

Egypt's Takaful Cash Transfer Program

Impacts and Recommendations from the Second Round Evaluation

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Egypt's national cash transfer program, Takaful, and its sister program Karama covered 17 million poor beneficiaries as of 2022, about 16 percent of the Egyptian population. Takaful was designed in 2015 as a conditional cash transfer program providing income support targeted to the most vulnerable, namely poor families with children under age 18. As one of the largest programs – both in absolute terms and in terms of share of the population covered – in the wave of national cash transfer programs spreading across Africa, as well as an innovator among countries in the Middle East, Egypt's experience has the potential to serve as a model for these regions.

The International Food Policy Research Institute (IFPRI), in collaboration with the Ministry of Social Solidarity, conducted a first-round evaluation of the program in 2017 to estimate its effects on household well-being (Breisinger et al. 2018). That evaluation found large positive impacts on several outcomes, most notably, household consumption. The second-round evaluation, conducted in 2022, found a shift toward greater investment in physical and human capital among program beneficiaries. This brief summarizes the main findings from that second-round evaluation, noting differences from the first evaluation results and providing key recommendations.

SECOND-ROUND EVALUATION

In 2022, when Takaful had been in effect for five additional years, IFPRI conducted the second-round evaluation. The households in the sample chosen for this second evaluation had applied and been accepted to the program several years earlier, meaning that this sample group had been in the program longer than those in the first-round evaluation. By the time of the second-round evaluation, the average beneficiary household in the

sample group had received a monthly payment of 442 Egyptian pounds (approximately US\$28) over an average of almost four years. Additionally, at the time of the first-round evaluation, there was no communication or monitoring of conditionalities. In 2019, the program began to spread awareness that eligibility to continue receiving benefits would be conditional on school attendance for school-age children and healthcare clinic visits for younger children and introduced a system for monitoring compliance.

The aim of the second-round evaluation was to assess whether a longer duration of treatment together with awareness of these conditionalities led to positive impacts on household well-being. We expected household consumption, asset ownership, and household ability to cope with shocks to improve with the longer duration of transfer receipts and expected children's school enrollment and the nutritional status of younger children to improve due to compliance with the program conditionalities. Additionally, decision-makers expected the program's design would increase women's voice in household decision-making, as women were targeted as the direct beneficiaries of the cash transfers. Both rounds of our evaluation focused on measuring these outcomes and used the same questionnaire design.

The impact evaluation was designed using a fuzzy regression discontinuity methodology (see Box 1 for more detailed discussion), which is effective for measuring the impact of programs that use a threshold level for determining eligibility. In this case, beneficiaries are selected based on a proxy means test that comprises several household characteristics and proxies for household consumption; households with proxy means test scores below the threshold of 4,500 were eligible to enroll in Takaful. The regression discontinuity approach compares outcomes for beneficiaries just below the threshold for

BOX 1 EVALUATION METHODOLOGY

A statistical method called fuzzy regression discontinuity was used to measure program impacts. This approach is recognized as a rigorous causal impact evaluation strategy as it enables controlling for any factor other than program beneficiary status that could explain differences in observed outcomes (Hahn 2001). One disadvantage of this method, however, is that the impacts estimated using the regression discontinuity approach should be interpreted as the average impact of the program specifically for households in the neighborhood of the cut-off. The study surveyed a random sample of 6,475 households in 19 governorates from among households that registered for Takaful with proxy-means-test (PMT) scores nearest to the inclusion threshold. While approximately 45 percent of households below the PMT threshold at the time of registration are receiving transfers, almost 25 percent of households above the threshold are also receiving transfers. This finding is important in interpreting our results because the size of the difference in probability of receiving transfers is relatively small, at around 20 percent. The implication of this for our impact evaluation is that while larger impacts are still discernable, the confidence intervals on our estimates are large enough that there may be small but meaningful impacts that we are not able to statistically distinguish from zero.

eligibility with outcomes for nonbeneficiaries just above the threshold, on the assumption that households just above and just below the threshold are highly similar except for the receipt of Takaful transfers.

RESULTS

Households can make use of transfers in several ways. They can increase their consumption, save, pay down debts, or invest in productive assets or durables. We find that beneficiary households paid down debts and invested in assets, both of which tend to result in higher income generation and the possibility of greater future consumption.

CONSUMPTION. We do not detect impacts among beneficiaries on food or nonfood consumption expenditures per adult equivalent unit (AEU, similar to per capita) compared to nonbeneficiaries. This result contrasts with the first-round evaluation, which found a statistically significant increase in the value of monthly consumption per AEU of approximately 8 percent (Breisinger et al. 2018), a relatively large magnitude.

DEBT. Beneficiary households repaid or avoided taking on debt for store credit or from informal lenders. On average, beneficiary households' debt from these sources was more than 4,000 Egyptian pounds (US\$250) less as a result of Takaful.

ASSETS. Additionally, Takaful beneficiaries invested in assets, primarily agricultural machinery and livestock. Small numbers of households invested in major productive assets such as tractors, plows, and drip irrigation networks, while more invested in buffalo and cattle (average increase of 0.08 animals) and goats and sheep (average increase of 0.15 animals).

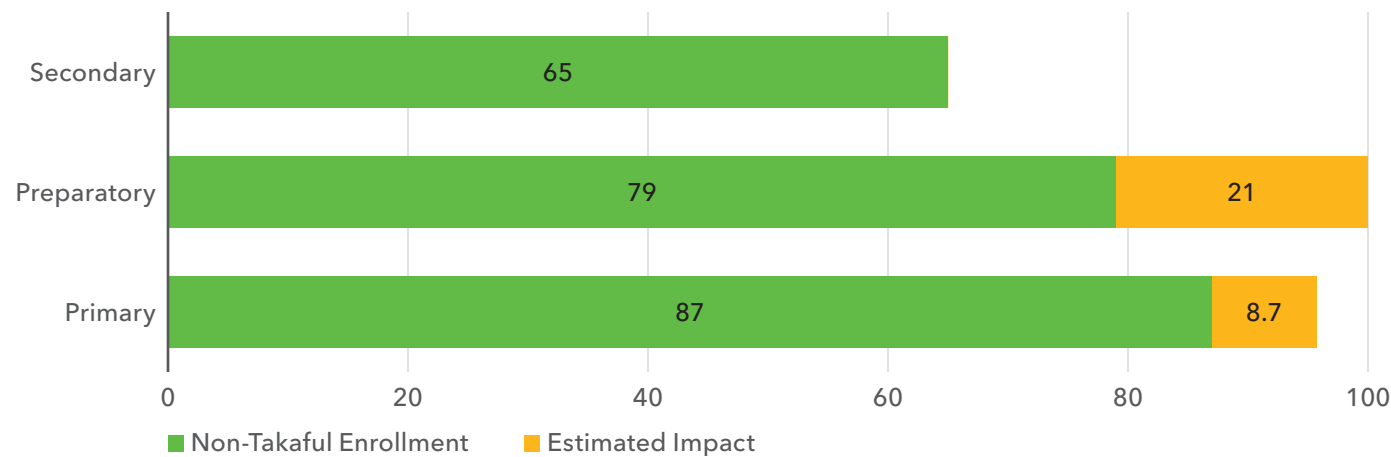
These behaviors indicate that, in terms of poverty alleviation, households may have moved beyond needing to increase consumption, since their minimum needs are being met, and may have transitioned into the next phase, where they are able to build their assets and improve their future income. Additionally, we find suggestive evidence that beneficiary households had more children than nonbeneficiary households in the past five years because of receiving the transfers. These demographic differences may explain part of the null effect on consumption.

SCHOOLING. There are very encouraging results for children's schooling. The likelihood that children are enrolled in primary (6 to 12 years old) or preparatory school (13 to 15 years old) increased substantially, by 9 and 21 percentage points, respectively (Figure 1). These results contrast with a lack of impact on school enrollment observed in the first round and point to potential success of the announced conditioning of transfers on school

TABLE 1 Takaful impacts on asset ownership

Asset	Impact of Takaful	Units
Drip irrigation network	1%	probability of owning any
Plow (machine pulled)	2%	probability of owning any
Tractor	1%	probability of owning any
Goats and sheep	0.15	animals owned
Buffalo and cows	0.08	animals owned

FIGURE 1 Takaful impacts on school enrollment



attendance and the discount on school fees for Takaful households. Increased education is also an investment in households’ future – these children can be expected to earn more and may push their families further out of poverty. Enrollment in secondary school was not affected.

WOMEN’S EMPOWERMENT. The first evaluation of Takaful found a decrease in women’s decision-making power among women with no formal education (El-Enbaby et al. 2019). We tested whether this pattern still holds and found that it does not. The program continues to show no impact on decision-making among women who have some formal education, but in the second round, beneficiary women with no education are more likely to be able to influence decisions regarding what food can be cooked each day. We do not interpret these results as a large positive shift, but it is encouraging that women’s decision-making was not reduced by the program. We also see some evidence of more equal gender norms among beneficiary households, indicated by increased agreement with the statement that a wife has the right to express her opinion if she disagrees with her husband.

HEALTH. There are no strong results on nutrition outcomes. We also do not find any effects on mental health, including worries, generalized anxiety, or self-esteem.

COPING STRATEGIES. The households in our sample reported large impacts of the COVID-19 pandemic on income and commonly reported borrowing money from relatives and reducing food expenditures as the main coping strategies for dealing with shocks. Relative to non-beneficiaries, Takaful beneficiaries were more likely to sell gold or jewelry to cope with shocks, an indication that Takaful households have more assets and are better able to protect their consumption.

Thus, this evaluation has shown that the Takaful program caused several positive shifts in household well-being, with substantial investments in physical and human capital. While some aspects of household welfare were not affected by the program, these investments reflect choices that tend to pay off in the future.

RECOMMENDATIONS

CONTINUE AND POSSIBLY EXTEND TAKAFUL. The program enabled households to avoid resorting to damaging coping strategies during shocks. Considering the increasing frequency of global shocks like COVID-19 and the Russian invasion of Ukraine, social protection programs could be an effective way to protect vulnerable households against large-scale shocks, since the program infrastructure needed to reach people is largely in place.

PROCEED WITH PLANS FOR RECERTIFICATION AND GRADUATION OF BENEFICIARIES WHO HAVE ACHIEVED SELF-SUFFICIENCY, using a generous cut-off point for self-sufficiency, given that many households have not managed to substantially increase their consumption despite increasing productive assets.

IMPROVE COMMUNICATION REGARDING EXCLUSION RESTRICTIONS, PROGRAM LENGTH, AND RECERTIFICATION so that beneficiaries understand that they will not be excluded from the program for engaging in formal sector work with income below a certain threshold and to ensure that beneficiaries are not surprised by sudden changes in program status or unnecessarily worried about the short-term continuity of the transfers.

CONSIDER GREATER COORDINATION WITH COMMUNICATION CAMPAIGNS related to family planning if the behavioral

response by families of having more children is confirmed and seen as conflicting with other national policy goals.

CONTINUE TO WORK TOWARD A COMPREHENSIVE SOCIAL PROTECTION STRATEGY that continues to help protect the poor as well as contributing to longer-term developmental goals. Coordinating with the Ministry of Education to provide high-quality public service delivery will magnify the impacts of increased school enrollment, and coordinating with the Ministry of Health regarding diets and nutrition can improve nutrition outcomes.

CONSIDER INTENSIFYING COMPLEMENTARY PROGRAMMING TO INCREASE BENEFITS. In general, complementary programming on issues such as nutrition practices or financial training must be quite intensive to be effective. The Government of Egypt currently implements programs on these topics, most notably a nationwide nutrition campaign. However, it is worth considering pairing these programs with Takaful transfers and intensifying them by leveraging Takaful to link to vulnerable households.

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