

Egypt's Currency Devaluation & Impact on the Most Vulnerable

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The aim of the current research paper is to review what the Government of Egypt (GOE) has done to alleviate hardship conditions facing vulnerable low-income citizens, including its civil servants, during the implementation of the recent International Monetary Fund Economic Reform program. The main research questions are: What policies and initiatives has the GOE pursued post its currency devaluation in order to alleviate hardships on the most vulnerable? And to what extent are we now a more “socially equitable” nation? The paper provides a background about the 2016 currency devaluation decision, presents a conceptual framework explaining the relation between different economic ideologies and the impact on the vulnerable groups in society, elaborates on why we should seek social justice in Egypt, and then finally examines and assesses some of the government’s efforts in trying to alleviate hardships, including the Takaful and Karama Program, the Amman certificate, and the impact on the pay scale of government employees. Some of the recommendations made by the paper include: the need to apply true conditionality in the claimed “Conditional Cash Transfer Programs”, to re-consider government employees’ compensation, and to re-allocate national resources to what matters in a more transparent manner.

Keywords: Egypt, currency devaluation, government employees, social equity, vulnerable groups, Takaful and Karama Program, Aman Certificate

As part of the economic reform program implemented by the Government of Egypt (GOE) in 2016 in coordination with the International Monetary Fund, a decision was taken to devalue the Egyptian pound. Overnight the exchange value of the Egyptian pound to the U.S. dollar changed from 8 EGP to \$1 to being 18 EGP to \$1. This resulted in an unprecedented increase in prices of all goods and services, and automatically more difficult living conditions especially for the vulnerable low income groups.

The aim of this research paper is to review what the GOE has done to alleviate hardship conditions facing vulnerable low-income citizens, including its civil servants, during the implementation of the recent International Monetary Fund economic reform program. Already the compensation received by civil servants in the lower echelons of the pay scale before devaluation, was relatively very low compared to real cost of living. Now after devaluation and the increase in prices, covering the basic costs of living must have become more challenging.

The aim is not to assess the effectiveness, or the potential, of the economic reform program, but rather to investigate its impact on the vulnerable groups in society. The main research question is: What policies and initiatives has the GOE pursued post its 2016 currency devaluation in order to alleviate hardships on the most vulnerable? The question as such touches as well on the issue of “social equity”, a main demand of the 2011

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Revolution in Egypt when people went out into the streets and they were calling for “Bread, Freedom and Social Equity”. Are we now a more socially equitable nation? Are we taking care of the vulnerable groups in society? Things are becoming more challenging and more complicated with the Egyptian government embarking on the Economic Reform Program as advocated by the International Monetary Fund (IMF).

The proposed methodology for the research paper is a desk research examining the variation that took place in some main economic indicators after the devaluation decision, such as purchasing power, inflation, and poverty rates; plus an exploration of the government's intervention measures to alleviate the resulting hardships. Special concentration will be directed to the civil servants, especially the lower echelon groups, to figure out how the devaluation has affected them and how they may be coping.

A number of government initiatives targeting the most vulnerable have been heralded in the media, most important being the Takaful and Karama Program initiated in 2015 and implemented by the Ministry of Social Solidarity employing a variation of conditional cash transfers and direct pension schemes to the more than 1.5 million families in Egypt, and the new “Aman” certificate for informal labor.

Preliminary findings of the research point to the fact that poverty rates have been increasing and vulnerable groups find it more and more difficult to make ends meet, despite all the governmental initiatives to buffer the shock of the currency devaluation and the other aspects of the economic reform program advised by the IMF. The question remains about what else can be done.

Background: The Decision to Devalue the Egyptian Pound

On November 3rd, 2016 and based on the recommendation of the IMF, the Central Bank of Egypt announced the floatation and hence the devaluation of the Egyptian pound. Floatation was a key prerequisite for Egypt obtaining the promised IMF \$12 billion loan over three years. The aim was to encourage foreign direct investors to come back to Egypt, boost the market's external competitiveness, and make available the much needed foreign currency. In addition to the floatation decision, the Government committed to cutting down subsidies, especially energy subsidies over three years, and introducing value added tax over a wide variety of goods (Financial Times, 2018). Disbursement of the IMF loan installments depended on the GOE implementing the agreed to reforms to be measured against key performance indicators. Obtaining the IMF loan also enabled Egypt to prove its credit worthiness and be a potential recipient of other loans and assistance from multiple sources, including Saudi Arabia and China (Africa Research Bulletin, 2016). Besides floating the currency, in August 2016, the parliament approved the introduction of a value-added tax, and there are clear steps being taken to reduce subsidies, including increases in prices of fuel and electricity (The Economist, 2016) and the recent spike in the prices of the Metro tickets by more than 350% in May 2018 (Egyptian Center for Economic Studies [ECES], 2018a).

The reforms were especially important after Egypt went through a rough period of political turmoil following the 2011 Revolution and the resulting decrease in foreign currency inflow, due to a decrease in exports, external remittances, and the drop in the number of tourists (Khalil & El Ghandour, 2018). Exports reportedly decreased from \$31.5 billion in 2011 to \$22.5 billion in 2016; total remittances from Egyptians abroad decreased by nearly 15% in 2016, and total number of tourists dropped from 11 million in 2011/2012 to 6.6 million in 2016/2017. As a result of a slow-down in global trade, revenues from the Suez Canal also dropped, despite the opening of a new channel in August 2015. Annual Suez Canal revenues dropped from \$5.2 billion in 2015 to \$5 billion in 2016 (Khalil & El Ghandour, 2018).

Structural Economic Reform was inevitable and much called for. There was a dire need to reduce the fiscal deficit and the rising debt levels (Financial Times, 2018). Now, one year after implementation of its diverse elements, it is already being heralded as a courageous program that is much needed. PWC Middle East describes the Egyptian economy after the start of the implementation of the new economic reform program as showing “a quick and strong sign of renewed confidence” and that Egypt has become “a more affordable destination than before, and be it as a travel or an investment destination”¹. The IMF mission chief for Egypt, Chris Javris is quoted saying, one year after, the devaluation decision, that: “Egypt is in a better place than last year. I think they have already taken the most difficult steps on the macro-economic level” (Financial Times, 2017).

Government officials are expressing the view that the implemented economic reform measures are necessary, yet painful and tough. Egypt's finance minister, Amr El Garhy, was quoted as saying:

If we leave things the way they were progressing, it would have taken us to a much more difficult situation [...] If we leave it like this, the debt will increase, the deficit will increase and things will be much, much tougher. (Financial Times, 2018)

However, with the floatation decision, many Egyptians have been hit hard. For middle class citizens, savings in Egyptian currency have been slashed in value (Reuters, 2016). The real pain of the reform is hitting the poorest segments of the population. For those, the government is targeting a number of programs, but is that enough?

Conceptual Background

Neoliberalism – Pro-poor Growth – Inclusive Growth- Social Protection – Social Justice – Social Equity- Income Inequality - Vulnerable and Marginalized Groups

The research question for this paper seems to be linked to a number of conceptual issues and variables that need to be dwelled upon and clarified further.

The set of economic policy reforms advocated by the international financial institutions, like the IMF are part and parcel of the neoliberalism political ideology. Neoliberalism is based on the premise that the market should rule, private sector should dominate, government interventions should be limited, and there should be a strive to increase market deregulation and enhance competitiveness so as to have a balanced budget and price stability. The application of neoliberalism policies over the past two decades or more in Egypt in particular has been criticized as having the potential impact of marginalizing the needs of peasants, workers, and civil society organizations (Joya, 2016). Although positive economic growth may be realized, poorer segments of the population may find it difficult to meet their basic needs.

The discussion also touches on the continuing debate in the field of economics, political science, and public policy about how to cater to the needs of the poor in general. Pro-poor growth (Shoukry, Jabeen, Zaman, Gani, & Aamir, 2017) and inclusive growth (Organisation for Economic Co-operation and Development [OECD], 2018b) are some of the terms used to refer to this concern. Pro-poor growth is defined as growth that favors the poor and whereby mechanisms are in place to ensure that the incomes of the poor people grow faster than the incomes of the rest of the population as a whole (World Bank, 2016). Meanwhile, OECD defines the

¹ PWC, Middle East (2017-2018). The EGP devaluation: A new beginning. Retrieved from <https://www.pwc.com/m1/en/publications/the-egp-devaluation-a-new-beginning.html>.

term inclusive growth to be: “economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society” (OECD, 2018b). When there was a focus on economic growth only, a large segment of the world’s disadvantaged population was left behind. Perhaps that is the main reason behind choosing the slogan of “No one left behind” to be the guiding principle behind the Global Sustainable Development Goals. Inclusiveness has been mentioned in many sections of the Global 2030 Agenda and reflected in several of its goals. Goal 4 refers to inclusive and equitable quality education, while Goal 8 refers to sustained inclusive and sustainable economic growth; Goal 11 refers to inclusive, safe human settlements; and Goal 16 refers to peaceful and inclusive societies. The vision for the 2030 Agenda mentions: “a just, equitable, tolerant, open and socially inclusive world in which the needs of the most vulnerable are met” and “a world in which every country enjoys sustained, inclusive and sustainable economic growth and decent work for all” (United Nations Department of Economic and Social Affairs [UN DESA], 2016).

Embedded in the discussion is also the concept of “social protection” which is used to refer to the role of government in trying to combat poverty and implement various “mechanisms to help individuals manage social risks, including illness, widowhood, unemployment and old age” (Loewe, 2004, p.3). Social protection mechanisms may include social insurance, public health care, targeted food subsidies, and targeted direct financial assistance (Loewe, 2004).

Another starting point for the discussion may be centered around the concept of “social justice” and why we should pay attention to its realization in Egypt. Social justice is defined simply as providing equal opportunities for all members of society, treating all members of society equitably and not discriminating against them based on membership in a group, or any other form of identity (Robbins & Jamal, 2016). Social justice thus covers all three dimensions of economic justice, political justice, and basic human rights for all citizens (Clarke, 2013, as cited in Robbins & Jamal, 2016). The term “social equity” is used in many instances as a synonym to “social justice” with particular focus on what governments should strive at in trying to reduce the gap between the haves and the have-nots and how, in a development context, governments should focus on the needs of the most marginalized groups in society (Guy & McCandless, 2012).

An important element of social justice is the measure of income inequality. Although the Gini coefficient, a measure of the average distance between incomes, is used to measure income inequality, what is also important is how people perceive their income inequality and to what extent there is perceived difference between their current actual income and their expected income, or what they would like to receive, and this may matter more (Verme, 2013).

Finally is the notion of vulnerable and marginalized groups in any society. Both terms are used interchangeably in the current paper to refer to citizens in the lower income groups who do not have full access to their rights, resources, and opportunities, and therefore are most likely to suffer and be in harm’s way compared to others.

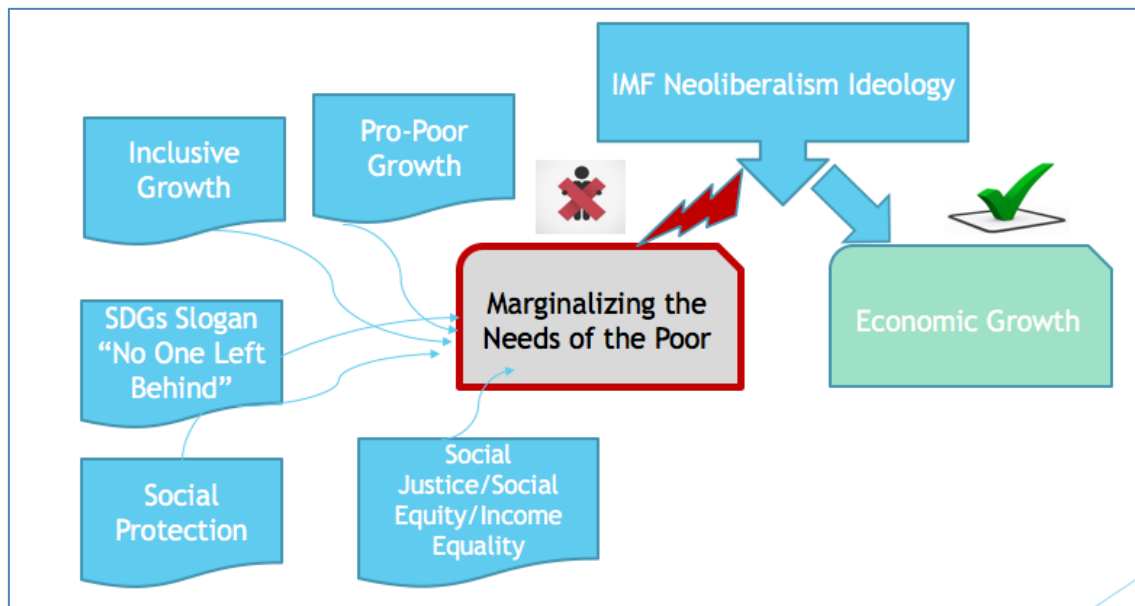


Figure 1. Conceptual framework.

Reasons Why We Should Seek Social Justice in Egypt

Many reasons are given for the need for social justice in Egypt, including: That it is stated in Egypt's 2014 constitution. The Egyptian 2014 Constitution, Article 27, states that:

The Economic system aims at achieving prosperity through sustainable development and social justice so as to raise the real growth rate of the national economy and the standard of living, increase job opportunities, reduce unemployment rates and eliminate poverty. (Constitution of the Arab Republic of Egypt, 2014)

Social justice is one of the main popular demands by the masses during the 2011 revolution, is consistently mentioned in the presidential speeches as a national priority, is in sync with Egypt's 2030 national sustainable development strategy; it is very much needed as a buffer to the currently implemented economic reform programs, and finally because it is an international trend (Othman, 2018). There is international consensus on the importance of social justice as stipulated in the Sustainable Development Goals.

Egypt's Sustainable Development Strategy 2030 developed after the Revolution states that:

The New Egypt will possess a competitive, balanced and diversified economy, dependent on innovation and knowledge based on justice, social integrity and participation, characterized by a balanced and diversified ecological collaboration system, investing the ingenuity of place and humans to achieve sustainable development and to improve Egyptians' life quality².

Amongst the key words in the stated vision are: "justice", "social integrity" with the purpose of improving "Egyptians' quality of life". The narrative of the SDS vision developed in 2015 is good, and so is the Egyptian 2014 Constitution, but to what extent are we moving towards true implementation.

Some Efforts by the GOE to Alleviate Hardships

The GOE has always exerted efforts to try to alleviate poverty and provide social protection for the poor

² Sustainable Development Strategy: Egypt Vision 2030. Retrieved from <http://sdsegypt2030.com/?lang=en>.

and disadvantaged citizens. These attempts were emphasized during the Socialist Nasserist era following the 1952 revolution—aka coup d'Etat, the massive nationalization trends, the free public school and university education and public healthcare services, and the controlled rent arrangements, in addition to the food and energy subsidies. During Sadat's era 1970-1981, an open door economic policy was adopted, paralleled with a move towards privatization and a gradual decline in the quality of public healthcare and educational services, and a shrinking in the umbrella of food subsidies and the real value of other social protection schemes, including pensions and social assistance. President Mubarak 1981-2011 who continued to rule for over 30 years did not introduce much change to the social protection policies, although throughout his reign the debates continued about how to better target subsidies, how to introduce new pension schemes, etc. but the main focus of his successive government cabinets was on improving economic growth with the assumption that a trickle-down effect will happen out of its own accord. This did not happen, and the 25th of January Revolution ousted Mubarak calling all the time, similar to Tunisia and other Arab countries who witnessed the wave of the Arab Spring, for "Bread, Freedom and Human Dignity". This was a clear lesson and warning to the following rulers. Adopting neoliberal policies and focusing on economic growth is not sustainable.

Egypt continues to implement a complex social protection system that is based mainly on fuel and food subsidies. These subsidies cost between 6 and 9 percent of GDP but are very poorly targeted and suffer from a number of reported leakages, where 73% of non-poor Egyptian households have access to ration cards, and the top 20% of Egyptian households by income receive 36% of energy subsidies (IFPRI Study, as cited in World Bank, 2015b). Many changes and attempts have been made over the years to try to improve targeting, especially of the food subsidy system.

The Takafol and Karama Programs by the Ministry of Social Solidarity

The two main contributions introduced to the bundle of social protection mechanisms by the current regime, under President Abdel Fattah El Sisi, are what came to be known as the "Takafol and Karama" Project, which mean "solidarity and dignity" when translated to English, and the "Aman" Project which means "safety". Both will be discussed in the following section.

In the latest speech made by President Abdel Fattah El Sisi on the occasion of Labor Day on the 1st of May, he mentioned how he has: "great pleasure of applying an integrated social protection system...in order to include all the beneficiaries, in a way that guarantees justice, and the whole feel that Egypt proceeds towards the future and never forgets one of its sons" (State Information Service, 2018). He referred specifically in that regard to the two initiatives being implemented.

"Takafol and Karama" (solidarity and dignity) are Egypt's social safety net programs that are funded mainly through the World Bank's Project Strengthening Social Safety Nets project with a total estimated budget of \$400 million as a loan to the Government of Egypt. The target is to cover 1.7 million families out of the country's most vulnerable and poorest, especially families with young children plus the destitute elderly and people with disabilities. Up till March 2017, nearly 1.5 million families, or if we assume an average of four persons per family, then 6 million individuals were reached. The project is implemented through the Egyptian Ministry of Social Solidarity. It is modeled after the successful conditional cash transfer programs implemented in Latin America, such as the Bolsa Familia in Brazil and the Prospera in Mexico.

The "Takafol" Program is a conditional cash transfer program that provides a monthly income per family calculated based on the number of school children that family has, and conditional on their keeping their

children in school and making use of maternal and child health care services. Families benefiting from the program commit to better health and nutrition for their children aged 0-6 years, to school enrollment and to 80% school attendance for children aged 6-18 years, and to seeking maternal care for the pregnant and nursing mothers through two visits a year to health clinics by mothers and children below 6 years, maintaining child growth monitoring records and attending health and nutrition awareness sessions. The cash received by families benefiting from the program ranges from 325 EGP to 625 EGP or the equivalent of \$40-\$78 before devaluation and \$18-\$35 after devaluation. The “Karama” Program, on the other hand, targets people with severe disabilities (50% disability and above) and elderly people above the age of 65 with no other source of income and who cannot work and provides them with a monthly pension. For Karama, the benefits are calculated per person equal to 350 EGP, with a cap of three beneficiaries per household, or the sum of 1,050 EGP (World Bank, 2017; World Bank, 2015b; OECD, 2018).

Technology is used in the disbursement of the cash transfers and pensions. Beneficiaries receive smart cards and can obtain their dues either through ATM machines, through going to any post office or through the Ministry of Social Solidarity units. Payments for Takafol are delivered every three months, while for Karama on a monthly basis (World Bank, 2015b).

Clear key performance indicators were stated in the Takafol and Karama Project document as follows:

- Percentage of the program’s beneficiary households who are under the poverty line (to measure efficiency)—target 60%;
- Percentage of poor households covered by the program (to measure coverage)—target 20% (World Bank, 2015b, p. 5).

The Aman Certificate

“Aman” Certificate was established based on a directive from the current President El Sisi. It is both a life insurance and a saving certificate that aims at providing security, as the name means in Arabic, to the informal labor sector, also referred to as temporary or seasonal workers, who are not covered by any other social insurance umbrella.

The certificate attempts to contribute to “financial inclusion” where all individuals and businesses have access to financial products and services that meet their needs. The idea is that when more people are covered by financial services and products, they are more likely to start saving, planning for emergencies, sending and receiving payments, and eventually, it will have a positive impact on poverty alleviation. The World Bank group considers financial inclusion as an important enabler to reduce extreme poverty and has a global goal to reach universal financial access by 2020 (World Bank, 2018a).

The Aman Certificate starts with the sum value of 500 EGP, has a maximum value of 2,500 L.E., has a duration of three years, and can be refunded with 16% interest upon maturity. The certificate provides a life insurance sum equal to 10K EGP in case of natural death, 50K EGP in case of death by accident and may reach the sum of 250K EGP as a maximum, if the beneficiary decides to purchase up to five certificates with 2,500 EGP each. The certificate also may be used as a savings account providing a pension to the family of the deceased if they do not have any other source of income. Options range from a five-year duration with a monthly pension of 200-1,000 EGP, to a 10-year duration with a monthly pension of 600 EGP. The certificate can be issued easily without the need for any medical certificates or check-ups for those requesting the service within the age bracket of 19-59 (Youm7, 2018).

Within just three weeks from the date of issuance of the Aman Certificate, the four Egyptian public banks responsible for its management, reported that they had collectively managed to issue nearly 443,000 certificates with a value amounting to nearly 599 million EGP (Vetogate, 2018).

What Is the Impact of Initiatives so Far?

To what extent have the previously cited efforts and initiatives by the GOE achieved their goals and contributed to buffering the impact of implementing the neoliberal IMF ideologies and alleviating the negative impacts on the poor and marginalized groups in society? In trying to respond to that question, a multi-pronged approach is followed that checks the results of an impact evaluation of Takaful Project, the results of an Egyptian Social Justice Index, the trends in the reported poverty lines, and the real value of public servants' compensation after the devaluation decision.

Impact Evaluation of Takaful and Karama

Several attempts were made to assess the effectiveness and efficiency, especially of the Takaful and Karama Initiative, since it has been ongoing for a longer number of years compared to the Aman Certificate which is still brand new. Effectiveness is measured by the extent of coverage of the poor, while efficiency is measured by the good targeting of the poor (World Bank, 2015b). One study focusing on the relations between cash transfer programs and state citizen relations in Egypt and focusing on the Takaful and Karama Project, raises a concern that "cash transfers are being used as if they are the magic bullet for development [and] macroeconomic stability is becoming the overriding goal to which all other goals, job creation and income protection, are subordinated" (Zaki, 2017).

After three years of the implementation of the Takaful program, an impact evaluation was conducted by the International Food Policy Research Institute in 2018. The evaluation referred to the program as a "cash transfer program", no longer referring to it as a "conditional cash transfer program". The main reason for that being the important finding that conditionality has not been implemented as yet and that only 2.5% of the beneficiaries were aware of the conditions that will be added later for them to be able to continue in the program (Breisinger et al., 2018). Additionally, a main shortcoming related to the program was its relatively limited reach, and that only 20% of Egyptian households in the poorest quintile are receiving Takaful transfers compared to the original target of 20% of all poor households in Egypt. On the other hand, a number of positive impacts were cited in the IFPRI evaluation, including the fact that the program has managed to reach 2.25 million families across Egypt, that 67 percent of the program's beneficiaries were below the poverty line before having access to the transferred cash, compared with a target of 60% in the original project document. Moreover, there was a high satisfaction rate amongst beneficiaries equal to 89% who were either very satisfied or somewhat satisfied with the program, and that the consumption of benefiting families had increased by 8.4%, which was perceived as a good indicator compared to other similar programs in South American nations (Breisinger et al., 2018).

The Egyptian Social Justice Index

Recently, there was an attempt to come up with an Egyptian index to measure social justice in Egypt. The index developed jointly by Baseera Polling and Research Center and the Egyptian Center for Economic Studies (ECES) is considered the first of its kind in Egypt. The index focuses on five main gaps that afflict the Egyptian

society: wealth and income gap, social gap, geographical gap (urban versus rural), gender gap, and physical disabilities gap. The index tries to assess the extent of those five gaps through focusing on a number of indicators related to both human capital (access to education, health, culture, employment, and information) and social capital (achieving justice, participation, satisfaction, and trust). According to the index, the degree of social justice in Egypt when quantified, it is given a value of 2.28 on a scale of 10, where 1 is the best-case scenario and 10 is the worst case scenario (ECES, 2018b). What matters more than the numerical figures are the sectors identified as experiencing the greatest degree of social injustice, such as tertiary education and health services and these are the areas that should merit more attention from the government.

Poverty Trends in Egypt Over the Past Few Years

As shown in Figure 1, the percentage of Egyptian citizens living below the national poverty line increased over the past few years, going from 25.2 % in 2010 to 27.8% in 2015 (World Bank, 2018a). It should be noted that the figure of 27.8% was calculated before the devaluation decision in 2016 and before the imposed increases in the prices of fuel and electricity in the summer of 2018; those two latter increases have very high expected impact on increasing the prices of all goods and services.

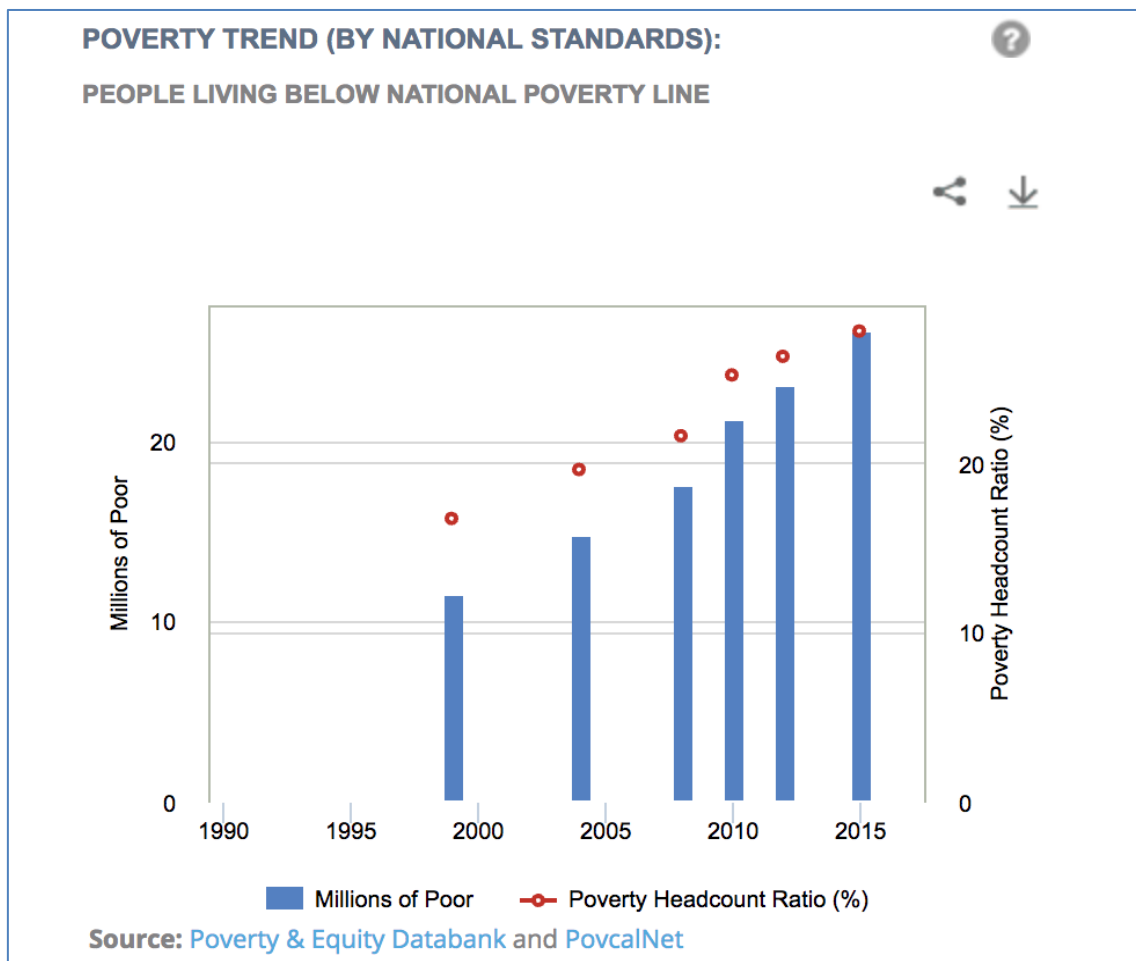


Figure 2. Percentage of Egyptians living below the national poverty line (Source: World Bank, 2018b).

With the rising inflation rates reaching 31.95% in June 2017, and in parallel to the currency devaluation, as part of the economic reform program, Egypt's poverty line was estimated to have jumped up from a value of 482 EGP in 2015, to reach 700-800 EGP in 2017, and people living under the poverty line to have increased to 35% in 2017, up from nearly 27.8% in 2015 (Egypt Today, 2017).

The Pay Scale for Egyptian Government Employees

Following is the pay scale for government employees in Egypt according to the new Civil Service Number 25 for 2015:

Table 1

Compensation of Government Employees in Egypt

Job level	Equivalent pay step	Job's monthly salary in EGP	Equivalent in USD before devaluation \$1 = 8 EGP (calculated by researcher)	Equivalent in USD after devaluation \$1 = 18 EGP (calculated by researcher)
Specialized jobs:				
Distinguished	Distinguished	2,065	258.13	114.72
High	High	1,415	176.88	78.61
General Manager	General Manager	1,335	166.88	74.17
First (A)	First seniority more than one year	1,195	149.38	66.39
First (B)	First seniority up to one year	1,175	146.88	65.28
Second (A)	Second seniority more than three years	1,035	129.38	57.5
Second (B)	Second seniority up to three years	1,020	127.5	56.67
Third (A)	Third seniority more than six years	910	113.75	50.56
Third (B)	Third seniority more than three years and up to six years	895	111.88	49.72
Third (C)	Third seniority up to three years	880	110	48.89
Clerical and technical jobs:				
First (A) Technician/Clerk	The first seniority one year or more	1,195	148	66
First (B) Technician/Clerk	The first seniority up to one year	1,175	146.88	65.23
Second (A) Technician/Clerk	The second seniority more than three years	1,035	129.38	57.5
Second (B) Technician/Clerk	The second seniority up to three years	1,020	127.5	56.67
Third (A) Technician/Clerk	The third seniority more than six years	910	113.75	50.56
Third (B) Technician/Clerk	The third seniority more than three years and up to six years	895	111.88	49.72
Third (C) Technician/Clerk	The third seniority up to three years	880	110	48.89
Fourth (A) Technician/Clerk	The fourth seniority more than two years	850	106.25	47.22
Fourth (B) Technician/Clerk	The fourth seniority up to two years	845	105.63	46.94

(table 1 continued)

Job level	Equivalent pay step	Job's monthly salary in EGP	Equivalent in USD before devaluation \$1 = 8 EGP (calculated by researcher)	Equivalent in USD after devaluation \$1 = 18 EGP (calculated by researcher)
Craftsmen and support staff jobs:				
Second (A) Craftsman	Second seniority more than three years	1,035	129.38	57.5
Second (B) Craftsman	Second seniority up to three years	1,020	127.5	56.67
Third (A) Service Support Staff	Third seniority more than six years	910	113.75	50.56
Third (B) Service Support Staff/Craftsman	Third seniority more than three years and up to six years	895	111.88	49.72
Third (C) Service Support Staff/Craftsman	Third seniority up to three years	880	110	48.89
Fourth (A) Service Support Staff/Craftsman	Fourth seniority more than two years	850	106.25	47.22
Fourth (B) Service Support Staff/Craftsman	Fourth seniority up to two years	845	105.63	46.94
Fifth (A) Service Support Staff/Craftsman	Fifth seniority more than two years	843	105.38	46.83
Fifth (B) Service Support Staff/Craftsman	Fifth seniority up to two years	840	105	46.67
Sixth (A) Service Support Staff	Sixth seniority more than two years	837	104.63	46.5
Sixth (B) Service Support Staff	Sixth seniority up to two years	835	104.38	46.39

Notes. Source: Job titles and Salary figures derived from the Civil Service Law 18/2015 as published in the Egyptian Gazette, Issue 11 Annex, 12 March, 2015, pp. 62-63; dollar Equivalence calculated by researcher.

Several Issues to Be Noted About the Egyptian Government Employees Pay Scale

1. The Egyptian government employees in most of the job levels listed above receive additional allowances and incentives that are added to their monthly salaries and referred to as the “Complementary Pay”, but the fixed “job’s monthly salary” represents the biggest chunk of their total pay (El Gibali, 2018).

2. According to Article 37 of the Civil Service law 81/2016, employees receive an annual raise equivalent to 7% of their monthly salary, and according to article 38 of the same law, not more than 10% of employees on the same salary scale in any one organization, may receive an incentive raise equivalent to 5% of their monthly salary, with a maximum frequency of once every three years per employee. Additionally, employees may receive lump sum monthly bonuses for “Scientific Excellence” if they manage to obtain an additional academic degree, either a graduate diploma, master, or Ph.D., with the amount for the later estimated at 200 EGP (Central Agency for Organization and Administration [CAOA], 2017, or \$11.11 at the current exchange rate of 18 EGP to the Dollar.

3. The amount listed under “job’s monthly salary” in EGP and especially when converted to USD is very low. It decreased by nearly half its value overnight as a result of the Egyptian Pound devaluation in November 2016. This was paralleled by a rise in inflation and the cost of many basic food products and services.

4. According to the latest computations of the National poverty line for Egypt in 2017, and its determination at 700-800 EGP, then from the above table, it seems that for many of the job levels in the GOE pay scale, where the monthly salary is slightly above the 800 EGP level, the employees appointed thereon, are

bordering on the national poverty line! Fourteen out of the total 31 job levels in government obtain monthly salaries less than 900 EGP! The picture may even become bleaker if we assume that each government employee on the average is responsible for three other individuals, beside himself or herself, if it is a nuclear family of four!

5. If we use the international poverty line of \$1.9 a day (World Bank, 2015a), or \$57 per month ($\1.8×30 days) and use it to check the value of the mentioned monthly salaries of Government of Egypt employees after the devaluation, the picture becomes bleaker. All the craftsmen and service support staff, the majority of the clerical and technical staff, and even many of the specialized staff receive monthly salaries that place them below the international poverty line!

6. In November 2018, President Sisi announced that this year there will be no annual raises allocated to government employees and that the savings will be directed to building more schools (Afifi, 2018). This is at a time when we find many of our government employees falling below the poverty line!

What Else Can Be Done

1. For the Takaful Program: There is a need to expand its outreach so that more of the poorest families are covered and to make sure that the conditionality, which is a core building block in the design of the program, gets to be really implemented over the coming years. We do not want to penalize the already poor families, but rather motivate them to send their kids to school and take better care of their health.

2. For the public service employees, if we want to have a good caliber of public servants and improve the quality of public services offered, we need to make sure that there is a decent compensation system employed. We cannot build a nation while a good percentage of its public employees are falling below the poverty line.

3. Tax reform and progressive taxation: Several suggestions have been raised regarding a proposed tax reform in order to increase the State's tax revenues and enable it to cater to the needs of the underprivileged groups in society. On top of the suggested reform is the implementation of a more progressive income and residential property tax that will move the burden of the economic reforms a little bit more towards the higher income groups in society (ECESR, 2013; OECD, 2017).

4. More encouragement for the private sector so that it creates job opportunities: Currently, there is skepticism about the expanding role of the armed forces in Egypt into the civilian and business sectors to the extent that it is scaring away many of the private sector companies. South Korea as an emerging economy obliged the private sector to invest in research and development (R & D) in order to improve the quality of the labor force and enable them to find better job opportunities. This may be a better option than just focusing on subsidy cuts and tax increases (Joya, 2016).

5. Implementing policies that resolve educational inequalities and enable socio-economic mobility for the disadvantaged groups in society, for example, through investing in early childhood education and also in tertiary education and skills development (OECD, 2017).

6. Re-allocating resources to what matters in a more transparent mode: Rather than spending on mega projects with no clear return on investment, like the new branch for the Suez Canal, or the new Administrative Capital for Egypt, or organizing huge international youth conferences under the title of "We Need to Talk", perhaps more resources should be allocated to social protection, to the creation of real job opportunities and to offering fair salaries for government employees, that places them above the poverty line.

Conclusion

The International Monetary Fund's agreement with the Government of Egypt and the currency devaluation decision have had a negative impact on the most vulnerable groups in society and are threatening their well-being. This is in direct violation of the stated vision for the Government in its Sustainable Development Strategy (SDS 2030). Through a conditional cash transfer program that is not conditional, and is relatively limited in scope, through an insurance certificate for the informal workers, the Government of Egypt is trying to alleviate hardships. However, the efforts are not enough and much more needs to be done.

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