth monitoring records, and attending nutrition awareness sessions which will focus on promoting better child feeding practices, regular immunization, and antenatal and postnatal care of women. The MoSS is working in parallel with the Ministry of Health (MoH) and UN agencies, for example, United Nations Children’s Fund (UNICEF) and World Food Programme (WFP), to improve health care service delivery, with an initial focus on nutrition, and expand into prenatal and postnatal services as capacity and resources are improved in the health sector. Benefit size¹¹ in Takaful starts from a basic amount of EGP 325 (US\$44 equivalent)¹² per household per month and it increases depending on the number of children in the household while providing higher incentive for school participation in higher grades. The maximum amount a household can receive is capped at EGP 625 (US\$84 equivalent) per month.

29. **Karama is an unconditional income support and social inclusion subprogram that aims at the protection and inclusion of the poor elderly (above age 65) and persons with severe disability.** In Karama, the benefit size is EGP 350 per beneficiary with a cap of 3 beneficiaries in one household. The maximum amount a household can receive in Karama is capped at EGP 1050 (US\$140 equivalent).

30. **Payment to beneficiary households will be managed by the post office through individual (virtual)¹³ accounts.** Beneficiaries will have the option to withdraw their benefits using Takaful and Karama Smart Cards through automated teller machines (ATMs); point of sale at either the post office (with numerous locations nationwide); or MoSS’ Social Units (which manage the revenues and delivery of the contributory Social Security Pension). Payments are delivered on quarterly basis for Takaful and monthly in Karama.

31. **The program will implement a wide communication and outreach program** to ensure targeting of the eligible poor, with the support of nongovernmental organizations (NGOs); Community Development Associations (CDAs); community leaders; and the media. The MoSS has already launched the communication program and is using diverse communication channels ranging from TV interviews and social media to printed material with illustrations, targeting the less-educated population. Application to the program will be open in the targeted areas and enrollment will close when the program reaches its full coverage target. Enrolled beneficiaries will continue in the program for three years, after which they will be subject to recertification.

¹¹ Benefit size was decided by the Government on the basis of (a) fiscal affordability at full coverage and (b) comparable amount to the old SSP program for political economy considerations.

¹² Calculation based on exchange rate of US\$1 = EGP 7.44, effective January 30, 2015.

¹³ Beneficiary ‘Account’ is defined as the individual virtual accounts which are not traditional bank accounts but rather are budget opening with any time access by the account holder.

A. Project Components

32. The project will consist of three components: (a) provision of conditional and unconditional CTs under the Takaful and Karama program; (b) support for SSN targeting and operational systems; and (c) project management, monitoring, and evaluation.

Component 1: Provision of Conditional and Unconditional Cash Transfers (Total component estimate - US\$4,482 million of which, IBRD funds - US\$375 million)

33. **Component 1 will finance payments to eligible beneficiaries under the Takaful and Karama CT program.** This component will use a results-based approach, with eligible expenditures comprising CTs under the Takaful and Karama program. The component will co-finance with the GoE the benefits of the 1.0 million households enrolled in Waves 1 and 2. Government funds will gradually increase until they reach 100 percent of the cost by Q3 of FY2017. The overall cash benefits cost through the four years of project implementation is around US\$4.482 billion, of which the IBRD contribution is about 8.5 percent. The MoSS and MoF have agreed on the program's funding projections for the fiscal years starting 2015 onward.

34. **Disbursements under Component 1 will be triggered by achievement of specific, jointly agreed results** (Disbursement Linked Indicators [DLIs]) that are set out in table 1 and detailed further in annex 2. The jointly agreed results reflect progress toward efficiency of the Takaful and Karama program by measuring: (a) progress on the design and implementation of tools, assessments, and evaluations to enhance the accuracy of the program; (b) key milestones in the rollout of the Takaful and Karama program; and (c) progress in establishing some key administrative building blocks in the program to enhance the effectiveness of the program. Together, achievement of these results will measure the success of the program and progress toward the key elements of the PDO: efficiency and effectiveness. Each DLI has a value that is disbursed when the task team leader certifies that the result has been technically achieved according to the verification protocol (detailed in annex 2), provided that sufficient CTs (eligible expenditures) have also been made under the Takaful and Karama program, as shown in the Unaudited Interim Financial Reports (IFRs). Advances will be provided, as needed and based on cash forecasts, to smooth the cash flow and enable the client to make sufficient eligible expenditures. Disbursements may comprise conversion of advances into disbursements and/or reimbursement of the Government's own spending on the Takaful and Karama program.

35. Table 1 presents a summary of the agreed DLIs and their associated values.

Table 1: Summary of Agreed DLIs

FY*	Result/PDI**		
	<i>Efficiency: 60% Takaful and Karama beneficiaries are below the poverty line.</i>	<i>Effectiveness: 20% of the poor population is covered by the Takaful and Karama program, and key administrative mechanisms established.</i>	
FY15	DLI1:* PMT applied to Wave 1 beneficiaries (US\$10 million)	DLI8: 180,000 beneficiaries enrolled using the PMT (US\$30 million)	DLI12: MIS module 1 - used to register applicants (US\$10 million)
	DLI2: SSP access restricted (US\$10 million)	–	DLI13: MIS module 2 - back office used to cross-check applicants with MoSS databases (US\$10 million)
FY16	DLI3: Verification of self-reporting (US\$20 million)	DLI9: 500,000 beneficiaries enrolled using the PMT (US\$40 million)	DLI14: MIS module 3 - used to process payment for eligible beneficiaries (US\$10 million)
	DLI4: Process evaluation undertaken (US\$20 million)	–	DLI15: MIS module 4 - case management provides access to beneficiaries to update life events (US\$10 million)
	DLI5: PMT adjusted to improve accuracy (US\$20 million)	–	–
FY17	DLI6: Impact evaluation baseline survey conducted (US\$10 million)	DLI10: 750,000 beneficiaries enrolled using the PMT (US\$60 million)	DLI16: MIS module 5 - conditionality compliance capable of identifying cases of non-compliance (US\$10 million)
	–	–	DLI17: MIS module 6 - logs incoming grievances and replies (US\$10 million)
	–	–	DLI18: Grievance redress mechanism established and 50% grievances addressed (US\$10 million)
FY18	–	DLI11: 1 million beneficiaries enrolled using the PMT (US\$65 million)	DLI19: Grievance redress mechanism established and 80% grievances addressed within stipulated time frame according to the Project Operations Manual (POM) (US\$10 million)
FY19	DLI7: Impact evaluation complete and results published (US\$10 million)	–	–

Note: * All dates are indicative.

** The full description of each DLI and its verification protocol are described in annex 2.

Component 2: Support SSN Targeting and Operational Systems (Estimated IBRD funds - US\$22 million)

36. **Component 2 will use a traditional investment financing approach, with disbursements against eligible expenditures for specific activities set out in the Procurement Plan (PP).** It will support TA and investments that will support achievement of the results under Component 1. Specifically, it will support the development and implementation of the Takaful and Karama targeting and operational systems: registration, database cross-checking, enrollment, conditionality verification, case management and beneficiary data update, payment delivery, grievance redress, and performance monitoring. The program MIS will be developed and regularly updated to support the CT business processes. The component will support the development of these systems; improve the administrative infrastructure (equipment) of social units (the lowest administrative level of the MoSS); and provide training for officials and staff. The project will support regular updates of the program's POM for adjustments based on experience and evidence. It will also support the development of a specialized monitoring capacity in the MoSS, which will lead the institution's efforts of continuous program improvement. The component will provide the necessary TA and implementation support and operating costs (travel, lodging, and per diem but not salaries) to ministry staff for the incremental costs of rolling out the Takaful and Karama program. In rare cases, where a poor family does not have identification cards, the project funds could be used to help them obtain formal identification. Total financing expected under this subcomponent is US\$15 million. The subcomponent will finance goods, consultancy, training, non-consultancy services, and operating costs for staff to undertake monitoring visits and, in some cases, fees to pay for formal identification of poor beneficiaries.

37. **Additionally, approximately US\$7 million will be allocated from this component to support the ongoing efforts of MoPAR,** which is the primary government entity tasked with developing an integrated database of beneficiary information, including the modernization of its technological platform, as well as improving other agencies' technological capacities for data exchange, in developing a UNR using MoPAR's Family Smart Card System. The UNR will provide verifiable administrative information on household characteristics using currently available databases at various government agencies. This administrative information will help inform eligibility determination for applicants of different public programs, such as Takaful and Karama, beyond relying on reported information during the program application phase. The UNR would also be used for identification of beneficiary duplicates across programs, as well as cases of error and fraud. The project will support the MoPAR to develop and implement a detailed roadmap for integration of various databases into the UNR and make them available to relevant public agencies. This subcomponent will finance the technological infrastructure of the UNR as well as the expenses associated with connectivity to other databases and its 'card management system' (CMS), compatible with the UNR. These expenses will include acquisition of servers, storage, software licenses, and services that will host the UNR as well as support to the G2G with additional bandwidth and acquisition of servers to host other imported or connected databases (for databases such as natural gas, government payroll, vehicle registration, and education, among others). This subcomponent will finance goods, consultancy, training, non-consultancy services, and operating costs.

Component 3: Project Management and Monitoring and Evaluation (Estimated IBRD funds - US\$3 million)

38. Component 3 will use a traditional investment financing approach. It will support project management and ensure that the project is successfully and efficiently implemented in conformity with the Financing Agreement, the Project Appraisal Document, and the POM. The component will finance (a) salaries of the project implementation unit (PIU) staff (non-civil servants); (b) equipment and operating costs for the PIU, 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); (c) regular internal audits and annual external audits (audits of financial and procurement aspects according to the Bank's legal requirements); and (d) undertaking of evaluations.

39. The PIU will comprise a director, an MIS specialist, a financial management (FM) specialist, a field operations manager, a monitoring and evaluation (M&E) specialist, a procurement specialist, a communications specialist, a quality assurance and program coordinator, and a researcher and donor relations specialist. The project will maintain a 'live' monitoring system, which entails continuing to collect data (during project implementation), stories, and other evidence about implementation and using such live monitoring to fine-tune the program's design and processes. The MIS represents the backbone of the monitoring system, but it will also include verification of beneficiary self-reporting, verification of those deemed as severely disabled, and verification of payments to beneficiaries. All verification will be based on random samples. The component will also finance three evaluations: process evaluation after Wave 1; targeting performance evaluations (after Wave 1 and at project end); and an impact evaluation at the end to assess the project impact on household welfare (consumption and asset protection) and on selective education and health indicators. Further description of the proposed evaluations is provided in annex 2. The component will finance consultants, goods, travel cost, per-diem non-consultancy services, and training.

40. More details on project description, including beneficiary enrollment rollout plan, cost breakdown, economic analysis, DLI protocols, and M&E arrangements, are provided in annex 2.

B. Project Financing

41. The project will be an Investment Project Financing that uses results-based features in one of its three components to support the implementation of the Takaful and Karama program.

42. Under Component 1, loan advances will be made to the Takaful and Karama project account in the Central Bank of Egypt, based on quarterly/semi-annual cash flow forecasts in IFRs. The advances will provide liquidity to the MoSS to help finance the first wave of enrollment in the Takaful and Karama program. Upon review and examination of the IFRs, advances will be converted into disbursements as and when evidence of achievement of jointly agreed results (see tables 2.1- 2.6 in annex 2) is presented to the Bank. The amount of the advance converted into a disbursement will be the value attached to the jointly agreed result as long as this does not exceed the amount that has been expended on Takaful and Karama CTs (eligible expenditures) under the program.

43. Under Components 2 and 3, a Designated Account (DA) will be established in the Central Bank of Egypt. Loan advances will be made to finance the purchase of specific goods and services, which will then be reconciled and disbursed (see project PP for the first 12 months in Annex 3).

44. The total estimated cost for the proposed project amounts to US\$4,507 million over four years, of which US\$400 million equivalent will be financed by IBRD (see Annex 2).

Project Cost and Financing

45. Table 2 provides the distribution of project funds between components.

Table 2: Distribution of Project Funds

Project Components	Project Cost (US\$, millions)	IBRD Financing (US\$, millions)	% IBRD Financing
1.Provision of Conditional and Unconditional Cash Transfers	4,482	375	8.37
2. Support SSN Targeting and Operational Systems:			
a) Takaful and Karama systems	14.3	14.3	100
b) UNR	6.7	6.7	100
3.Project Management and Monitoring and Evaluation	3	3	100
Total Costs			
Total Project Costs	4,506	399	8.89
Front-End Fees	1	1	100
Total Financing Required	4,507	400	8.87

C. Lessons Learned and Reflected in the Project Design

46. **Global experience with targeted CT programs has expanded over the past decade.** The number of CT programs in the world has expanded substantially. The design of CT programs has been improving over the years, especially with regard to targeting, often using the PMT methodology. International experience has shown that well-designed CT programs can be a cost-effective way to reach the poorest and most needy households and represent an effective alternative to poorly targeted and inefficient subsidies. There is mounting evidence that CT programs are an efficient way of redistributing income to the poor and thereby improve their living conditions. Moreover, robust impact evaluations of CT programs are starting to provide concrete evidence of positive impacts on human development outcomes.

47. **Adding co-responsibilities to CT programs can induce positive behavioral changes or awareness or healthy lifestyles and practices.** International experience has shown that making some CTs conditional upon utilization of social services, such as health care and education can induce behavior changes, especially where the reason for non or low utilization was a financial barrier or lack of awareness of the service. Utilization of these services may

ultimately improve health and educational outcomes, although such results are unlikely to be attributable or observable during the project lifetime. Where the condition is participation in awareness-raising seminars, the participants' awareness of critical positive healthy practices, such as anemia prevention, family planning, or breastfeeding and child feeding, can be improved—and these are usually passed on by the beneficiaries to siblings and friends and then to the next generation. At the same time, experience has shown the importance of ensuring good understanding of the supply side challenges when designing the conditionality.

48. **Conditional cash transfers (CCTs) can also improve public acceptance of a CT scheme.** In many countries, public opinion generally sees CTs as handouts that may lead to dependency and disincentive to labor participation by beneficiaries. Public support has been achieved for income support programs when co-responsibilities are assigned to beneficiary families. The CT provides an investment in mitigating poverty today and the conditionalities provide an investment in human capital for the medium term.

49. **Providing funds to the mother of the family ensures that it is spent for the benefit of the family.** Evaluations have shown that the intra-household allocation of finances differs depending upon who receives or earns the money. Where a mother receives the income/CT, there is a higher probability that the funds are spent on items for children in the family and on nutritious food.

50. **Results-based projects under implementation have demonstrated the need for a TA or investment component.** A relatively small TA or investment component is the means by which the Bank and the client can work together through implementation to ensure that the bulk of the financing is delivered to the beneficiaries through the CTs. This TA/investment component can help build the systems needed to deliver and then improve the system's operational structures. It provides resources to tackle unforeseen obstacles or to analyze unexpected results, and it can be a necessary, if not sufficient, support to achievement of the jointly agreed results that will trigger disbursement under the results-based component.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

51. **The MoSS will be the institutional home for the Takaful and Karama program** and in turn for project implementation. The project will be implemented through the MoSS' existing structure, supported by a PIU which together with MoSS permanent staff, forms the Program Task Force (PTF). The Central Unit for Social Pension (CUSP) under the Social Protection Department (SPD) will be responsible for day-to-day management of the project, reporting to the minister of Social Solidarity and supported by the PIU team. The PIU is headed by an experienced project director and includes specialists in FM, procurement, MIS, field operations support, communications, research and program coordination, M&E, and payment control. At the regional level, the project is supported by regional directorates of the MoSS, district offices, and MoSS' social units which exist in each large village or a group of villages. The social units, where MoSS social workers operate from, are responsible—with the support of community-development associations (CDAs) and NGOs—for social mobilization, outreach activities, and maintaining of continuous contact with beneficiary households. With the support of participating

schools and health clinics, the social workers will ensure adequate monitoring of households' compliance with the co-responsibility obligations and support the process of updating beneficiary data. The MoSS has signed Memoranda of Understanding (MOUs) with the MoH and Ministry of Education (MoE) to support monitoring and reporting regarding the conditionality. More detailed implementation arrangements are presented in annex 3.

52. The Ministry of Planning, Monitoring and Administrative Reform (MoPAR) will be an integral part of the implementation of component two, and the long-term consolidation and strengthening of the SSN system through the establishment of the 2nd version of the Unified National Registry (UNR). That is, MoPAR will be technically responsible for building the UNR under component 2 of the project, while fiduciary (financial management and procurement) management will be the responsibility of the PIU.

53. At the policy level, the GoE has established a high-level Ministerial Committee for Social Justice, chaired by the Prime Minister and includes several ministers from MoF, Ministry of International Cooperation (MoIC), MoPAR, MoH, MoE, and MoSS, among others. The committee is overseeing progress of the Social Protection Reform and ensures sectoral coordination.

B. Results Monitoring and Evaluation

54. **The project will support the implementation of a 'live' M&E system to feed findings and results into program rollout.** Based on the objective of establishing evidence on the role of efficient systems and the effectiveness of well-targeted safety net programs, the proposed project will support the implementation of a 'live' M&E system with regular data collection and analysis, qualitative stories, and other evidence about implementation. It will use this live monitoring, as well as findings from evaluations, to fine-tune the program's design before full expansion. The M&E system will also be used to communicate to wider stakeholders (for example, beneficiaries, the general public, civil society, and public policymakers) about the program's eligibility and design parameters, its performance, implementation challenges, and corrective measures, when needed. This is expected to help enhance and promote transparency, accountability, and wide support for the program, as well as provide input to wider dialogue on the social and economic reform program, with the support of evidence established by Takaful and Karama. The program's use of cutting-edge technology in registration, enrollment, and payment delivery is a critical contributor to a timely and systematic monitoring process, supported by an MIS that is the backbone of the program's day-to-day monitoring function. Additionally, the MoSS will undertake spot checks on beneficiary self-reporting and social workers' performance, and an independent agency will be hired to undertake annual performance audits of the CTs. Finally, the project will support initiatives for citizen engagement, such as a beneficiary satisfaction survey and engaging NGOs and community leaders in supporting the program's implementation and monitoring.

55. **Three types of evaluations are planned:** (a) process evaluation, including the beneficiary satisfaction survey, after Wave 1 to inform and adjust the administrative processes throughout the program cycle; (b) targeting performance evaluations after Wave 1 to assess the accuracy of the targeting approach and PMT formula and at project end to measure the end target of targeting accuracy; and (c) an impact evaluation at the end to assess the project impact on

household welfare (consumption and asset protection) and on selective education and health indicators. Findings from these evaluations will be presented in workshops with the participation of key stakeholders to gain support from different constituencies and, therefore, contribute to program ownership and transparency. Final evaluation reports will be published on the MoSS website.

C. Sustainability

56. **The Takaful and Karama program enjoys strong political support.** The Takaful and Karama program is designed as a national program to eventually become Egypt’s national SSN program to protect the poor and vulnerable and support them to invest in their human capital. There is strong political commitment and support for the program as the Government sees this program as the vehicle to shift from inefficient untargeted subsidies to targeted social assistance mechanism, contributing to the Government’s social and economic reform program. This has been translated into: (a) the cabinet’s endorsement of the program design and mandating the MoSS to implement it; (b) communication activities that the Government has already launched to announce the program to the public and targeted communities; and (c) allocation of partial funds to the program even before registration started. The Government has also made a fiscal commitment to increase the spending on MoSS social assistance, which translated into a funding commitment for the new program. MoF will increase the budget allocation in accordance with the funding projections as set out in Annex 2. MoSS staff have been actively engaged in the design and preparation of the program and this operation, building institutional ownership and ensuring investment funds are allocated to train staff and strengthen the technical and implementation capacity of the Government officials at all levels.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Substantial
9. Other (Financing Instrument using DLIs for disbursement under Component 1)	Substantial
OVERALL	Substantial

B. Overall Risk Rating Explanation

57. **The overall project risk is Substantial.** The following potential risks were identified under the project: (a) the country's political instability and inherited governance challenges could potentially result in frequent changes in Government which could affect the government's commitment to subsidy reform and therefore risk the fiscal sustainability of the CT program, especially if the macroeconomic imbalances continue. These could also potentially affect the Government's ability to introduce and enforce accountability and transparency measures that would support good governance of the program; (b) stakeholders risk associated with potential negative public and civil society perceptions regarding SSN reforms and the changes in the targeting methodology of social assistance and potential resistance from staff who administer the old social pension program; (c) operation design risks associated with designing a new national program with new targeting methodology, new use of conditionality, and the use of cutting-edge technology (portable tablets for enrollment); (d) project design risks with the introduction of a new approach to disbursement arrangements whereby the disbursement of the bulk of the project funds are triggered by the achievement of jointly agreed results rather than by specific purchases; (e) collaboration between service delivery agencies and the MoSS to ensure supply and demand balance; and (f) MoSS management and fiduciary capacity to implement the Bank-funded project due to lack of previous experience with Bank-funded projects.

58. **These risks were discussed during project appraisal and the following are the mitigation measures:** (a) MoSS will develop and implement a three-pronged strategy for communication, including political/policy-level communication, public information campaigns through mass media and civil society consultations, and targeted beneficiary outreach. The communication strategy aims at promoting wide public support and establishing ownership and buy-in of the CT program by several constituencies, which would influence public policy in favor of sustaining the CT program; (b) the project will support the implementation of several accountability and good governance measures, such as beneficiary feedback surveys, grievance redress mechanism, program evaluations, and publishing of the reports on the MoSS website and partnership with NGOs and CDAs for community outreach and social mobilization in addition to the program's use of technology which introduces systematic and objective decision-making; (c) throughout implementation, the MoSS will hire and maintain PIU staff, including technical and fiduciary specialists, and component 2 will provide extensive TA to the know-how and development of the program's systems, train MoSS staff, and provide implementation handholding; (d) identification of the poor will follow the PMT methodology with TA from national experts (hired as consultants) and with the support of the Bank; (e) technology development and training will be sourced out to service providers from the private sector with considerable experience in the relevant areas; and (f) the program and project benefit from high-level commitment from senior government officials (the program was announced by the cabinet in early February 2015), as well as governors and MoSS staff at all levels; The MoSS has mobilized support from the MoH and MoE for the conditionality element of the CT programs, bilaterally as well as through the Ministerial Committee for Social Justice.

VI. APPRAISAL SUMMARY

A. Economic Analysis

59. To evaluate the economic soundness of the Egypt Strengthening of SSN Project, a cost-benefit analysis was undertaken based on the costs and estimated economic returns associated with the Takaful and Karama CT program. While it is difficult to fully measure the expected impact of Takaful in monetary terms, the wealth of existing evidence from impact evaluations of various CCT programs gives a range of reasonable estimates of the impact on enrollment and dropout. Since Takaful is being used during the initial phases to promote attendance rather than enrollment, the program is assumed to reduce dropout by 1 percentage point per beneficiary student; that is, the average Takaful beneficiary child is 1 percentage point more likely to stay in school than he/she would be without Takaful. To identify the monetary benefit that Takaful recipients would gain from higher educational attainment, the net present value of their earnings with the counterfactual income in the absence of this gain in educational attainment is compared.

60. **The simulations of costs and benefits linked solely to the expected impact of Takaful on staying in school show that the benefits outweigh the cost** (benefit-cost ratio greater than 1) in all growth scenarios except at 3 percent growth (see Annex 2 for details). In addition, other potential impacts besides improved earnings through educational achievement can reinforce the benefit-cost argument in support of the Takaful program. First, higher school enrollment is likely to affect well-being beyond its impact on wages, for example, better knowledge of health issues and social status. Second, transfers made to women can influence the household's expenditure patterns on consumption and investment goods and produce social benefits. Third, findings indicate that CCT programs have no significant negative effects on adult labor market participation despite the possibility that reduced employment as a result of receiving CTs could, in theory, offset the benefits of those transfers. Expected impacts of the CTs on current consumption poverty are discussed in further detail below, with implications for reducing poverty.

61. **Moreover, the Takaful and Karama program will have significant impact on Egypt's poverty profile in the immediate term** as the CTs are expected to constitute a considerable part of beneficiary households' consumption budget. Calculations based on the 2012–13 Household Income, Expenditure, and Consumption Survey of Egypt (HIECS) data show that the Takaful and Karama benefit represents, on average, about 45 and 30 percent of the mean per capita consumption of the designated beneficiaries, respectively. The simulations of the poverty impact show that Takaful and Karama combined is likely to result in about 17 percent (4.6 percentage points) reduction in the national poverty rate and 26 percent reduction in the poverty gap once the program reaches 1.5 million eligible beneficiaries (see annex 2 for details). As expected, most of the poverty impact is from the Takaful program, which reaches a much larger group of the poor. The Takaful program accounts for more than 85 percent of the estimated poverty reduction (for about 4 percentage points). As the program at the initial stage targets only about 1.5 million households and is not fully rolled out nationally, the potential impact on the national poverty incidence will likely be higher when the programs are fully rolled out.

B. Technical

62. The technical preparation of the proposed project builds on TA provided to the GoE through ongoing operations such as the programmatic SSN TA, the energy and SSN reform project financed from the MENA Transition Fund, and the knowledge sharing financed by the Multidonor Trust Fund.

63. By creating a new Takaful and Karama program and committing to gradually limit entry to and wind down legacy programs, the government is taking an important step toward consolidating the fragmentation in the existing social protection system and putting in place a well-designed, poverty-focused SSN. The new program is adopting best practices from across the region and internationally.

64. **The choice of a CCT program aims to alleviate short-term poverty while also encouraging investments in human capital to break the inter-generational cycle of poverty.** The design follows many large-scale, successful CCT programs worldwide that have been evaluated and found to be effective (for example, *Bolsa Familia* and *Oportunidades*). A conditional program requires that there is an adequate supply of services to enable beneficiaries to comply with the conditionality, which can be a challenge in the poorest regions where the program will be rolled out. To this end, the government is already engaged in several national and donor-supported initiatives to ensure adequate supply of services. A conditional program can also impose some administrative challenges relating to the need for education and health providers to report on service usage by beneficiaries and verify their compliance with the conditions. While this is an additional obligation on the service providers, it is not expected to be onerous or insurmountable in the Egyptian context.

65. **The choice of an unconditional CT program for the elderly and disabled helps to ensure that the poor among these often vulnerable groups are covered.** Since these groups are also covered by the legacy social pensions program, new applicants falling into these categories will be directed toward Karama (with slightly higher benefit amounts) and the SSP will be closed to new applicants in these categories where Karama has been rolled out. Some further work is needed to ensure that the designation of disability leading to ‘inability to work’ is robust. This is a difficult issue in many countries worldwide and some high-income countries are moving away from a medical classification toward a functional classification of disability as ‘inability to work’, but this is a medium- to long-term goal. In the short term, the counterparts (MoSS and MoH) are working to ensure that there is a simple, credible, and consistent definition of ‘inability to work’ that social workers can refer to when registering beneficiaries for the Karama program. For the time being, the Higher Medical Commission is responsible for issuing the disability certification. Therefore, the Karama program will rely on this mechanism while strengthening the monitoring on potential fraud and error in the certification process, through spot checks and a regular verification mechanism.

66. **The Takaful and Karama program will be linked to the UNR initiative.** The objective of the UNR is to establish a national database platform to support consolidation of SSN programs and facilitate coordinated targeting and delivery mechanisms. These types of unified database systems ensure accurate targeting through drawing on a series of administrative databases from different sources to determine asset ownership, income, and other proxy

characteristics that can identify the poor. Such databases or registries facilitate rapid scale-up of programs in times of crisis. They also have the ability to connect to a technological platform (for example, the Family Smart Card System) to allow policymakers to monitor payments and benefit allocation, thereby reducing error, fraud, and corruption. They can also improve public expenditure allocation by preventing double-dipping from multiple programs, where this is not allowed. The UNR initiative has already made some progress toward linking the Family Smart Card (food subsidy), SSP, and social security databases through the national ID. In the longer term, the UNR could be used for other social services and investments beyond social protection, which can include health, education, and housing, among others.

67. Overall, the design of the Takaful and Karama was appraised by the Bank and was deemed to be robust.

C. Financial Management

68. **MoSS will be responsible for FM and reporting, using systems and procedures acceptable to the Bank.** The ministry will recruit an FM specialist and an accountant as part of the PIU, which will have the day-to-day responsibility for FM functions. Complete accounting records will be maintained for daily management and for periodic audits and reviews. In addition to documenting project expenditures through IFRs, for Component 1, DLIs will be used as additional measures to trigger withdrawals from the loan account. Financial statements will be audited annually, following International Standards on Auditing (ISA), by qualified independent external auditors acceptable to the Bank. The Bank expects the MoSS to submit the terms of reference (TOR) for the project external audit for the Bank's prior review within 3 months of effectiveness. Audit reports will be submitted to the Bank within six months from the end of each fiscal year (July 1 to June 30). There are no outstanding audit reports under Bank-financed projects previously implemented by the MoSS.

69. **The main FM risks identified under the proposed project relate to: (a) the identification and enrollment of eligible beneficiaries; (b) reliability of maintained database and applicable controls; and (c) verification of payment processes.** To address these risks, the following mitigation measures are pursued:

- (a) The enrollment system depends on household surveys that measure a number of poverty indices that are subsequently subject to formulas with assigned weights to determine eligibility.
- (b) UNICEF and the WFP are supporting the communications and outreach activities of the program through their partnerships with the NGOs in the target areas.
- (c) MoSS has signed MOUs with MoH and MoE so as to ensure smooth institutional coordination for the programs.
- (d) Component 1 disbursements (the bulk of project disbursements) will be linked to the achievement indicators, including a number of governance-related indicators. These include reporting on cases of fraud and follow-up action taken, assessment of targeting accuracy, MIS functionality, and timeliness of grievance redress.
- (e) An independent external auditor will be hired to audit the use of the Bank loan. The assignment scope will cover the audit of the program's IT system.

D. Procurement

70. Procurement of goods and non-consulting services shall be carried out in accordance with the Bank's Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, published in January 2011 (revised July 2014). Selection of consultants shall be carried out in accordance with the Bank's Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, published in January 2011 (revised July 2014). Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006, and updated in January 2011, shall apply to the project.

71. A MoSS Procurement Capacity Assessment (PCA) was carried out during project preparation. The PCA noted that MoSS staff have not been sufficiently exposed to procurement procedures of international finance institutions (including the World Bank). This may present a potential challenge that could delay project procurement and implementation. Details are available in Annex 3. A PP for the first 12 months of project implementation was prepared by MoSS and agreed upon with the Bank. Procurement packages planned during the first 12 months of project effectiveness are reflected in Annex 3. The residual procurement risk rating for the project is Moderate.

E. Social (including Safeguards)

72. **The project is expected to have positive social impacts.** With the emphasis on the poorest areas and targeting of districts with the highest poverty rates, the poorest and most vulnerable groups are most likely to be the primary beneficiaries of the project. The impact on women will be positive, from the income support and provision of higher incentive for schooling at higher levels, where usually girls drop out, is the highest in poor and rural families. The gender-differentiated impacts will be monitored using the M&E framework and will be the special focus of the social accountability measures to allow for adjustment during implementation to improve the impact on women and girls. The CT recipients in Takaful are the mothers; this is expected to influence household decision-making dynamics. This is expected to provide economic empowerment of participating women and increase their participation in family decision-making, as well as potentially support their financial inclusion through the use of electronic payment.

73. **Several social accountability and citizen engagement mechanisms are already planned.** Social accountability and citizen engagement activities will be taken into consideration to strengthen project results through different mechanisms: (a) a grievance redress mechanism that allows citizens to inquire about the project, provide feedback to the MoSS about project implementation, and allow potential beneficiaries to seek resolution on inclusion and/or exclusion errors, delays or errors in payment, and other project-related concerns; (b) public information at different levels of implementation on the program objectives, eligibility criteria, the application process, and available grievance redress mechanisms, in partnership with NGOs, CDAs, and community leaders; (c) beneficiary satisfaction surveys, which will be included in the process evaluation planned midway through implementation; and (d) independent targeting

performance evaluation to ensure compliance and effectiveness of targeting the intended beneficiaries.

F. Environment (including Safeguards)

74. The proposed environmental category is 'C' and no safeguards are triggered.

G. World Bank Grievance Redress

75. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB'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 WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework and Monitoring

EGYPT: Strengthening Social Safety Net Project (P145699)

Project Development Objectives										
PDO Statement										
The proposed PDO is to support the Borrower to establish an efficient and effective Takaful and Karama cash transfer program.										
‘Efficient’ is defined and measured by good targeting of the poor.										
‘Effective’ is defined and measured by coverage of the poor and having basic administrative building blocks of the program.										
These results are at	Program Level									
PDO Level Results Indicators by Component	Unit	Baseline	Cumulative Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
			2016	2017	2018	2019				
Indicator 1: Percentage of the program’s beneficiary households who are under the poverty line (to measure targeting efficiency/accuracy)	Percent	0	n.a.	n.a.	n.a.	60	End of project	Targeting evaluation at the end of project; Based on consumption survey on a random sample of beneficiaries	Independent evaluation, contracted by MoSS	(Number of beneficiaries who are below poverty line/total beneficiaries) * 100

Indicator 2: Percentage of poor households covered by the program (to measure the program's overall coverage)	Percent	0	n.a.	n.a.	n.a.	20	End of project	HIECS 2017/18 (National Poverty Survey: Based on question introduced to the survey of Takaful and Karama coverage)	National Statistical Agency (CAPMASS)	T&K target coverage represents 36.8% of the bottom quintile, if targeting was perfect. With the assumption of 60% targeting accuracy, coverage of the poorest quintile becomes 22%.
Indicator 3: Number of days, after payment due date, the funds deposited in beneficiaries' individual accounts (a measure of administrative building block of the program)	Number	n.a.	n.a.	15	10	10	Annual	Independent technical verification using random sample survey	Independent verification agency	'Due date' as defined in the program's POM. 'Accounts' is defined as the individual (virtual) accounts which are not traditional bank accounts but rather are budget opening with anytime access by the (virtual) account holder.

Note: n.a. = Not applicable.

Intermediate Outcomes

Component 1. Provision of Conditional and Unconditional Cash Transfers

Number of direct beneficiaries (CORE INDICATOR)	Number (Individuals)	0	500,000	700,000	900,000	1,000,000	Every 6 months	Program MIS	MoSS/PIU	The direct beneficiaries are individuals enrolled. Enrollment is defined as 'issuance of program card.'
Female:	Percent	0	30	40	50	60				
Disabled:										
Elderly:										
Number of direct and indirect beneficiaries	Number (individuals)	0	1,500,000	2,100,000	2,700,000	3,000,000		Program MIS	MoSS/PIU	Number of all individuals in the beneficiary households. Or, individual recipients (mothers, elderly, and disabled) multiplied by their household size. Targets assume an average household size of 3.
Takaful and Karama CT program launched	Qualitative (Yes or No)	No	Yes	Yes	Yes	Yes	Once	Progress report with photos/Supervision mission	MoSS/PIU	MoSS informs Bank team and press material.
Communication and outreach under implementation	Qualitative (Yes or No)	No	Yes	Yes	Yes	Yes	Semiannual	Progress report with photos/Supervision mission	MoSS/PIU	MoSS informs Bank team

PMT-based application developed and PMT scoring adopted and applied (DLI1)	Qualitative (Yes or No)	No	Yes	Yes	Yes	Yes	Semiannual	Progress report/Supervision mission checks; Program MIS	MoSS/PIU	
Share of household in the Takaful subprogram who comply with education conditionality of 80% school attendance	Percent	0	Reporting system established	60	70	70	Semiannual	Progress report/Supervision mission checks; Program MIS	MoSS/PIU	(Number of Takaful beneficiaries with effective conditionalities/ Total number of Takaful beneficiaries)*100
Share of households with children aged 6–12 years who have newly enrolled children (excluding in grade 1)	Percent	TBD	TBD	TBD	TBD	Increase from baseline	End of project	Impact evaluation	Independent Evaluation	(Number of relevant households with newly enrolled children (except grade 1)/Total number of Takaful beneficiaries with children in grades 1–12)*100
Share of households with children in grades 1–12, reported to have female drop-out decrease	Percent	TBD	TBD	TBD	TBD	Decrease from baseline	End of project	Impact evaluation	Independent Evaluation	
Share of households in the Takaful subprogram who comply with health conditionality of 2 visits a year to the health unit and maintain child growth monitoring record	Percent	0	Reporting system established	50	60	70	Semiannual	Progress report/Supervision mission checks; Program MIS	MoSS/PIU	(Number of Takaful beneficiaries with effective conditionalities/ Total number of Takaful beneficiaries)*100
Health clinic utilization rate increased in Takaful program areas	Percent	Collected at process	n.a.	n.a.	n.a.	20	End of project	Impact evaluation	Independent Evaluation	Utilization rate is calculated as number of visits per annum

		evaluation stage								
Share of mothers reported to have improved knowledge on health issues	Percent	TBD	n.a.	n.a.	n.a.	50	end of project	Impact evaluation	Independent Evaluation	Participating mothers with improved knowledge on health issues/Overall participating mothers (surveyed)
Percent of beneficiaries whose consumption of foods increase	Percent	0	n.a.	n.a.	n.a.	50	end of project	Impact evaluation	Independent Evaluation	Beneficiaries with improved food consumption/All beneficiaries surveyed Targets to be set at baseline survey.
Component 2. Supporting SSN Targeting and Operation System										
Share of sampled beneficiaries whose application information yields no discrepancies or errors once verified	Percent	0	50	60	70	75	Annual	Verification sample survey; Program MIS	MoSS	Number of beneficiaries whose application information is verified with no discrepancies or errors on record/Total number of beneficiaries verified Sample for verification is of newly enrolled

										beneficiaries in a given year.
PMT targeting accuracy evaluation completed	Qualitative (Yes or No)	No	Yes	Yes	Yes	Yes	Once	Consumption survey	Independent Evaluation	PMT targeting evaluation will be based on a random sample consumption survey after completion of Wave 1.
PMT adjusted after targeting accuracy evaluation (DLI5)	Qualitative (Yes or No)	No	No	Yes	Yes	Yes	Once	Supervision mission check	Bank team	Targeting accuracy assessment using consumption survey; recommendations results in changing of assigned weights/variables chosen for eligibility determination.
Process evaluation conducted after Wave 1 (DLI4)	Qualitative (Yes or No)	No	No	No	No	Yes	Once	Desk review and interviews	Independent Evaluation	Findings from the process evaluation after Wave 1 will be used to adjust processes.
MIS is operational (DLI12; DLI14)	Qualitative (Yes or No)	No	Yes	Yes	Yes	Yes	Every supervision mission	Program MIS and Bank supervision missions	MoSS/PIU	'Operational' indicates that information entered in field locations load correctly to MIS from all locations and devices, and the MIS is used to generate

										eligible beneficiaries and payment list.
MIS electronically synchronizes back-office information from SSP and Social Insurance databases (DLI13)	Qualitative (Yes or No)	No	No	No	Yes	Yes	Once	Program MIS	Independent Evaluation (MIS Audit)	Information sourced from specific database is loaded correctly. This does not measure integrity of input data.
Share of beneficiaries paid through electronic payments	Percent	0	80	80	90	95	Annual	Independent technical verification using random sample survey	Independent Verification Agency	(Number of beneficiaries paid via electronic means/ Total number of beneficiaries) * 100 Quarterly payment transactions are produced quarterly.
'Attention to beneficiary module - case management' within MIS is operational (DLI15)	Qualitative (Yes or No)	No	No	Yes	Yes	Yes	Once	Program MIS	Independent Evaluation (MIS Audit)	
Conditionality compliance module in MIS is operational (DLI16)	Qualitative (Yes or No)	No	No	Yes	Yes	Yes	Once	Program MIS	Independent Evaluation (MIS Audit)	
Complaint management module in MIS is operational (DLI17)	Qualitative (Yes or No)	No	No	Yes	Yes	Yes	Once	Program MIS	Independent Evaluation (MIS Audit)	

Percent of grievances addressed within stipulated timeframe. ¹⁴ (DLI18 and DLI19)	Percent	0	n.a.	50	60	70	Semiannual	Program MIS	Independent Verification firm/Audit	(Grievances addressed within stipulated timeframes/ Total number of grievances filed) * 100
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¹⁴ The stipulated timeframes for complaints will be stated in the project operations manual.

Annex 2: Detailed Project Description

EGYPT: Strengthening Social Safety Net Project

A. Introduction

1. **The development objective of the proposed project is to support the establishment of an efficient and effective Takaful and Karama CT program.** It aims to achieve efficiency by good targeting of the poor and effectiveness by good coverage of the poorest quintile. Part of the expected outputs of the project will include some improvement in school attendance and visits to health clinics by participating families with children through the CCT model. The project will also contribute to building the basic architecture of an SSN system. Ultimately, it is expected that the project will help establish a well-targeted SSN scheme with good coverage of the poor.

2. **The proposed project will consist of three components.** Component 1 will co-finance a share of the Government's Takaful and Karama CT program as it is rolled out across targeted districts. Disbursements will be triggered by achievement of specific, jointly agreed results (DLIs) that track key milestones (actions, outputs, and outcomes) in the implementation of the Takaful and Karama program. Achievement of these specific results will demonstrate progress toward achievement of the overall PDO. Component 2 will use standard procedures for investment lending to finance investments and TA for system building and capacity development of the implementing entity (MoSS) that are necessary to support the successful rollout of the Takaful and Karama program.

B. Project Components

Component 1: Provision of Conditional and Unconditional Cash Transfers (Total component estimate - US\$4,482 million, of which, IBRD funds - US\$375 million)

3. This component will co-finance payments to eligible beneficiaries during the rollout of the Takaful and Karama CT program. If needed, the Bank will provide advances from the loan to enable rapid enrollment in Takaful and Karama across the 19 poorest districts.

4. IBRD disbursements will be conditional upon the achievement of specific, jointly agreed results or DLIs. These specific results can be clustered into two groups, each supporting a key element of the PDO: efficiency and effectiveness. Progress toward efficiency of the Takaful and Karama program can be measured by progress on the design and implementation of tools, assessments, and evaluations to enhance the accuracy of the program, and progress toward effectiveness of the Takaful and Karama program can be measured by tracking key milestones in the rollout of the program, as well as progress in establishing some key building blocks of a robust social assistance program.

5. A fairly large number of DLIs has been chosen to allow the MoSS flexibility to achieve results and withdraw smaller amounts more frequently early in the program, thereby establishing momentum toward the project objectives. The large number of DLIs also helps smooth the disbursement profile and mitigates the risk of stalled disbursement if there is an obstacle on one or two particular issues.

Definitions and means of verification of these specific, jointly agreed results under Component 1 are set out in tables Table 2.1 and Table 2.2.

6. **Results Area 1: Efficiency.** This results area aims to ensure the Takaful and Karama CT programs are targeted to the poor. The goal is to ensure that at least 60 percent of Takaful and Karama’s beneficiaries are below the poverty line.

7. Egypt’s SSN programs are poorly targeted. Less than a quarter of the resources spent on the largest social assistance program, SSP, reach the poorest quintile. Instead, many Egyptian citizens rely on costly and poorly targeted energy and food subsidies: the top 20 percent of Egyptian households, by income, receive 36 percent of the total energy subsidies.

8. The introduction of a new Takaful and Karama CT program with multilayered targeting methods will allow the MoSS to channel benefits to the poor much more effectively, and thereby achieve strong poverty impacts. Geographical targeting based on poverty maps have identified the governorates where poverty incidence is high and a PMT will be used to identify poor households in the selected districts based on an agreed cutoff score associated with the poverty line. The PMT uses poverty predictors from the 2012–2013 HIECS, the latest household budget survey for Egypt. In addition, both Takaful and Karama have categorical restrictions: Takaful requires that beneficiaries have children and Karama requires that beneficiaries be elderly and/or disabled.

9. There will be one Efficiency Results Chain, comprising seven DLIs selected to track progress in the design and implementation of tools, assessments, and evaluations to enhance the accuracy (and therefore the efficiency) of the Takaful and Karama program. These are presented in tables Table 2.1 and Table 2.2.

Table 2.1: Results Area 1: Efficiency (Summary of Results Chain)

DLI	1. PMT applied to Wave 1 beneficiaries	2. SSP access restricted	3. Verification of self-reporting	4. Process evaluation undertaken	5. PMT adjusted to improve accuracy	6. Impact evaluation baseline survey conducted	7. Impact evaluation completed and results published
Value in US\$, millions	10	10	20	20	20	10	10

Table 2.2: Results Area 1: Efficiency (Detail, Including Verification Protocols)

DLI #	DLI	Disbursement Value (US\$, million)	Means of Verification
1	<p>PMT designed and used to identify Wave 1 beneficiaries for Takaful and Karama.</p> <p>This result ensures that applicants to the Takaful and Karama program are most likely to be poor. A PMT uses poverty predictors (rather than cash income) to</p>	10	<p>Means of verification:</p> <ul style="list-style-type: none"> The Bank team and/or its consultants to review the PMT design document being used to enroll beneficiaries. Bank staff/consultants will be given a depersonalized database of enrolled Wave 1 beneficiaries showing PMT score to check

DLI #	DLI	Disbursement Value (US\$, million)	Means of Verification
	<p>select applicants who are most likely to be poor. Applicants self-report their income, assets, and household characteristics. Only those whose PMT scores fall below a certain, predetermined threshold are eligible, i.e., only those who are poor enough should become beneficiaries. (In both programs, other filters apply: Takaful requires beneficiaries to have children; Karama requires beneficiaries to be elderly and/or disabled.)</p>		<p>that the information has been entered correctly and completely and that the scoring and eligibility determination has been done correctly.</p> <p>Procedures:</p> <ul style="list-style-type: none"> • Verification will be done after the enrollment of the first round of Wave 1 beneficiaries. The MoSS to provide Bank staff and/or its consultants access to a depersonalized beneficiary database to review the beneficiaries enrolled with PMT. • MoSS to provide all supplemental materials, guidelines, manuals, etc. on request. <p>Indicative timing: FY15</p>
2	<p>Freeze on new entrants to social pensions for 2 categories covered by Karama where Karama has been rolled out.</p> <p>There is some overlap between the social pensions categories and eligibility under the new Karama program. To ensure that new applicants in those categories that overlap are directed to Karama (with more poverty focused enrollment methods and slightly higher beneficiary payments), no new entrants will be allowed into social pensions in those duplicative categories.</p>	10	<p>Means of verification:</p> <ul style="list-style-type: none"> • The Government's decision/circular to all MoSS staff on this matter, signed by the minister or his/her designate. • Bank review of social pensions rolls in MIS to check no new entrants to SSP in the duplicating categories in areas where Karama has been rolled out. <p>Procedures:</p> <ul style="list-style-type: none"> • The MoSS should provide a copy of the decision/circular/memo to the Bank and provide a report from the MIS showing new applicants to SSP in select districts since the rollout of Karama, with their eligibility criteria. <p>Indicative timing: FY15</p>
3	<p>Action plan prepared and adopted based on findings of verification of self-reporting among Wave 1 applicants.</p> <p>Applicants are asked to self-report their income, assets, and household characteristics to produce a PMT score. There is limited verification at the time, so a limited sample of beneficiaries will be reviewed ex post by an independent team in the MoSS to ascertain whether the self-</p>	20	<p>Means of verification:</p> <ul style="list-style-type: none"> • Memo or decision showing adoption of the report of the MoSS Verification Committee on cases of error and fraud and follow-up action proposed. <p>Procedures:</p> <ul style="list-style-type: none"> • The MoSS should convene a Central Verification Committee to conduct a random sample check (using household

DLI #	DLI	Disbursement Value (US\$, million)	Means of Verification
	<p>reporting during Wave 1 was accurate. Doing so may catch fraudulent claims but also is a deterrent to those who may be tempted to misreport. The verification can also identify errors and areas during the enrollment process that need further attention, for example, the way application/PMT questions are posed or common transcription mistakes. Those who deliberately misreport are suspended from the program.</p>		<p>visits) of the self-reported information provided by the beneficiary shortly after enrollment. A copy of the findings of the Verification Committee (anonymized, as appropriate) will be provided for the Bank's review.</p> <ul style="list-style-type: none"> The action plan listing actions to be taken based on the findings of the Verification Committee, by whom and when, should be shared with the Bank for comment before finalization. The action plan should be adopted. <p>Indicative timing: FY16</p>
4	<p>Action plan prepared, adopted, and published based on findings of independent process evaluation of Wave 1 enrollment process.</p> <p>A process evaluation looks at <i>how</i> an activity was conducted. In this case, the idea is to review the enrollment process to capture information: Was the outreach sufficient? Did social workers have sufficient information to answer beneficiaries' questions? Were the offices overcrowded? Did the tablets function properly? Did enrollment data transfer to the central databases appropriately? Were enrollment decisions received in a timely manner? Other questions may be determined between the MoSS, Bank, and external consultant. The information is used to prepare an action plan that, when implemented, would ensure an efficient process in the further rollout of the program.</p>	20	<p>Means of verification:</p> <ul style="list-style-type: none"> Memo or decision showing adoption of the report of independent process evaluation, including an action plan for making changes in subsequent enrollment waves. Link to website showing publication of the report and action plan in Arabic. <p>Procedures:</p> <ul style="list-style-type: none"> The MoSS should hire an external firm to conduct a process evaluation and the MoSS should prepare and adopt an action plan based on the findings of the report. The MoSS should share its process evaluation findings and action plan with the Bank for comment before finalization. The action plan should specify what measures will be taken, by whom and when. The report and action plan should be published. <p>Indicative timing: FY16</p>
5	<p>PMT adjusted based on findings of independent targeting accuracy assessment.</p> <p>Why? The PMT derived poverty predictors from the last HIECS. While characteristics of the poor are unlikely to have changed much in a few years, it is always possible that weightings given to some indicators or a combination of indicators could serve to</p>	20	<p>Means of verification:</p> <ul style="list-style-type: none"> The MoSS has adopted changes to the eligibility criteria in the PMT based on the findings of an independent targeting consultant. Revised PMT design shared with the Bank showing changes from original design and estimating the improvement in poverty targeting.

DLI #	DLI	Disbursement Value (US\$, million)	Means of Verification
	<p>exclude some poor who should benefit from the program or include some who are not truly poor. The targeting accuracy assessment will provide an independent assessment of how well the PMT is targeting the poorest and so ensure that inclusion and exclusion errors in the PMT are minimized.</p>		<p>Procedures:</p> <ul style="list-style-type: none"> • The MoSS should contract an independent individual/firm to undertake a nationally representative consumption survey of beneficiaries and non-beneficiaries, to test the accuracy of the PMT design. The TOR and methodology of the review will be subject to the Bank’s no-objection and the findings will be shared with the Bank. • The MoSS should also adopt an action plan that proposes changes to the PMT design based on the findings of the assessment and agreed with the Bank, and then adjust the PMT based on those findings. • The MoSS should allow Bank access to the revised PMT to review the revised formula of poverty predictors. <p>Indicative timing: FY16</p>
6	<p>Impact evaluation baseline survey conducted.</p> <p>An impact evaluation is critical to a new program to establish how well the program is meeting its objectives. Such an evaluation can be used to change design parameters if it is not achieving sufficient impact and can be used to broaden support for the program if it is achieving good impact. Once the methodology for the impact assessment has been agreed, an essential milestone in the process is to have a baseline established against which impact can be measured. It is anticipated that the baseline survey will be derived at registration of Wave 2 applicants.</p>	10	<p>Means of verification:</p> <ul style="list-style-type: none"> • Report of independent firm contracted to undertake the impact evaluation showing baseline results. <p>Procedures:</p> <ul style="list-style-type: none"> • The MoSS should contract an independent firm, with capacity to conduct a methodologically robust impact evaluation, reviewing a range of hypotheses discussed and agreed between the MoSS, Bank, and the contracted firm. The TOR and methodology will be reviewed and subject to no-objection by the Bank. • The MoSS should share the independent firm’s baseline survey results with the Bank. <p>Indicative timing: FY16</p>
7	<p>Impact evaluation completed and results published.</p> <p>An impact evaluation is critical to a new program to establish how well the program is meeting its objectives. Such an evaluation can be used to change design parameters if it is not achieving sufficient impact and can be used to broaden</p>	10	<p>Means of verification:</p> <ul style="list-style-type: none"> • Final report of independent firm contracted to undertake the impact evaluation, in line with the agreed TOR • Report from the MoSS regarding corrective action, if needed • Results of the impact evaluation discussed with the Bank • Link to the website where the report is

DLI #	DLI	Disbursement Value (US\$, million)	Means of Verification
	support for the program if it is achieving good impact. To ensure transparency, the findings of the evaluation report, plus any follow-up actions, should be made public on the MoSS website and/or other relevant places.		<p>posted in Arabic</p> <p>Procedures: TOR and methodology will be agreed upon with the Bank.</p> <p>Reports and web link should be shared with the Bank.</p> <p>Indicative timing: FY19</p>

10. **Results Area 2: Effectiveness.** This results area aims to ensure the Takaful and Karama CT programs (a) have good coverage and (b) put in place the administrative building blocks of a robust SSN. The goal is to ensure that 20 percent of the poorest quintile is covered by the Takaful and Karama CT program.

11. Egypt’s SSN programs are highly fragmented and have inadequate coverage. Less than 10 percent of the poorest quintile receive funds from the SSP. On the other hand, 73 percent of non-poor Egyptian households have access to food ration cards.

12. The introduction of a new Takaful and Karama CT program with front-loaded financial support (through advances) from the Bank will allow the MoSS to engage in a steady and extensive rollout of the program to achieve good coverage of the poor. Coverage of the poorest quintile can only be measured with HIECS data and with a lag, so the specific, jointly agreed results will measure the direct number of beneficiary households using administrative data from the MIS.

13. Current SSN programs in Egypt have not required any actions on the part of beneficiaries to demonstrate their commitment to improve their own situation. In introducing the Takaful program, the Egyptian authorities have emphasized the need for beneficiaries with children to comply with simple requirements or co-responsibilities, including ensuring that children aged below 6 years have twice-yearly check-ups at health facilities and that children aged 6–18 years attend school regularly. Most of these services are provided free of charge but not necessarily used for a variety of reasons (these usually include transportation costs, quality of service, and attitude of staff). The conditionality may lead to greater attendance at school and health clinics. There is not likely to be time in the project to assess whether learning or health outcomes are affected. Despite the lack of hard evidence of a demand-side problem, the political economy of introducing co-responsibilities in the Takaful program was deemed important by the MoSS. Availability of service delivery was briefly assessed during appraisal and accordingly, it was agreed to keep the conditionality simple and limited to school attendance and visits to health clinics. The MoSS will promote gradual improvement in service delivery by increasing the demand and by bringing the issues of delivery to the attention of sector ministries, with the support of the governors and the Ministerial Committee for Social Justice. Service delivery and

monitoring of households' compliance with the conditionality will be the responsibility of partner ministries/agencies.

14. In developing a new CT program, the key system building blocks also need to be put in place, including an MIS to store and manage beneficiary data and a grievance redress mechanism to handle complaints regarding eligibility, payment delays, or other concerns. (See description under Component 2.)

15. There will be two effectiveness results chains. The first results chain, comprising four DLIs, tracks progress in the rollout of the Takaful and Karama program in the first two waves of enrollment. These are presented in Table 2.3 and Table 2.4.

Table 2.3: Results Area 2: Effectiveness - Coverage (Summary of Results Chain)

DLI	8. 180,000 beneficiaries enrolled using the PMT	9. 500,000 beneficiaries enrolled using the PMT	10. 750,000 beneficiaries enrolled using the PMT	11. 1 million beneficiaries enrolled using the PMT
Value US\$, millions	30	40	60	65

Table 2.4: Results Area 2: Effectiveness - Coverage (Detail, Including Monitoring Protocols)

DLI #	DLI	Disbursement Value (US\$, millions)	Means of Verification
8	<p>Enrollment of 180,000 beneficiaries selected using the PMT</p> <p>This is a core indicator of coverage of the program and the fact that the beneficiaries have been selected using the PMT should also ensure that it tracks 'coverage of the poor'.</p> <p>The figures have been chosen to reflect the MoSS' enrollment projections for each wave and each round (within each wave).</p>	30	<p>Means of verification: Bank staff/consultants have access in person/remotely to depersonalized MIS payment lists showing the program beneficiaries who have received at least one payment.</p> <p>Procedures: The MoSS will provide MIS reports/payment lists to show that at least 180,000 beneficiaries have applied, been determined eligible based on the PMT score, received their payment cards, and received at least one payment under the Takaful and Karama program.</p> <p>Indicative timing: FY15</p>
9	<p>Enrollment of 500,000 beneficiaries selected using the PMT</p>	40	<p>As above</p> <p>Indicative timing: FY16</p>
10	<p>Enrollment of 750,000 beneficiaries selected using the PMT</p>	60	<p>As above</p> <p>Indicative timing: FY17</p>
11	<p>Enrollment of 1 million beneficiaries selected using the PMT</p>	65	<p>As above</p> <p>Indicative timing: FY18</p>

16. The second results chain to track effectiveness, comprising eight DLIs, tracks progress in the establishment and usage of two key administrative building blocks in a robust SSN. These are presented in Table 2.5 and Table 2.6.

Table 2.5: Results Area 2: Effectiveness - Administrative Building Blocks (Summary of Results Chain)

DLI	Value US\$, millions
12. MIS module 1 - used to register applicants	10
13. MIS module 2 - back office used to cross-check applicants with MoSS databases	10
14. MIS module 3 - used to process payment for eligible beneficiaries	10
15. MIS module 4 - case management provides access to beneficiaries to update life events	10
16. MIS module 5 - conditionality compliance capable of identifying cases of non-compliance	10
17. MIS module 6 - logs incoming grievances and replies	10
18. Grievance redress mechanism established and 50% grievances addressed	10
19. Grievance redress mechanism established and 80% grievances addressed within stipulated time frame	10

Table 2.6: Results Area 2: Effectiveness - System Building Blocks (Detail, Including Monitoring Protocols)

DLI #	DLI	Disbursement Value (US\$, millions)	Means of Verification
12	<p>MIS basic registration module operational and being used for the registration of applicants.</p> <p>The MIS is a key building block of the system, allowing the MoSS to hold data on all its beneficiaries. This registration module allows for basic data entry so that there is a database of all applicants and eligible beneficiaries. The registration module will house all applicant information based on the program's questionnaire. This database can provide useful information regarding the profile of beneficiaries and their characteristics.</p>	10	<p>Means of verification: Bank team and/or its consultants to review a random sample of depersonalized beneficiary entries. Bank staff/consultants to be given access to see the module being used to enroll new applicants.</p> <p>Procedures: The MoSS to develop and use the MIS module to take a random sample of beneficiaries whose records have been processed through the MIS and provide those (in depersonalized format) to the Bank team and/or its consultants. A site</p>

DLI #	DLI	Disbursement Value (US\$, millions)	Means of Verification
			<p>visit or office visit to see the MIS being used for enrollment purposes may be part of the verification procedures.</p> <p>Indicative timing: FY15</p>
13	<p>MIS back-office registry module operational and used to cross-check applicants with MoSS databases.</p> <p>This module has three functions: (a) it cross-checks with other MoSS databases on household identity and details with the civil registry, identifies any duplicative payments with the social pension or social insurance (contributory pension program); (b) it determines eligibility through providing a score using the application information at registration; and (c) it determines the benefit amount based on the applicants' household characteristics. The checks with other MoSS databases are an important ex ante step to mitigate the risk of error or fraud in the program. Data mismatches will trigger further investigations before eligibility is determined. The back-office registry module will play an important role in times of crisis as it could be used to expand eligibility criteria and so scale up the program. This module will also eventually link to the UNR.</p>	10	<p>Means of verification: Bank team and/or its consultants to review a random sample of depersonalized beneficiary entries. Bank staff/consultants to be given access to see the module being used in practice.</p> <p>Procedures: The MoSS to develop and use the MIS module to take a random sample of beneficiaries whose records have been processed through the MIS and provide those (in depersonalized format) to the Bank team and/or its consultants. A site visit or office visit to see the MIS being used may be part of the verification procedures, including access to the MoSS and other databases with which the Takaful and Karama entries are cross-checked.</p> <p>Indicative timing: FY15</p>
14	<p>MIS payment cycle module operational and used to process payment for eligible beneficiaries.</p> <p>This module takes the list of beneficiaries and matches beneficiaries' identification numbers with their payment cards. It then ensures that the right payment amount is transmitted to each payment card.</p>	10	<p>Means of verification: Bank team and/or its consultants to review a random sample of depersonalized beneficiary entries. Bank staff/consultants to be given access to see the module being used to generate payment lists.</p> <p>Procedures: The MoSS to develop and use the MIS module to take a random sample of beneficiaries whose records have been processed through the MIS to generate payment lists and provide those (in depersonalized format) to the Bank team and/or its consultants. A site visit or office visit to see the MIS being used may be part of the verification procedures.</p>

DLI #	DLI	Disbursement Value (US\$, millions)	Means of Verification
			Indicative timing: FY16
15	<p>MIS case management module operational and provides access to beneficiaries to update life events.</p> <p>This module allows beneficiaries selective access to their entries to enable them to update their household characteristics with new circumstances or life events (e.g., change of address or birth of child).</p>	10	<p>Means of verification: Bank team and/or its consultants to review a random sample of depersonalized beneficiary entries. Bank staff/consultants to be given access to see the module being used in practice.</p> <p>Procedures: The MoSS to develop and use the MIS module to take a random sample of beneficiaries whose records have been updated through the Case Management Module and provide those (in depersonalized format) to the Bank team and/or its consultants. A site visit or office visit to see the MIS being used may be part of the verification procedures.</p> <p>Indicative timing: FY16</p>
16	<p>MIS conditionality compliance module operational and capable of identifying cases of non-compliance.</p> <p>This module will track compliance with health and education co-responsibility (conditions) in the Takaful program. Information on beneficiary compliance will be received by the MoSS from health and education facilities and linked to beneficiary files on a periodic basis. The system is capable of identifying cases of non-compliance and generating a list of those for whom a warning should be sent or payment suspended.</p>	10	<p>Means of verification: Bank team and/or its consultants to review a random sample of depersonalized Takaful beneficiary entries. Bank staff/consultants to be given access to see the module being used in practice.</p> <p>Procedures: The MoSS to develop and use the MIS module to take a random sample of Takaful beneficiaries whose co-responsibilities have been recorded in the MIS and provide those (in depersonalized format) to the Bank team and/or its consultants. A site visit or office visit to see the MIS being used may be part of the verification procedures.</p> <p>Indicative timing: FY17</p>
17	<p>MIS grievance mechanism module operational and incoming grievances and replies are logged in the system.</p> <p>A grievance redress mechanism is a key element of an SSN to ensure social accountability. Individuals who think that their eligibility decision was</p>	10	<p>Means of verification: Bank team and/or its consultants to review a random sample of depersonalized beneficiary entries. Bank staff/consultants to be given access to see the module being used in practice.</p>

DLI #	DLI	Disbursement Value (US\$, millions)	Means of Verification
	incorrect, their payment amount was late or incorrect, or who have any other complaint about the Takaful and Karama program need to have a channel for logging such complaints. This module will log the complaints and track responses.		<p>Procedures: The MoSS to develop and use the MIS module to take a random sample of beneficiaries whose records have been processed through the MIS and provide those (in depersonalized format) to the Bank team and/or its consultants. A site visit or office visit to see the MIS being used may be part of the verification procedures.</p> <p>Indicative timing: FY17</p>
18	<p>Grievance redress mechanism established and 50% of complaints addressed</p> <p>A grievance redress mechanism is a key element of an SSN to ensure social accountability. Individuals who think that their eligibility decision was incorrect, their payment amount was late or incorrect, or who have any other complaint about the Takaful and Karama program need to have a channel for logging such complaints.</p>	10	<p>Means of verification: Report from the grievance redress mechanism shows that 50% complaints have received a reply. The GRM is opened to the Bank team for review, on request.</p> <p>Procedures: The MoSS should establish a grievance redress mechanism, satisfactory to the Bank, in all social units that interface with the public. The grievance redress mechanism should be prominently displayed and widely publicized. A report from the grievance redress mechanism showing that 50% complaints have received a reply should be sent to the Bank team.</p> <p>Indicative timing: FY17</p>
19	<p>Grievance redress mechanism established and 80% of complaints are addressed within stipulated time-frame according to the POM.</p> <p>Why? A grievance redress mechanism is a key element of a social safety net to ensure social accountability. Individuals who think that their eligibility decision was incorrect, their payment amount was late or incorrect, or who have any other complaint about the Takaful and Karama program need to have a channel for logging such complaints. Ensuring a timely reply to the majority of complaints is critical for the credibility of the mechanism.</p>	10	<p>Means of verification: Report from the grievance redress mechanism shows that 80% complaints have received a reply within stipulated time frame after receipt. The grievance redress mechanism is opened to the Bank team for review, on request.</p> <p>Procedures: The MoSS should establish a grievance redress mechanism that is accessible to all social units that interface with the public. Social workers should be trained to log and reply to complaints. A report from the grievance redress mechanism showing that 50% complaints have</p>

DLI #	DLI	Disbursement Value (US\$, millions)	Means of Verification
			received a reply within the stipulated time frame should be sent to the Bank team. Indicative timing: FY18

17. Table 2.7 in this annex shows program funding projections for Waves 1–3 of the program (including share of Bank contribution).

18. To provide an indicative disbursement schedule, the DLIs have been mapped by the fiscal year (FY) in which they are expected to be achieved. Note that those achieved in FY15 would likely only be paid in FY16, after the project is effective, under a retroactive financing agreement.

Table 2.7: DLIs by Fiscal Year

	FY15	FY16	FY17	FY18	FY19	Total
Efficiency	20	60	10	–	10	100
Coverage	30	40	60	65	–	195
System	20	20	30	10	–	80
Total	70	120	100	75	10	375

Verification of results for disbursement

19. Disbursements under Component 1 will be triggered by achievement of the results, supported by claims for reimbursement of eligible expenditures. Upon completion of a DLI, the Government will prepare evidence that the result has been achieved in line with the verification protocols (see tables Table 2.2, Table 2.4, Table 2.6). The Bank certifies that the DLI has indeed been met. The Government then submits a withdrawal application for the amount associated with that DLI and provides evidence in recent IFRs that it has spent (either from advances or from its own resources) funds equal to or greater than those claimed in CTs under the Takaful and Karama program. The withdrawal applications can cover one or several DLIs, in any order, at any time, as long as sufficient eligible expenditures have been incurred.

Independent verification of beneficiary payments

20. In addition to audits of financial statements, an independent entity acceptable to the Bank, will be engaged to undertake beneficiary independent verification (or performance) audits whose scope will be focused on assessing the verification mechanisms for the eligible expenditures (CTs under the Takaful and Karama program) related to the application of eligibility criteria, as well as the programs' administration, oversight, and control aspects.

21. The independent beneficiary verification will be undertaken annually and will take a random sample of Takaful and Karama payments and trace them through eligibility lists and

payment channels to the beneficiary to ensure that the right payment was received by the right person at the right time.

Component 2: Supporting SSN Targeting and Operational Systems (Estimated IBRD funds - US\$22 million)

Takaful and Karama CT Systems

22. The objective of this component is to support strengthening of the ‘basic building blocks’ of the Takaful and Karama CT program. It will use a traditional investment project finance approach to disbursement.

23. Since some of the building blocks of the new Takaful and Karama CT program are essential to demonstrate progress toward the project’s goal of creating an efficient and effective program, this component will also support attainment of some of the specific, jointly agreed results identified as disbursement triggers under Component 1.

24. Component 2 will finance activities to design and implement social protection tools for the Takaful and Karama program throughout its development cycle, as detailed in the following paragraphs.

(a) Communication and Outreach

25. The MoSS has a three-pronged strategy for communication, including political/policy level communication, public information through mass media, and targeted beneficiary outreach. All will be implemented before the launch of the project and will continue throughout the project.

26. The first-level communication aims at gaining policy support, building public trust in the country’s SSN reforms, demonstrating the Government’s commitment in the social justice agenda, and protecting the poor, as well as using the savings from the energy subsidy reform to fulfill the long-awaited popular demand of social justice. The public information part aims at disseminating information about the program objectives, targeting, and eligibility; ensuring transparency in program intake; and putting an end to any potential misconceptions that could result from the lack of information, as well as disseminating information on the program’s impact and performance. At the third level, the outreach program will seek to (a) inform beneficiaries of their rights and responsibilities as program participants and (b) raise awareness directed to participants, through a network of community agents, including civil society organizations (NGOs and CDAs at the rural level), on key health and education aspects and disseminate a positive message to influence health/nutrition practices and perceptions on education, specifically girls’ education.

(b) Targeting

27. The Takaful and Karama program will use a multilayer targeting: geographical targeting using poverty maps; household targeting based on the PMT; and applying categorical criteria (families with children, elderly, and disabled).

28. At this point, the MoSS has selected a PMT formula based on a series of statistical regressions using the 2012–2013 HIECS. Results show that the best statistical model used for targeting of the Takaful and Karama program is a logistic regression model combining multiple regressions.

29. Table 2.8 lists the types of questions asked to develop the proxy:

Table 2.8: Types of Questions from the HIECS Used for the PMT

Household Demographic Information	Dwelling Characteristics	Household Assets/Sources of Income
Demographic information on the head of household	Examples include access to water, electricity, location of bathroom, stove type, flooring, and roofing.	Sources of monetary and in-kind transfers received
Characteristics of household members	Internet, mobile, and phone connectivity	Whether household receives benefits from SSP
Educational achievement	Average monthly electric bill	Asset ownership (land, vehicles)

30. PMT simulations show the expected inclusion and exclusion errors at various cutoff levels of Egypt’s population. Table 2.9 and Table 2.10 show cutoffs from the poorest 10 percent of the population to the lowest 40 percent. Under coverage in Table 2.9 and Table 2.10 represents the percentage of the poor that will not be captured by the PMT instrument under the specific cutoff points listed. Leakage, on the other hand, shows the percentage of beneficiaries who are above the cutoff point. Adjusted under coverage and leakage rates account for geographic targeting using the poverty map.

31. Given that the program intends to target beneficiaries at the national poverty rate (26.3 percent), if the program targeting was properly administered, slightly over 70 percent of those selected for the program will be poor using the proposed PMT methods (Leakage ~ 29 percent).

Table 2.9: Cutoffs and Error Rates (Original and Adjusted for Geographically Targeting all Households in Poorest Areas) - Overall Egypt

Targeted %	Cutoff for Actual Per Capita Annual Expenditure (EGP)	Under Coverage	Leakage	Adjusted Under Coverage	Adjusted Leakage

Lowest 10%	2956.857	0.590	0.378	0.568	0.424
Lowest 15%	3260.000	0.520	0.331	0.499	0.351
Lowest 20%	3541.600	0.418	0.280	0.408	0.294
Lowest 25%	3774.000	0.403	0.293	0.394	0.300
Lowest 30%	3995.800	0.372	0.285	0.364	0.290
Lowest 35%	4216.600	0.330	0.260	0.323	0.262
Lowest 40%	4444.600	0.283	0.241	0.277	0.242

Table 2.10: Cutoffs and Error Rates (Original and Adjusted for Geographically Targeting all Households in Poorest Areas) - Rural Regions

Targeted %	Cutoff for Actual per capita annual expenditure	Under Coverage	Leakage	Adjusted Under Coverage	Adjusted Leakage
Lowest 10%	2956.857	0.558	0.334	0.531	0.382
Lowest 15%	3260.000	0.479	0.333	0.457	0.350
Lowest 20%	3541.600	0.368	0.271	0.357	0.282
Lowest 25%	3774.000	0.349	0.270	0.339	0.275
Lowest 30%	3995.800	0.303	0.278	0.292	0.280
Lowest 35%	4216.600	0.285	0.256	0.276	0.257
Lowest 40%	4444.600	0.240	0.233	0.233	0.233

32. The design of the PMT has already been financed under the Transition Fund, a Multidonor Trust Fund managed by the Bank, but further work will be needed to evaluate and adjust the PMT based on the independent target accuracy assessment's findings.

(c) Program Rollout and Registration.

33. The rollout operational strategy of the new programs will be based on three waves; each wave will contain a selection of certain districts within governorates. The first rollout wave will include 19 districts where poverty rate is above 60 percent which will fall in 6 governorates (Assuit, Sohag, Qena, Luxour, Aswan, and Giza); however, only selected districts inside the six governorates will be covered. Table 2.12 shows the program rollout for registration and payments as well as household targets by district for the first wave of the program.

34. Wave 1 will include a forecasted 500,000 poor households. In addition, Wave 1 will be divided into two rounds with the purpose of ensuring functionality of the whole process with minimal error. Round 1 will cover three governorates: Assiut (5 districts); Sohag (3 districts); and Luxor (1 district). Round 1 began in mid-January 2015 and is expected to last until the end of March 2015. Round 2 will cover the other three governorates under Wave 1: Giza (3 districts);

Qena (5 districts); and Aswan (2 districts), added to another registration process in the first round to register any families who are eligible and did not have the chance to register in Round 1 of Wave1. This will be implemented from April until June 2015.

35. The MoSS social workers, complemented with public service workers (serving under the ministry for one year) will be responsible for completing the registration process. In Round 1 of Wave 1, 350 social workers and public service workers will be working, and as the program rolls out, a total number of 850 social workers and public service workers will be working.

36. All social workers will be working under the supervision of the head of social units. The heads of MoSS Administration will perform quality checks on samples selected from the registered data. Social workers will also be supported by a private service provider (eFinance), who is providing the technology and training for the registration and payment processes.

37. Takaful and Karama are sharing the same registration application and it is not for the applicant to decide the programs in which s/he would like to register. The system will assign the program to a certain beneficiary.

Online and Offline registration

38. Online and offline registration will be available. In the online mode, the researcher will connect his/her tablet and save the application data inputs directly to the system main registration database. The online mode is the primary mode of registration. However, in case of weak/no connection the researcher can switch the application to work in offline mode, which means that the application data inputs will be saved in the tablet's local database. There will be an upload function in the system that enables the researcher to synchronize and upload the application data inputs entered in the offline mode to the system main database.

(d) Eligibility Determination, Enrollment, and Verification

39. **Eligibility determination using PMT score.** The PMT formula is applied on the reviewed application and will result in a numeric value. This value will inform whether the applicant is eligible or not based on the predetermined PMT eligibility score threshold.

40. **Verification.** Several types of verification are anticipated under the project. First is an administrative confirmation that beneficiaries who are found eligible using PMT scoring do not currently receive SSP nor any type of contributory pension (social insurance) using the MIS back-office module. The second verification conducted is of the self-reported 'means' by applicants at enrollment, to reduce the incidence of fraud and to reduce inclusion error. This verification will be undertaken periodically on a small sample as well as any outlier cases identified through the grievance redress mechanism using household visits to verify self-reported assets and income.

41. **Notification of enrollment.** All applicants will be notified by SMS regarding the result of the eligibility decision. The SMS will be sent to the mobile number identified in the registration. Also, the results will be reported or shared on the social unit level and through all available channels: district level and governorate level (MoSS office). For non-eligible applicants, the notification message will state the result and will inform the applicant of the

option to submit a grievance at their social units within 21 days of receiving the notification message. For eligible applicants, the notification message will state the result, card delivery date, and the post office from which the card can be collected.

(e) Calculation of Benefit Level

Table 2.11: Calculation of Benefit Level

Takaful		Karama	
Monthly Payment	Mother with Children	Monthly Payment	Elderly + Living with Disability
EGP 325	Base	EGP 350	1
EGP 6	Primary school child	EGP 700	2
EGP 80	Preparatory (middle) school child	EGP 1,050	3
EGP 100	High school child		
Other parameters	Capped at 3 children (highest education level)	Other parameters	Capped at 3 eligible members in one household
	Paid to female in household		Paid to each individual separately

(f) Grievance

42. A grievance redress mechanism will be established to allow any member of the public to file a grievance about either the enrollment process (usually that the applicant thought that s/he should have been eligible but was rejected) or the payment process (usually that the beneficiary thought that s/he should have received a different payment amount or at a different time) under the Takaful and Karama program. The MoSS will establish a grievance redress mechanism in all social units that interface with the public. The grievance redress mechanism should be prominently displayed and widely publicized. Complaints could be made at the social unit in person or in writing and will be filed and managed using the ‘complaints’ module of the MIS. Use of this mechanism is likely to be highest in the first months of enrollment in any governorate when information on the Takaful and Karama program may be incomplete and as the payment process is initiated.

(g) Conditionality Compliance

43. **Takaful** is a CCT program for households with children under 18 years of age. The conditionalities include the following:

- **For children 0 to 6 years of age.** Mothers must visit the clinic twice a year for growth monitoring and health awareness sessions, with the focus on nutrition messages. This is to be coordinated with the MoH.

- **For children aged above 6 years.** For children in school, an attendance rate not less than 80 percent is required. This is to be coordinated with the MoE to record children’s attendance regularly.

44. Cases of non-compliance will alert the MoSS to further investigate the situation for a given family and the reasons behind non-compliance. The primary goal of the investigation will be to assist the family in meeting the conditionality and to extend support as needed. However, if non-compliance is deemed to be the result of negligence, the family will be given a warning for the first missed conditionality, and if the non-compliance is repeated, the family will be delisted.

45. **Karama** is an unconditional CT program that targets two groups: the elderly (65 years and above) and those living with severe disability that prevents them from working. Both groups must also be poor. The MoH’s medical commission will determine the level of disability and issue an official certificate highlighting the disability level. To mitigate the risk of fraud in issuing certification, the MoSS, in collaboration with the MoH, will form a small committee to verify the accuracy of the issued certifications of disability cases on a sample basis. Where error or fraud is found, the cases will be brought to the attention of the higher medical commission for action.

(h) Payment Mechanism

46. The payment officer in the social units, with the support of eFinance, organizes the distribution of the payment ID cards for each district before the preparation of the initial payment. A document is signed to control the delivery of the cards. An orientation will be conducted in the social units to explain the payment process, use of ID cards, and care.

47. Mothers or women caregivers in families are the recipients of the payment card in the case of Takaful, and the direct beneficiaries (poor elderly and disabled) are the recipients in the case of Karama. Payments will be made electronically via (virtual) accounts—quarterly (for Takaful) and monthly (for Karama). Egypt Post will be the payment delivery agency. Beneficiaries will have three main payment channels: point of sale at Egypt Post Office branches, ATMs, and at social units.

(i) Management Information System

48. A six-part, modular MIS has been designed by the MoSS. The six modules are as listed:

- (a) Registration. Already designed and operational
- (b) Back-office registry. To check applicants’ records against those in two MoSS databases (in part to ensure that Takaful and Karama beneficiaries no longer receive SSPs) and initiate checks with the Civil Registry to ensure accurate identification of beneficiaries, record the eligibility decision, and determine the correct payment amount - under testing
- (c) Payment cycle. To ensure on-time and accurate payments
- (d) Attention to beneficiaries (or case management). Beneficiaries can update their profiles with new information
- (e) Compliance with co-responsibilities in health and education for Takaful beneficiaries
- (f) Complaints management

49. A consultant from the Transition Fund has already provided extensive design advice to the MoSS on the MIS. However, further design and testing advice will be needed.

Support to Unified National Registry

50. The component will also finance the development of the UNR. The UNR will provide verifiable administrative information on household characteristics using currently available databases at various government agencies. This administrative information will help inform eligibility determination for applicants of different public programs, such as Takaful and Karama, beyond relying on reported information during the program application phase. The UNR will also be used for identification of beneficiary duplicates across programs as well as cases of error and fraud. The project will finance the technological infrastructure of the UNR as well as the expenses associated with connectivity to other databases and its 'card management system' (CMS) compatible with the UNR. Furthermore, the component will fill in the financing gap of the ongoing support to the MoPAR under Egypt's Transition Fund for the design and implementation of the technological infrastructure associated with building such an integrated system, which will include (a) increase in bandwidth for database coverage, (b) ease of integration with other programs, (c) improvement in capacity of staff, and (d) improvement in data quality for targeting.

Capacity Development of the MoSS

51. The project will provide extensive training for MoSS staff at all levels: central, governorate, and the local social units. Training financed by the project will include all business processes related to the CT program, including enrollment, payments, grievance and redress, and case management. Training will also include exposure of key staff to best practices and international experience.

52. The project will also allocate funds for improvement of the IT infrastructure as well as office refurbishments, including purchases of furniture and office equipment, computer hardware, and software. Minor renovations of the social unit offices may be supported by the SFD.

Component 3: Project Management and Monitoring and Evaluation (Estimated IBRD funds - US\$3 million)

53. This component will cover three main activities: financing the PIU; project operating costs; and project M&E.

54. The PIU will comprise a director, an MIS specialist, an FM Specialist, a field operations manager, an M&E specialist, a procurement specialist, a communications specialist, a quality assurance and program coordinator, and a research and donor relations specialist. The component will finance (a) salaries of the PIU staff (non-civil servants); (b) equipment and operating costs for the PIU, 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); and (c) regular internal audits and annual external audits (audits of financial and procurement aspects according to the Bank's legal requirements).

55. **Monitoring and evaluation.** The project will support the implementation of a ‘live’ M&E system with regular data collection and analysis, qualitative stories, and other evidence about implementation. It will use this live M&E system to fine-tune the program’s design before full expansion. The MIS forms the backbone of the program day-to-day monitoring function. Additionally, the MoSS will undertake spot checks on self-reporting and social workers’ performance, and an independent beneficiary verification agency will be hired to undertake an annual verification exercise. Currently, the monitoring function in the MoSS is limited. Therefore, the project will build the capacity for M&E in the ministry in addition to the M&E specialist who will be hired as part of the PIU.

56. Three evaluations will be undertaken by the project to serve two distinct purposes: (a) adjust targeting criteria and CT business processes and (b) measure the achievement of intended project outcomes.

- **Targeting assessment.** This will be undertaken at the completion of Wave 1 enrollment and payment. The evaluation will measure the accuracy of the targeting method used for the program (PMT). Specifically, the evaluation will indicate whether the selected indicators and weights capture the poor accurately and identify ways in which the PMT can be adjusted. The targeting accuracy evaluation will collect a sample from program beneficiaries and measure household consumption to determine poverty level.
- **Process evaluation.** The process evaluations will be undertaken after Wave 1. The evaluation will review the business processes through the entire program cycle and identify areas for improvement before implementation of the succeeding waves. It will be carried out by an independent consultant. It will include beneficiary satisfaction assessment to enhance the ministry’s understanding of the beneficiaries’ perception of the program and its processes.
- **Impact evaluation.** An end-of-project evaluation will be undertaken by an independent consultancy firm. It will assess the CT program’s effect on household consumption, school enrollment and dropouts, change in knowledge of key health messages, and utilization of health clinics. Baseline data will be collected at the registration of Wave 2.

57. Figure 1 shows a timeline for the planned evaluations. Design of the evaluation will be elaborated further with support from the Bank team in the first 6 months of implementation.

Figure 1: Timeline for Evaluations

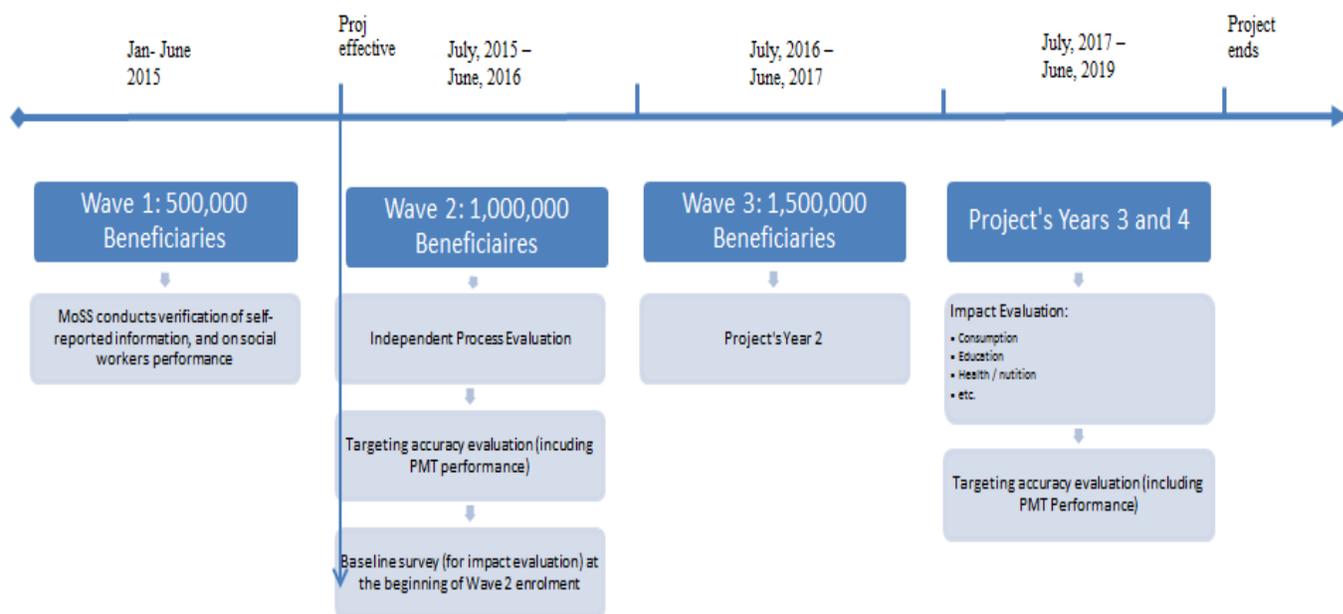


Table 2.12: Target Districts and Estimated Number of Beneficiaries for Wave 1 of the Program

Governorate	Number of Social districts	Number of Social Units	Total Number of Villages	Total Beneficiaries
Giza	3	31	82	103,695
Aswan	2	19	54	44,895
Luxor	1	20	28	40,239
Qena	5	56	74	135,051
Souhag	3	22	60	84,368
Assiut	5	32	76	111,347
Total	19	180	374	519,595

Table 2.13: Estimated Program Rollout, Payments, and Grievance and Redress Schedule

#	Task	Year 1				Year 2				Year 3				Year 4			
		Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16
Phase 1: Registration & enrolment																	
1	Wave 1 - Round 1 (Assuit, Sohag & Luxor)																
2	Wave 1 - Round 2 (Giza, Qena & Aswan + Pending Round 1 = 6 Governorates)																
3	Wave 2 - Round 1 (2 Governorates)																
4	Wave 2 - Round 2 (2 Governorates + Pending Round 2 = 4 Governorates)																
5	Wave 3 - Round 1 (Poor Districts in 3 Governorates)																
6	Wave 3 - Round 2 (Poor Districts in other 3 Governorates)																
7	Revision of first batch of old pension																
8	Revision of second batch of old pension																
Phase 2: Payment																	
1	Wave 1 - Round 1 (Assuit, Sohag & Luxor)																
2	Wave 1 - Round 2 (Giza, Qena & Aswan + Pending Round 1 = 6 Governorates)																
3	Wave 2 - Round 1 (2 Governorates)																
4	Wave 2 - Round 2 (2 Governorates + Pending Round 2 = 4 Governorates)																
5	Wave 3 - Round 1 (Poor Districts in 3 Governorates)																
6	Wave 3 - Round 2 (Poor Districts in other 3 Governorates)																
Phase 3: Grievances Redress																	
1	Wave 1 - Round 1 (Assuit, Sohag & Luxor)																
2	Wave 1 - Round 2 (Giza, Qena & Aswan + Pending Round 1 = 6 Governorates)																
3	Wave 2 - Round 1 (2 Governorates)																
4	Wave 2 - Round 2 (2 Governorates + Pending Round 2 = 4 Governorates)																
5	Wave 3 - Round 1 (Poor Districts in 3 Governorates)																
6	Wave 3 - Round 2 (Poor Districts in other 3 other Governorates = 6 Governorates)																

**Table 2.14: Component 1 Funding Projections
Waves 1–3 (FY2015–FY2019)**

Fiscal Year and Quarter		Takaful HH Beneficiaries	Karama HH Beneficiaries	Total Payment Per Quarter (in EGP)	Government Financing (in EGP)	Bank Financing (in EGP)	Bank Financing (in US\$)	Bank Contribution (percentage)
FY2015**	Q4 (Apr–Jun)	126,000	54,000	326,970,000	44,250,000	282,720,000	38,000,000	86
FY2016	Q1 (Jul–Sep)	126,000	54,000	326,970,000	44,250,000	282,720,000	38,000,000	86
	Q2 (Oct–Dec)	350,000	150,000	908,250,000	625,530,000	282,720,000	38,000,000	31
	Q3 (Jan–Mar)	350,000	150,000	908,250,000	625,530,000	282,720,000	38,000,000	31
	Q4 (Apr–Jun)	525,000	225,000	1,362,375,000	1,079,655,000	282,720,000	38,000,000	21
FY2017	Q1 (Jul–Sep)	700,000	300,000	1,816,500,000	1,649,100,000	167,400,000	22,500,000	9
	Q2 (Oct–Dec)	700,000	300,000	1,816,500,000	1,649,100,000	167,400,000	22,500,000	9
	Q3 (Jan–Mar)	700,000	300,000	1,816,500,000	1,649,100,000	167,400,000	22,500,000	9
	Q4 (Apr–Jun)	875,000	375,000	2,270,625,000	2,103,225,000	167,400,000	22,500,000	7
FY2018	All 4 quarters*	1,050,000	450,000	10,899,000,000	10,341,000,000	558,000,000	75,000,000	5
FY2019	All 4 quarters*	1,050,000	450,000	10,899,000,000	10,750,200,000	148,800,000	20,000,000	1
KEY ASSUMPTIONS								
Karama Average Beneficiaries	Children in Takaful	Average Household Payment Karama			Average Household Payment Takaful		Exchange rate (US\$ to EGP)	
2	3	700			565		7.44	
Total government financing			EGP 30,560,940,000		Total Bank and government financing in 4 years		EGP 33,350,940,000	
Total Bank financing			EGP 2,790,000,000				US\$4,482,653,226	

Note: * Program fully functional in Q1, FY2018. First payment of final new round (Wave 3, Round 2) is July 2017.

** Retro-financing will be applied.

Number of beneficiaries changes within each quarter as new rounds of enrollment are introduced. Total payment reflects changes between months.

Table 2.15: Component 1 Monthly Payment Schedule until Program Fully Operational (July 2017)

Wave	Start of Payment	Date	Takaful (households #)	Karama (households #)	Total Benefits Per Month (in EGP)	Cumulative Payment (in EGP)	Cumulative Payment (in US\$_
Wave 1	Round 1	Apr-15	126,000	54,000	108,990,000	108,990,000	14,649,194
		May-15	126,000	54,000	108,990,000	217,980,000	29,298,387
		Jun-15	126,000	54,000	108,990,000	326,970,000	43,947,581
		Jul-15	126,000	54,000	108,990,000	435,960,000	58,596,774
		Aug-15	126,000	54,000	108,990,000	544,950,000	73,245,968
		Sep-15	126,000	54,000	108,990,000	653,940,000	87,895,161
	Round 2	Oct-15	350,000	150,000	302,750,000	956,690,000	128,587,366
		Nov-15	350,000	150,000	302,750,000	1,259,440,000	169,279,570
		Dec-15	350,000	150,000	302,750,000	1,562,190,000	209,971,774
		Jan-16	350,000	150,000	302,750,000	1,864,940,000	250,663,978
		Feb-16	350,000	150,000	302,750,000	2,167,690,000	291,356,183
	Mar-16	350,000	150,000	302,750,000	2,470,440,000	332,048,387	
Wave 2	Round 1	Apr-16	525,000	225,000	454,125,000	2,924,565,000	393,086,694
		May-16	525,000	225,000	454,125,000	3,378,690,000	454,125,000
		Jun-16	525,000	225,000	454,125,000	3,832,815,000	515,163,306
	Round 2	Jul-16	700,000	300,000	605,500,000	4,438,315,000	596,547,715
		Aug-16	700,000	300,000	605,500,000	5,043,815,000	677,932,124
		Sep-16	700,000	300,000	605,500,000	5,649,315,000	759,316,532
		Oct-16	700,000	300,000	605,500,000	6,254,815,000	840,700,941
		Nov-16	700,000	300,000	605,500,000	6,860,315,000	922,085,349
		Dec-16	700,000	300,000	605,500,000	7,465,815,000	1,003,469,758
		Jan-17	700,000	300,000	605,500,000	8,071,315,000	1,084,854,167
		Feb-17	700,000	300,000	605,500,000	8,676,815,000	1,166,238,575
	Mar-17	700,000	300,000	605,500,000	9,282,315,000	1,247,622,984	
Wave 3	Round 1	Apr-17	875,000	375,000	756,875,000	10,039,190,000	1,349,353,495
		May-17	875,000	375,000	756,875,000	10,796,065,000	1,451,084,005
		Jun-17	875,000	375,000	756,875,000	11,552,940,000	1,552,814,516
	Round 2	Jul-17	1,050,000	450,000	908,250,000	12,461,190,000	1,674,891,129

Note: * Program fully functional as of July 2017; all payments after that point will have similar payment breakdown.

C. Project Economic Analysis

Project's development impact in terms of expected benefits and costs

58. To evaluate the economic soundness of the Egypt Strengthening of SSN Project, a cost-benefit analysis was undertaken based on the costs and estimated economic returns associated with the Takaful and Karama CT program. The Takaful and Karama program is expected to benefit about 1.5 million poor households by 2017.

59. For the purpose of the economic analysis, the program costs are given by the CT amount per beneficiary household and an estimated 10 percent for administrative costs. Takaful is a CCT program aiming at reducing short-term poverty and producing medium-term human development improvements, while Karama is an unconditional income support that aims at the protection and inclusion of the poor elderly (above 65 years of age) and persons with permanent disabilities. Given the supply-side challenges, the conditionality for the initial phase of Takaful will be limited to school attendance and two visits a year to health clinics by mothers with children under 6 years of age. Benefit size in Takaful starts from a base amount of EGP 325 per household per month and with additional top-ups depending on the number of children attending school, up to a maximum amount per household of EGP 800 per month. In Karama, the benefit size is EGP 350 per beneficiary with a maximum amount per household of EGP 1,050.

60. Both Takaful and Karama will serve to reduce immediate poverty by channeling CTs to poor households. School attendance conditionality under Takaful, although soft during the initial phase, is expected to promote investment in education and thus, higher earnings and welfare in the future. The cost-benefit analysis based on gains in educational attainment under Takaful is presented below, followed by simulations of the impact on consumption and current poverty under both Takaful and Karama.

Cost-benefit analysis of Takaful

61. While it is difficult to fully measure in monetary terms the expected impact of Takaful, the wealth of existing evidence from impact evaluations of various CCT programs gives a range of reasonable estimates of the impact on enrollment and dropout. Since Takaful is being used to promote attendance rather than enrollment during the initial phases, assume a modest 1 percentage point reduction in dropout rate is associated with receiving Takaful benefits. This figure is much lower than the median in the range of international estimates.¹⁵ The results from the evaluations of the proposed project, expected in 2019, will provide a better estimate for the impact of Takaful. With these underlying assumption, and based on the results from CCT impact evaluations in other countries and estimated returns to education for the Middle East and North Africa region (Montenegro and Patrinos, 2014), the cost-benefit calculations provide the following estimates:

¹⁵ See, for example, Fiszbein and Schady. 2009. *Conditional Cash Transfers: Reducing Present and Future Poverty*. World Bank.

62. Takaful is assumed to reduce dropout by 1 percentage point per beneficiary student; that is, the average Takaful beneficiary child is 1 percentage point more likely to stay in school than s/he would be without Takaful. It can thus be assumed that each year of Takaful transfers is associated with 0.01 additional years of education attained for each beneficiary. According to Montenegro and Patrinos (2014), each additional year in school in the Middle East and North Africa is associated with roughly 7.3 percent increase in income (for our analysis, we take a modest 6 percent rate of return). To identify the monetary benefit that Takaful recipients would gain from higher educational attainment, the net present value of their earnings with the counterfactual income in the absence of this gain in educational attainment is compared. Specifically, two income streams are estimated that differ by the income levels for 2 individuals with different education attainment and thus different income levels, assuming individuals work from the age of 18 to 60. The net present value of these income streams using the assumed discount rate of 4 percent, in range with the usual discount rate used in similar analysis, is calculated. The benefit-cost ratio is calculated according to four different growth scenarios. Projections of annual growth in per capita income in Egypt are assumed to range from the lowest 3 percent to 9 percent during the next several decades.

Table 2.16: Benefit-cost Ratios, Alternative Growth Scenarios

Growth in income	3%	5%	7%	9%
Ratio	0.95	1.66	2.86	5.02

Source: Staff calculations based on the 2012–2013 HIECS.

63. Table 2.16 presents the results from calculations of costs and benefits linked solely to the expected impact of Takaful on recipients staying in school. The benefits outweigh the cost (benefit-cost ratio greater than 1) in all growth scenarios except at 3 percent.

64. In addition, other potential impacts, besides improved earnings through educational achievement, can reinforce the benefit-cost argument in support of the Takaful program. First, higher school enrollment is likely to affect well-being beyond its impact on wages, for example, better knowledge of health issues and social status. Second, transfers made to women can influence the household’s expenditure patterns on consumption and investment goods as well as produce social benefits. Third, findings indicate that CCT programs have no significant negative effects on adult labor market participation despite the possibility that reduced employment as a result of receiving CTs could, in theory, offset the benefits of those transfers. Expected impacts of the CTs on current consumption poverty are discussed in further detail below, with implications for reducing poverty.

Simulations of Takaful and Karama Impacts on Consumption

65. The Takaful and Karama transfers are expected to constitute a considerable part of beneficiary households’ consumption budget and could therefore affect Egypt’s poverty profile. To estimate the impact, the 2012–2013 HIECS was used. Based on calculations using the 2012–2013 HIECS, Takaful benefit represents on average about 45 percent of the mean per capita consumption of the designated beneficiaries. The corresponding figure for Karama is about 30 percent. The impact of Takaful and Karama transfers on consumption poverty is simulated using the HIECS data under some assumptions. First, assume that these CTs do not induce significant reductions in labor market participation. Second, assume that the transfer

amount is consumed fully rather than partly saved; thus, entire transfers will be added to household consumption aggregates.¹⁶

66. Given these two assumptions, the simulation exercise involves comparing the country's poverty profile with and without the Takaful and Karama transfers for all eligible million households targeted during the project's life. The exercise is undertaken separately for the two programs and the overall impact using Egypt's national poverty line. Assuming 60 percent targeting accuracy for both programs, the impact on the poverty headcount index was simulated, which denotes the likelihood that a household consumes less than at the poverty line and the poverty gap, which measures the difference between expenditure and the poverty line, as a percentage of the poverty line. The results are presented in table 2.17. The simulations show that the Takaful program is likely to result in about 15 percent (4 percentage points) reduction in the national poverty rate and 22 percent reduction in the poverty gap once the program reaches 1.5 million eligible beneficiaries. The impact on national poverty of the Karama program is much lower given a smaller segment of the population it reaches, compared to the Takaful program.

Table 2.17: Poverty Impact of the Proposed Project

	Poverty Headcount	Poverty Gap
Baseline (without the project) (1)	26.3	5.4
Takaful		
With (2)	22.5	4.2
Impact (1)–(2)	3.9	1.2
Percent Change, over Baseline	14.6	22.0
Karama		
With (3)	25.6	5.1
Impact (1)–(3)	0.7	0.3
Percent Change, over Baseline	2.7	5.2
Takaful + Karama		
With (4)	21.8	4.0
Impact (1)–(4)	4.6	1.4
Percent Change, over Baseline	17.3	25.9

Source: Staff calculations based on 2012–2013 HIECS.

67. As the program at the initial stage targets only about 1.5 million households and is not fully rolled out nationally, the potential impact on the national poverty incidence will likely be higher when the programs are fully rolled out nationally.

Rationale for Public Sector Provision/Financing

68. The Government is engaged in a major economic and political reform mandated by constitution. The new Government has the political will to establish new responses to protect the poor and most vulnerable. The current adverse economic situation has increased the need for a better social protection system for the country, especially for those most in need—

¹⁶ In reality, households will likely save part of the amount, as found in the case of PROGRESA (see, for example, Gertler, Martinez, and Rubio, 2005). In that case, it is expected to generate a lower impact on current consumption but possibly larger impacts on medium-run welfare if the savings are put into productive investments.

vulnerable groups suffering from poverty and deprivation, such as children, the elderly, and persons with permanent disabilities. Through the cash benefits, households will be able to maintain their consumption, resulting in less food insecurity and less drawing down on productive assets. The CTs are also likely to keep more children in school and reduce morbidity and malnutrition among 0- to 5 year-old children than would have been possible without timely delivery of the benefit. These are in return expected to contribute to improved health and education outcomes of children and ultimately their labor market outcomes and income-earning potential as adults. Nationally, these could lead to more human capital accumulation, which in turn could translate into higher economic growth. The Takaful and Karama program is being developed to achieve these goals and to protect the poor and vulnerable and support them to invest in their human capital. Additionally, the program will help the Government gain public support for further reform of fuel subsidies and improve pro-poor public financing. Having these programs will provide strong rationale and precondition for transitioning away from the inefficient and costly subsidies. Therefore, activities to be financed under the proposed project merit public support.

Value Added of the Bank's Support

69. The Government has requested the Bank's support for further strengthening of its SSN and launching its Takaful and Karama program. The Bank has a comparative advantage in these domains given its extensive and international experience on design, implementation, and evaluation of SSN programs. This project is building on the knowledge and taking into consideration the lessons from the previous, similar Bank projects in countries with similar socioeconomic and political context. 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 the 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 the area of social protection is not recent and the project will capitalize on our ongoing engagement in the areas of SSNs, education, and health to strategically position and implement this comprehensive safety net program with links to human development outcomes.

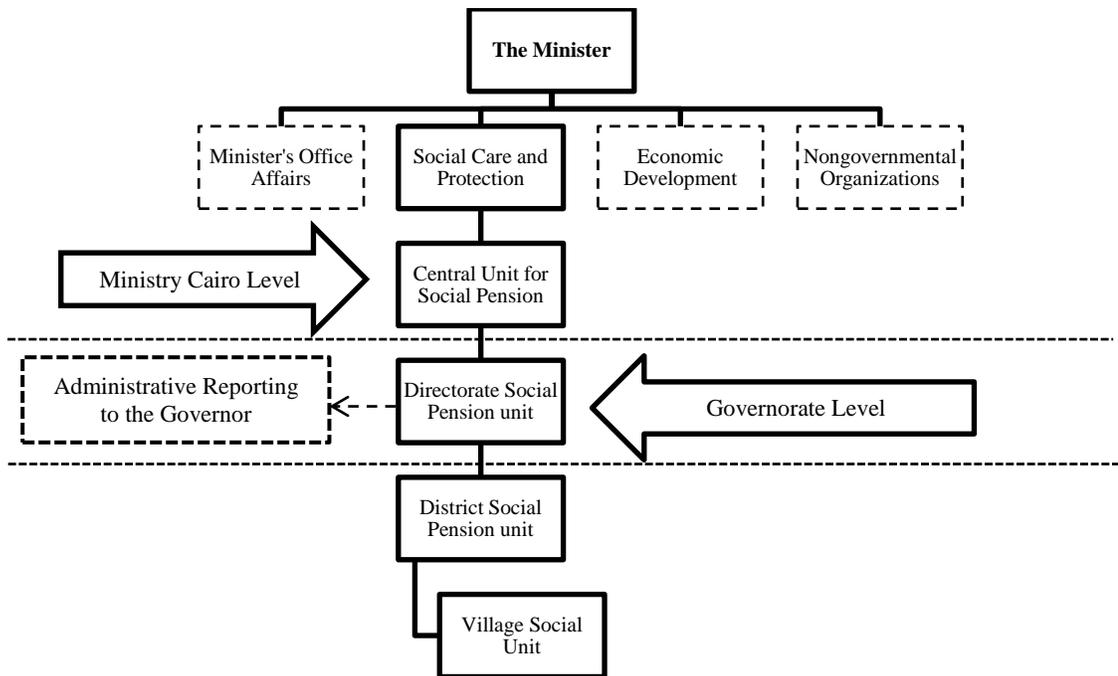
Annex 3: Implementation Arrangements

EGYPT: Strengthening Social Safety Net Project

Project Institutional Arrangements

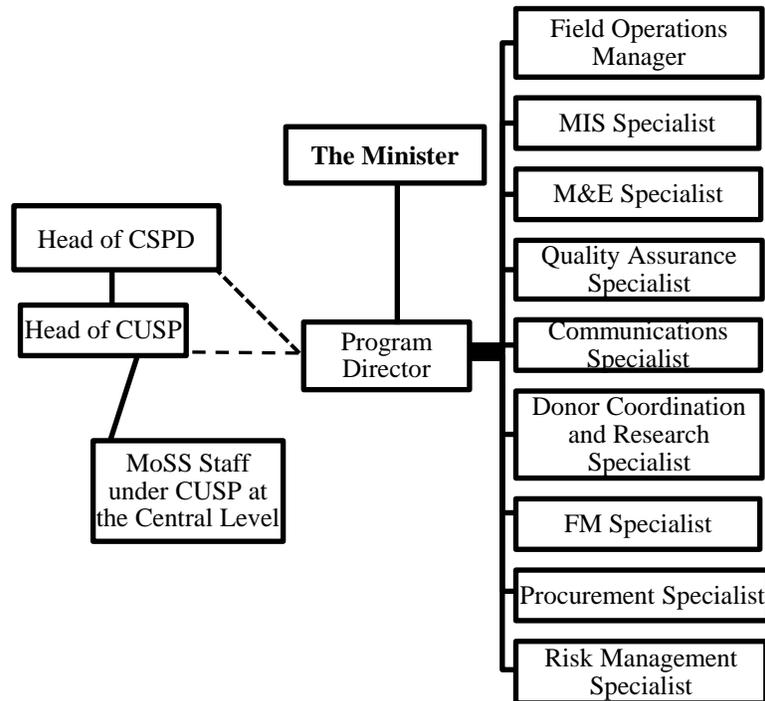
1. **The MoSS is the main institutional counterpart for the project.** The MoSS will lead the registration, enrollment, payment, M&E, and grievance management functions of the Takaful and Karama program through its offices at the governorate, district, and village levels. This entails a significant level of implementation and institutional arrangements both within the MoSS and across the different ministries and agencies involved. The Central Social Protection Department (CSPD) at the MoSS will be responsible for the overall management of the program, while the CUSP under the CSPD will be in charge of the day-to-day processing of the programs with the PIU. The CUSP is currently responsible for the management and processing of the biggest CT program in Egypt (SSP). The CUSP is closely working with other functional units at the MoSS, including the MIS, FM, and procurement units.

Figure 2.1: The Administrative Chart of the Takaful and Karama Program at the MoSS



2. In addition, the MoSS has established a PTF to carry out the day-to-day activities and lead implementation of the Takaful and Karama program over the first few years. This PTF is formed from the MoSS team under the CUSP and the PIU team, which has been hired specifically for the project. The PTF reports directly to the minister of Social Solidarity and administratively to the head of the CSPD. It is headed by a program director and consists of a number of full-time MoSS staff as well as consultants in different specializations (FM, procurement, MIS, field operations, communications, research, program coordination, M&E, and payment control) to design, plan, and coordinate implementation of the program processes and procedures on a daily basis.

Figure 2.2: Organogram of the Project Task Force



3. *Unified National Registry.* The MoPAR will be an integral part of the implementation of Component 2, and the long-term consolidation and strengthening of the SSN system through the establishment of the 2nd version of the UNR. That is, the MoPAR will be technically responsible for building the UNR under Component 2 of the project, while the fiduciary (FM and procurement) management will be the responsibility of the PIU. The MoPAR is currently building the first version of the UNR through consolidation of various administrative targeting variables which will help filter out the ineligible beneficiaries and assign a welfare ranking for all those registered based on asset ownership and consumption trends.

4. *Conditionality compliance.* Under the Takaful program (CCT), both the Ministry of Health and the MoE will play a critical role, particularly at the school and health unit levels, in monitoring compliance with the program conditions by the beneficiaries. Regular reporting mechanisms for monitoring the beneficiaries' compliance to the program conditionality will be managed by close coordination and institutional arrangements across the ministries. The MoSS has already signed MOUs with the MoH and MoE to ensure smooth institutional coordination for the programs.

5. *Enrollment and payment mechanisms.* Once registration is undertaken, the enrollment in the program for beneficiaries will be centrally managed by eFinance (private enterprise) by running the PMT formula and generating the list of eligible beneficiaries. This process is wholly automated through a well-developed MIS at the MoSS central information center. The payment system, which is developed and designed by eFinance, will also issue the smart cards for the beneficiaries. Reimbursement will be through monthly transaction fees on each card.

Egypt Post will act as a financial institution and will be in charge of facilitating the payment mechanism through their offices and (virtual) bank accounts for beneficiaries.

6. *Policy coordination.* At the policy level, the program is overseen by the Ministerial Committee for Social Justice, which is headed by the prime minister and includes thirteen ministers—the ministers of Social Solidarity, Health and Population, Education, Planning and Administrative Reform, Finance, International Cooperation, Higher Education, Supply and Internal Trade, Telecommunications and Information Technology, Labour and Immigration, Local Development, Housing—and the Managing Director for the SFD. This committee will ensure political commitment toward the program and the high-level consolidation of related social policies.

7. The MoF, through its Economic Justice Unit, is expected to provide some technical input on the evaluation functions of the project as well as the coordination with other ministries. The unit, as mandated by its establishment, will play a role in the macro-level monitoring of the program's progress and ensure good coordination with other elements of SSN.

8. The MoSS is also hosting an inter-ministerial executive committee to provide day-to-day coordination support among the different key ministries and agencies involved in implementation.

Financial Management and Disbursement Arrangements

9. Egypt's public financial management (PFM) systems have been deemed adequate for budget support operations despite the stagnation in some areas of PFM reform, a concern that influences fiduciary risk. The Bank is engaged in dialogue and technical advice with the Government in the areas of financial controls, public procurement, and supreme audit institution development. Furthermore, the Bank and the MoF are starting to collaborate toward modernization of the budget legislation and revamping the PFM reform. With technical support from the Bank, the MoF recently finalized the Manual of Procedures of the ex ante Internal Financial Control. The manual is intended to be published and disclosed over the whole financial control network and budget entities (line ministries, agencies, and various public institutions). Once disclosed, it will become mandatory. The manual has three objectives: (a) simplifying the control procedures; (b) standardizing and homogenizing the controls (each procedure is described with one standard page defining the main components of the control such as laws and regulations to comply with, required documentation, and budgetary requirements); and (c) making the control more predictable by the line ministries. There is currently no function in the MoF or in the line ministries that carries out independent internal audits. While the financial inspection in Egypt carries out ex post reviews, it does not perform systematic, risk-based audits of the functioning of the internal control system.

10. The main FM risks identified under the proposed project relate to the (a) identification and enrollment of eligible beneficiaries; (b) reliability of maintained database and applicable controls; and (c) verification of payment processes. 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 is implementing a comprehensive communication campaign and outreach activities with the support of UNICEF and the WFP through their partnerships with NGOs in the target areas; (c) the MoSS has signed MOUs with the MoH and MoE to ensure smooth institutional coordination for the programs; and (d) an independent external auditor will be hired to audit the use of the Bank loan. The assignment scope will cover the audit of the program's IT system.

Risk assessment and mitigating measures (MM)

Table 3.1: Inherent Risks

Risk	Risk Before MM	Mitigating Measures	Risk After MM
The nature of CT programs poses high risks of fraud and error. This involves the targeting of eligible beneficiaries, as well as handling huge number of transactions.	H	The program design is building on TA to develop and implement an internationally well-tested targeting methodology (PMT) and to the utilization of ready elements of the UNR as a platform for data verification for better targeted CT.	S
Inherent Risk Before MM	H	Inherent Risk after MM	S

Table 3.2: Control Risks

Risk	Risk Before MM	Mitigating Measures	Risk After MM
The identification and enrollment of beneficiaries can involve fraud and error.	S	The enrollment system depends on household surveys that measure a number of poverty indices that are subsequently subject to formulas with assigned weights to determine eligibility. The registration process and targeting method will be subject to post reviews on sample basis to assess performance.	M
The CCTs depend on information generated by the MoE and MoH.	H	The MoSS has already signed MOUs with the MoE and MoH to ensure smooth institutional coordination for the programs.	S
The new Takaful and Karama program is not known to the public.	S	UNICEF and the WFP are supporting the communications and outreach activities of the program through their partnerships with the NGOs in the target areas.	M
MIS and payment systems may not be able to adequately support the program.	M	<ul style="list-style-type: none"> • A central database is maintained at the MoSS to consolidate all data collected from the field. • A specialized company issues smart cards for the beneficiaries. • Egypt Post will act as a financial institution in charge of making payments through its wide network of offices. 	L

Risk	Risk Before MM	Mitigating Measures	Risk After MM
Monitoring the program implementation requires reliable reporting and auditing arrangements.	S	<ul style="list-style-type: none"> Periodic (quarterly) reporting will be issued by the MoSS based on financial reports received from the field. An independent external auditor will be hired to audit the use of the Bank loan. The assignment scope will cover the audit of the program's IT system. 	M
Control Risk Before MM	S	Control Risk After MM	M

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

Internal controls

11. *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.

12. *Monitoring.* The registration process will be supported with a number of operational reports that will help monitor the progress of the registration (for example, registration averages per week per social unit/district and non-eligible rates per social unit/district) to improve outreach and other search activities.

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

14. *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.

15. *Verification.* Cross-checking with social pension beneficiary database and National ID Registry will take place. Any applicant who is registered in the social pension database will be flagged as non-eligible. False declaration under registration or under request of revision is penalized by permanent suspension from the program benefits.

16. *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. These include reporting on cases of fraud and follow-up action taken, assessment of targeting accuracy, MIS functionality, and timeliness of grievance redress.

Accounting and reporting

17. Agreed formats for IFRs will be submitted by the MoSS to the Bank on a quarterly basis. These will be subject to reviews by the project auditors. An integral part of the quarterly financial reports will be the cash forecast for the following six months as this will be the basis for the amount of the withdrawal application from the loan balance, together with agreed DLIs.

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

External audits

19. MoSS will remit the 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. They should include provision for conducting an audit of the MoSS IT systems to verify eligibility and payment controls and processes.

20. Table 3.3 summarizes the financial reporting arrangements required under the project:

Table 3.3: Reporting Arrangements Required under the Project

Report	Due Date	Responsibility	Sent to	Language	Scope
Project IFRs	45 days from end of quarter	MoSS	Bank	English	Review
Project annual audited financial statements	6 months from end of the fiscal year	MoSS	Bank	English	Audit

Flow of funds and disbursement arrangements

21. To ensure that funds are readily available for project implementation, the MoSS will open a DA at the Central Bank of Egypt in the name of the project. Deposits into, and payments from the DA, 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. The names and corresponding specimen of signature of authorized signatories will be submitted by the MoSS to IBRD through the Ministry of International Cooperation before the Bank can disburse the funds. The MoSS will apply to get access to the Bank's Client Connection website to use the electronic disbursement function, follow up on the status of its withdrawal applications, and reconcile its records with the Bank records.

22. In addition to documenting the project expenditures through IFRs, for Component 1, DLIs 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 expenditure incurred has to have an equivalent or corresponding value of DLIs met. Otherwise, the disbursement by the Bank will be capped by the value of the DLI even if the reported eligible expenditures exceed the value of achieved DLIs.

Table 3.4: Eligible Expenditures

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed
(1) Cash Transfers	375,000,000	100% of each DLI Amount set out in the Annex to this Schedule
(2) Goods, non-consulting services, consultants' services, training, and Operating Cost under Parts B and C of the Project	24,000,000	100%
(3) Front-end Fee	1,000,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section [2.08(c)] of this Agreement
TOTAL AMOUNT	400,000,000	

Transparency and grievance mechanisms

23. 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 on 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.

24. A grievance redress mechanism is a set of systems and procedures aimed at resolving complaints, queries, and requests. Grievance committees will be established at the national and regional levels to address complaints. Multiple channels for receiving complaints will be used. At the social units' level, a grievance officer will be trained and tasked with processing complaints that require case-by-case investigation. At the national level, trained grievance officers would be tasked to handle more complex complaints such as those on targeting or misreporting. As in the district offices, complaints under this category will be automatically referred to the national office for resolution within a stipulated time frame.

Supervision plan

25. At least two implementation support missions will be carried out annually. Bank staff based in Cairo will provide day-to-day support to the MoSS. Follow-up visits will be conducted as deemed necessary. The review and audit reports of the interim and annual financial statements, respectively, in addition to management letter, will be reviewed on a regular basis by the Bank FM specialist. The results or any issues will be followed up during implementation support missions. In addition, during the Bank's missions, the project's FM and disbursement arrangements will be reviewed to ensure compliance with the Bank's requirements and to develop the financial management rating for the Implementation Status and Results Report (ISR).

Procurement Arrangement

26. Procurement for the project shall be carried out in accordance with the Bank's 'Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants', published in January 2011 (revised July 2014); for goods and non-consulting services, the World Bank 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers' published in January 2011 (revised July 2014); and for consultants' services, the accompanying standard bidding documents/standard request for proposal and the Grant Agreement. Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006, and updated January 2011, shall also apply to the project.

27. The overall responsibility for project procurement will rest with the PIU, which will act as the Bank's main counterpart for all procurement aspects of the project. The PIU is established within the MoSS and will be composed of MoSS staff and consultants in various fields to manage the overall implementation of the project. The PIU will manage all steps of the procurement process: preparation of bidding documents/TOR/requests for proposal (RFPs); bid/proposal opening; bid/proposal evaluation; contract negotiations; and contract award. Further, the PIU will be responsible for contract management, including the review and approval of consultants' deliverables and the receipt/inspection and acceptance of goods, and for the release of funds to the consultants/suppliers in accordance with the signed contracts.

28. A PCA was carried out during January 2014 as part of the appraisal mission. The PCA evaluated the institutional capacity of the MoSS to implement procurement for the project activities to be financed by the Bank under the Bank's Procurement Guidelines. Furthermore, the assessment evaluated procurement risks and made recommendations on mitigation measures for efficient procurement under the project. The following is a summary of the identified procurement risks and mitigation measures:

Table 3.5: Risk Assessment and Mitigation Measures

Residual Procurement Risk Rating	Moderate
Risk	Mitigating Measures
A. Staffing	
Shortcoming in procurement under International Competitive Bidding (ICB) procedures and selection of consultants may present a potential challenge that may delay project procurement and accordingly, project implementation.	A PP was prepared by the MoSS and reviewed and agreed upon between the Bank and the project team. This plan will be updated by the PIU at least twice annually (in preparation for the Bank’s implementation support missions) or as required, to reflect the actual project implementation needs and improvements in institutional capacity;
Having to deal with documents in English while staff’s English language skills are poor constitutes a high risk during procurement processing.	
Improper implementation of procurement activities under the project (in terms of efficiency, competition, and transparency)	
Possible implementation delays and poor quality of contract deliverables	
B. Procurement Planning	
Poor quality procurement and outcomes due to limited procurement and contract administration capacity of agency	To ensure efficient implementation of project procurement, the project implementation structure was established and the detailed responsibilities of the various entities is defined in the POM, which outlines the processing steps for the various procurement/selection methods and for contract management and administration.
Delay in project processing and implementation due to lack of proper planning	
C. Bidding Documents, (pre-) qualification, shortlisting, and evaluation criteria	
Project delays due to unfinished bidding documents/RFPs	Training on procurement and contract management will be provided to the staff of the PMU and designated officials of the MoSS. The training, which will take place immediately after effectiveness, will be carried out by the Bank team and will focus on the project procurement arrangements as indicated in the POM and will provide a detailed explanation on the critical steps of the procurement and contract management process.
Technical specifications/TOR are vague.	
Lack of English language skills while having to deal with documents in English may cause confusion and delays.	
D. Review of Procurement Decisions and Resolution of Complaints	

Risk	Mitigating Measures
Project delays due to unfinished bidding documents/RFPs	The Bank's Procurement Prior Review (PPR) thresholds were set based on existing procurement capacity and identified procurement risks. The ICB packages for procurement of goods and works, as well as the first two selections of consultants (firms) will be subject to the PPR. In addition to the PPR, the Bank will carry out four procurement implementation support missions during the first year and at least two per year for the following years of project implementation. During the missions, procurement support to the PMU will be provided and review of the updated project PP will be carried out.

Procurement Plan

29. *Procurement for goods and non-consulting services.* ICB will be the default method to be used under the project. The Grant shall use the National Competitive Bidding and Shopping procedures that include (a) an explicit statement to bidders of the evaluation and award criteria; (b) local advertising or through the MoSS website, allowing bidders not less than 14 days to prepare and submit quotations and 30 days to prepare and submit bids; (c) award to lowest evaluated supplier/bidder; and (d) preclusion of foreign bidders from participation. Whenever justifiable, Direct Contracting can also be used.

30. *Consultants' services.* Quality- and Cost-Based Selection will be the default method to be used for selection of consultant firms under the project. Other methods as seen appropriate to the assignments will be used, for example, the Least-Cost Selection method for the selection of the independent external auditor. Individual consultants' method shall be used as well. Whenever justifiable, single sourcing of firms and of individuals can also be used.

31. A PP dated February 24, 2015 was prepared and agreed with the Bank. The PP specifies the procurement packages/consultancy assignments, estimated cost, methods, and activity dates, taking into consideration the project implementation schedule. The PP will be updated at least twice annually (in preparation for the Bank's implementation support missions) or as required to reflect the actual project implementation activities, needs, and improvements in institutional capacity.

Environmental and Social (including safeguards)

32. The proposed environmental category is 'C'; therefore, no safeguards are triggered.

33. **From a social perspective, the project's impact is likely to be positive.** With the emphasis on the poorest areas and the targeting of districts with the highest poverty rates, using national poverty maps, and household level targeting using a poverty-based approach (PMT), the poorest and most vulnerable groups are most likely to be the primary beneficiaries of the project. Females will also be targeted as 'mothers with children' is one of the three core

eligibility criteria (in addition to poverty level). These additional eligibility criteria include mothers with children, old age, and severe disability. Therefore, the primary focus is on child poverty and inclusion of the poor elderly and disabled. The impact on women will be positive, from the income support and provision of higher incentive for schooling at higher levels, where usually girls drop out, is the highest in poor and rural families. The gender-differentiated impacts will be monitored by the M&E framework and will be the special focus of the social accountability measures to allow for adjustment during implementation to improve the impact on women and girls.

34. **Social accountability and citizen engagement mechanisms** are embedded in project design to enhance the project's efficiency and effectiveness. This will be taken into consideration through different social accountability and citizen engagement mechanisms: (a) a grievance redress mechanism that allows citizens to inquire about the project and provide feedback to the SFD about project implementation and allows potential beneficiaries to seek redress on project-related concerns, including inclusion and exclusion errors; (b) public information campaigns at different levels and phases of implementation on the program objectives, eligibility criteria, the application process, and available grievance redress mechanism and its processes in partnership with NGOs, CDAs, and community leaders; (c) client satisfaction surveys that will be included in the process evaluation planned midway through implementation; and (d) independent targeting performance evaluation to ensure compliance and effectiveness of targeting the intended beneficiaries.

Monitoring and Evaluation

35. A series of evaluations will be carried out to measure the achievement of intermediate outcome indicators, relating to targeting accuracy, business processes, and program impact, specifically,

- *For targeting accuracy improvement.* The MoSS will closely work with external evaluator(s) to evaluate the robustness of the PMT formula used for targeting of the program. The evaluation will be conducted following the completion of the first wave of the program. As part of the DLIs, implementation of evaluation recommendations will be monitored for disbursement verification.
- *For process improvement.* The process evaluations will be aimed at improving the overall program business processes. It will include beneficiary assessment and aim to enhance the ministry's understanding of the beneficiaries' perception of the program and its processes. This may include identification, registration, enrollment, payments, and grievance and redress. As part of the DLIs, implementation of key evaluation recommendations will be monitored for disbursement verification.
- *For measuring program impact in the short term.* The MoSS plans to collect baseline data for the purposes of measuring the program's impact on a sample of new beneficiaries. Specific topics that may be evaluated include the impact of the program on (a) increased enrollment by gender in school-going children; (b) reduction in malnutrition; (c) increased awareness of better nursing and childcare practices; (d) accumulation of assets; and (e) reduction of child labor hours during school year,

among others. It is expected that the first data collection wave will be near the end of this operation (at program recertification).

Annex 4: Implementation Support Plan

EGYPT: Strengthening Social Safety Net Project

Strategy and Approach for Implementation Support

1. The innovative approach of the operation, the specific nature of the project activities, the existing capacity of the implementing ministry, the involvement of various ministries, and the project risk profile will entail intensive implementation support, particularly in the initial stages of the project. Consequently, the implementation support plan was designed based on the risks that may arise from these and the lessons learned from past operations in the country and sector. The implementation support plan will mainly focus on implementing the risk mitigation measures identified in the Systematic Operations Risk-Rating Tool (SORT) in the following areas: (a) technical design and institutional capacity; (b) stakeholder; (c) coordination between key implementing partners; and (d) fiduciary.
2. *Technical design and institutional capacity.* Adequate support will be provided to ensure quality of the TA on key technical areas through in-house Bank expertise and expertise outside the Bank. Furthermore, additional resources and staffing will be provided to the PIU to ensure compliance with and achievement of the project's development objectives. Moreover, a POM was developed which provides clear definitions of rules and guidelines on the program operation and details on the implementation of all project components along with the roles and responsibilities at all levels of implementation.
3. *Stakeholder.* Adequate support will be provided for the design and implementation of a strong communication strategy to popularize benefits of the program, generate buy-in of the various stakeholders, and build consensus around the SSN reforms.
4. *Coordination between key implementing partners.* The core team will closely monitor the project implementation to promote coordination, detect and address possible lack of communication and diverging views on program implementation issues that could lead to implementation slowdown or gridlock, and prevent any duplication of efforts by ensuring clear division of labor and TOR of each implementing entity/partner (MoSS, MoF's Economic Justice Unit, MoPAR, MoH, and MoE).
5. *Fiduciary.* Given the implementing agency's limited previous experience with IBRD-funded projects and the special disbursement arrangement using DLIs, close support will be provided (including ad hoc trainings) and regular reviews of the project's FM arrangements will be performed, including, but not limited to, accounting, reporting, and internal controls. Similarly, strong procurement support will also be provided (including ad hoc trainings) on the Bank's Procurement Guidelines and specifically in the development of technical specifications, drafting of bidding documents, and monitoring procurement progress against the detailed project PP.

Implementation Support Plan

6. Key Bank team members involved in implementation support will be based in Washington, D.C. and in the Cairo country office to ensure timely, efficient, and effective implementation support. The core team is expected to conduct up to three formal implementation support missions during the first year of implementation, including field visits. After the first year, the periodicity of the implementation support missions is expected to be reduced to two missions a year for the rest of the project. Specific technical support will be provided in the following areas:

- (a) *Technical design and institutional capacity.* Besides the core team, additional expertise will be drawn from the global practice and externally, to support with operationalizing design improvements and implementing project activities through (i) provision of dedicated TA to the implementation support plan actions and monitoring of the DLIs; (ii) provision of TA to the SSN targeting and operational systems component and the design of project's evaluations, (iii) elaboration of TOR (consultant and non-consultant services); (iv) provision of TA and training opportunities to enhance citizen engagement initiatives and arrangements; (v) participation on field visits to follow implementation of the Takaful and Karama planned operational enhancements; (vi) development of the POM, which has been completed, detailing the process and procedures required in implementation, including beneficiary targeting, enrollment, compliance, payments, and grievance redress mechanism; and (vii) the organization of technical workshops to share best practices.
- (b) *Fiduciary requirements.* The project will require intensive procurement and FM implementation support during the first year due to the limited capacity of the PIU and the need to provide good quality and acceptable IFRs to evidence cash forecast or eligible expenditures that would be reimbursed upon satisfaction of agreed results. Support will be provided from the Bank's office in Cairo where the Senior Financial Management Specialist is based and the Bank's office in Zagreb where the Disbursement Officer and Analyst are stationed, with ad hoc support from Washington, D.C. Formal implementation support of FM reports and procurement will be carried out semiannually for post review of contracts below the prior review threshold, while prior review will be carried out for contracts specified in the PP, as required. Furthermore, training will be provided by the Bank's FM and procurement specialists to help the PIU strengthen its fiduciary and procurement capacity.

7. The project will require support during its four years of implementation, as detailed in Table 4.1.

Table 4.1: Implementation Support

Time	Focus	Skills Required	Resource Estimate
0–18 months	Project launch workshop	- Sr. Social Protection Specialist - Program Leader - Sr. Operations Officer - Social Protection Economist - Sr. Financial Management Specialist	USD 75,000

Time	Focus	Skills Required	Resource Estimate
		<ul style="list-style-type: none"> - Sr. Procurement Specialist - Social Protection Specialist - Social Protection Economist - Social Development Specialist - Disbursement Officer - Operations Analyst - Disbursement Analyst - Program Assistant 	
	Preparation of POM;	- PIU with the support of a consultant	USD 5,000
	Building capacity of the PIU and relevant staff at implementing partners (MoF's Economic Justice Unit, MoPAR, MoH, and MoE)	<ul style="list-style-type: none"> - Sr. Social Protection Specialist - Program Leader - Sr. Operations Officer - Sr. Social Protection Economist - Sr. Financial Management Specialist - Sr. Procurement Specialist - Social Protection Specialist - Social Protection Economist - Social Development Specialist - Disbursement Officer - Disbursement Analyst - Operations Analyst - Program Assistant 	USD 150,000
	Development of MIS specifications and bidding documents	MIS/IT Specialist	USD6,000
19–60 months	Overall quality of implementation	<ul style="list-style-type: none"> - Sr. Social Protection Specialist - Program Leader - Sr. Operations Officer - Sr. Social Protection Economist - Sr. Financial Management Specialist - Sr. Procurement Specialist - Social Protection Specialist - Social Protection Economist - Social Development Specialist - Operations Analyst - Program Assistant 	USD500,000

Table 4.2: Skills Mix Required

Skills Required	Staff Weeks/Year	Number of Trips
Task management (TTL)	10-12	At least 3 during the first year and 2 trips per year after
Program Leader	2-3	Field-based
Sr. Social Protection Specialist	4-6	2 trips the first year
Sr. Operations Officer	4-6	At least 2 trips a year
Sr. Social Protection Economist	2-4	As required
Social Protection Specialist	10-12	Field-based
Social Protection Economist	6-8	At least 2 trips a year
Sr. Social Development Specialist	2-4	At least 1 trip a year
Sr. FM Specialist	6-8	Field-based
Sr. Procurement Specialist	6-8	Field-based
Operations Analyst	8-10	As required

Program Assistant	4-6	Field-based
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