CHAPTER FOUR

THE EGYPTIAN SOCIAL FUND FOR DEVELOPMENT:
IS IT SUCH A FAILURE?

As it stands currently, the Social Fund for Development (SFD) is one of the three main safety net programs in Egypt, along with the system of subsidies of basic foodstuffs and the Ministry of Social Solidarity’s cash transfer program. According to the World Bank’s latest evaluation of the fund, “an estimated 32% of Egyptians are potential beneficiaries from SFD projects, in the sense that they live in villages or wards where there is at least one SFD intervention” (Abou-Ali et al. 2009, 2). As a quintessential Social Fund (SF), the SFD “is tasked with mobilizing national and international resources, and cooperating with governmental bodies, NGOs, and community and private sector groups” (Abou-Ali et al. 2009, 2). Yet unofficially, World Bank officials complain that the Fund — the largest in the world — is too big to be efficient. Development consultants argue that it has been infiltrated by stereotypically Egyptian ‘cultural traits,’ such as tendencies toward postponement and hierarchy. The SFD employees, in turn, claim that any problems with the Fund are attributable to “the previous administrations.” While there is a certain degree of validity in some of these perspectives, this chapter shows that the failures of the SFD largely reflect structural problems at the macro-economic and political levels. Based on the cooperation between civil society (specifically NGOs) and the state, the SFD programs studied manifested the problems of both Egyptian NGOs and the state. However, what is more interesting is that the SFD programs under study seemed to defeat the purpose and rhetoric surrounding SFs without raising much concern among the technocrats and professionals responsible for these programs.

The first section of this chapter shows how macro-economic change led to the initiation and evolution of the SFD, specifically via the implementation of neoliberal economic policies and the economic crisis of the early 1990s. I then analyze how the transformation of the SFD into a permanent institution has incorporated the three main trends characterizing social-policy institutions under neoliberalism: market-orientation, decentralization, and participation. The third section
discusses how the SFD performed in terms of participation, accountability, and embeddedness — the three main criteria and comparative advantages of empowered participatory institutions (EPIs). The final section analyzes the SFD within the larger picture of the Egyptian semi-corporatist state, with its rentier economy, weak civil society, and authoritarian structures of power.

Neoliberalism and the Rise of the SFD

As explained earlier in Chapter Three, the Egyptian state began to implement a neoliberal structural adjustment program in 1991, under the pressure of a prolonged economic crisis and in order to secure the economic support of the U.S. and international financial institutions. At that time, sources of rent — remittances, oil, and tourism — were declining, and the return of thousands of workers from the Gulf following the 1991 war put even more pressure on the already deteriorating Egyptian economy. Meanwhile, the existing social safety net was under attack from beneficiaries, international financial institutions, and even the state. The food-subsidies system supposedly wasted state resources on the non-needy through inefficient targeting and black-marketeering. A rent-seeking bureaucracy managed (and still does) the health and education sectors, providing poor-quality services for nominal fees but, at the same time, failing to reach out to its designated beneficiaries. In order to overcome these existing problems of leakage, patronage, and rent-seeking, as well as to the guarantee optimal use of resources to combat the negative effects of structural adjustment, the Egyptian state together with the World Bank inaugurated the SFD as a ‘model’ social safety net. Established by the Presidential Decree no. 40 in 1991, the SFD began as a temporary independent institution for handling the rapid disbursement of funds. Like all SFs — and more broadly EPI — the Fund was supposed to be a pioneer and pilot project to test the feasibility of restructuring social services through civil society-state partnerships and following the guidelines of market dynamics.

In its initial phase, the Fund focused on: (1) rehabilitation training programs for Gulf returnees and those who lost their jobs due to the privatization of state entities; (2) the financing of infrastructure projects in poor areas, making use of the local workers. During its first years, however, the Fund was neither as visible nor as successful with