The Egyptian experience about Subsidy and its Distribution System

Subsidy System in Egypt

The MENA Community of Practice Virtual Mini-Workshop
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## Costs of Subsidies in Egypt, according to 2012-2013 Budget

<table>
<thead>
<tr>
<th>Item</th>
<th>EGP/bn</th>
<th>U.S $/bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bread</td>
<td>16.1</td>
<td>2.385</td>
</tr>
<tr>
<td>House commodities</td>
<td>10.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Gas Cylinders</td>
<td>18.0</td>
<td>2.67</td>
</tr>
<tr>
<td>Fuel (Gasoline)</td>
<td>14.0</td>
<td>2.07</td>
</tr>
<tr>
<td>Fuel (Diesel)</td>
<td>36.0</td>
<td>5.33</td>
</tr>
<tr>
<td>Social Pensions</td>
<td>2.5</td>
<td>0.37</td>
</tr>
</tbody>
</table>
Subsidy Vision, Strategies, Policies, and Objectives

Vision

Strategies

Policies

Objectives
Vision:

A system with the right technical infrastructure delivers subsidies to the deserved beneficiaries by means of smart card, allowing gradual implementation of new services using the same card.
Strategies:

Allow one entity to manage the delivery of all support services:
Enable evaluation to delivered services to the one family.
Allow integration between all delivered services.

Building a technical system architecture for an expandable, customizable, and secured subsidy system:
The base for all, securely delivered services to beneficiaries.
Allow good targeting.

The foundation of a family database interfaced with national dbs:
Guaranteeing continual and periodical updates.
Allow good targeting.
Policies:
Participation of the private sector in the implementation
No extra cost to be paid by system participants
Only one card delivers several services
More than one contractors to prevent monopoly
Big projects starts with pilot
Start with one service, others can be added gradually.
Building a subsidy system that provide all support services, 
Supported by an up-to-date and accurate database, 
Guaranteeing the delivery of services to deserved families, 
Applying strong targeting policy, 
Help decision maker for future planning and better forecasting.
Subsidy System Components

System technical architecture
Family database
Service delivery system (applications...)
Service delivery tool (smart cards ...)
Family database updating working flow
Basic Design Considerations

**Technical:**
- Multi-application smart card technology
- Call centers, support centers, service centers
- Protection and security features
- Appropriate workflows

**Contractual:**
- Apply win-win policy with private sector
- Avoid monopoly, by contracting with more than one contractor
- Unify system specs for all contractors

**Expandability:**
- Delivery of service from any grocer
- Availability of switching bet. Commodity and cash
- Allow electronic wallet
In 2006 one governorate, Suez.
In 2007 in other 7 governorates.
In 2008 in other 8 governorates.
In 2009 other 4 governorates.
In 2010 remaining 9 governorates.
Important Figures (1)

No of families delivering subsidies:
In 2006, it was ....................78%.
In 2007 and after, It was .... 96%.

In the beginning of the execution:
Butter, delivery was ........ 0.14%    Oil , delivery was ........ 91.7%
Lentil , delivery was ........ 13%    Sugar , delivery was ... 91.5%
Beans , delivery was ....... 7.9%    Tea , delivery was ........ 53.9%
Noodles , delivery was ... 19.1%
Lost & Damaged Cards

- In 2006 931 for 0.005%
- In 2007 2,702 for 0.02%
- In 2008 23,775 for 0.1%
- In 2009 87,876 for 0.05%
- In 2010 142,676 for 0.81%
- In 2011 183,511 for 1.05%
- In 2012 198,015 for 1.13%

No of Calls & Comments from System Supervisor’s:

Cumulative Calls until now ....................... 69,413 for about 0.45%
Cumulative Comments until now ............... 180,774 for about 1.2%.
Current Subsidy Services

- **Food Subsidy**: Full implementation in 27 governorates, >17.6 MC, >26,000 Grocers, ...
- **Social Pensions**: Implemented in two governorates
- **Bread**: A successful pilot was implemented in one governorate
- **PCL**: Already contracted
- **Health**: A successful pilot was implemented in one governorate
Subsidy System Challenges

**Before implementation**
- Designing an expandable, safe and self-sustaining system
- Building system databases
- Building confidence between citizens and government

**During implementation**
- Technical issues (System continuity, interoperability, Security, safety, ...etc.)
- Culture of stakeholders’ system (Grocer, Supply office, ...etc.)
- Upgrading the technological level of the stakeholders’ system

**After rolling out**
- System sustainability
- System interoperability
Learned Lesson

- System vision should be clear
- Starting by pilot is a basic issue
- Participation of citizens is a crucial success factor
- Political support facilitates the force to sustainability
- Gradual implementation allows continual-improvement
- Social issues important than technical ones
- Food Subsidy Cost Saving
- Public private partnership
Thanks for your attention

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Building a technical system architecture for an expandable, customizable, and secured subsidy system:
The base for all, securely delivered services to beneficiaries.
Allow one entity to manage the delivery of all support services, with the coordination of related ministries:

- Enable evaluation to delivered services to the one family.
- Allow integration between all delivered services.
The foundation of a family database interfaced with national dbs: Guaranteeing continual and periodical updates. Allow strong targeting.