RATION CARD IN EGYPT: TARGETING, LEAKAGE AND COST
COUNTRY CASE STUDY

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1. INTRODUCTION AND MOTIVATION
2. Portrayal of Ration Card in Egypt
3. QUESTION, METHODOLOGY AND FINDINGS
   - Current Structure of Smart Ration Card
   - Evaluation of Smart Ration Card
4. POLICY RECOMMENDATION
"A measure of the greatness of a powerful nation is the character of the life it creates for those who are powerless to make ends meet". — Richard Nixon, August 11, 1969
INTRODUCTION AND MOTIVATION

- Egyptian government has taken decisive steps to decrease public spending
- Introduce the smart ration card
- Computerizing ration subsidy system targets lower leakage, better targeting and thus cost reduction
<table>
<thead>
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<tr>
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**PORTRAYAL OF RATION CARD IN EGYPT**

- **Part of Pharaonic Custom**
- **Ration Card First Introduced**
- **Target Good Shortage**
- **Peak Reached**
- **ERSAP**
- **Smart Ration Card**

1. **1941**
   - Ancient Ages
   - Ration Card
2. **1952**
   - First Introduced
3. **1973**
   - Target
   - Gradual Remove of Subsidy
4. **1980**
   - Good Shortage
5. **1990**
   - Peak Reached
6. **2010**
   - ERSAP
   - 1.2
   - 3.8
   - 1.4
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RESEARCH QUESTIONS

What is Current Status of Smart Ration Card?

How Efficient is Smart Ration Card?
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Question

• What is Current Status of Smart Ration Card?

Methodology

• Analyze Secondary Available Resources

• Primary Data is collected through Household Interviews
FINDINGS

Structure of Current Smart Ration Card

- 4 goods: Rice, Sugar, Oil & Tea
- 75.6 LE per family
- Max four Beneficiaries Per family
- 12 million Families (2010)
- Families with Income < LE1500
METHODOLOGY

Question: How Efficient is Smart Ration Card?

- Targeting
- Leakage
- Cost Effectiveness

Methodology

- Design a Questionnaire
- Distribute it in Cairo
- May 2011 and August 2011
- 300 respondents
- N=242
- Survey Analysis: SPSS Packages
SURVEY VARIABLES

Independent Variables
- Income Level
- Family Size
- Subsidized Products Quality and Price
- Ration Card Quota
- Distribution Process

Dependent Variable
- Use of Subsidized Products
- Satisfaction of Subsidized Products
### Targeting - Findings

- **13.3% of poor families do not have ration cards**
- **Reasons:** difficult to issue a ration card & bad quality of the subsidized products
- **Not All Targeted group is covered**

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Have a Ration Card</th>
<th>In Process of Issuing</th>
<th>Registered on Family Card</th>
<th>Total Size according to Income Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1500</td>
<td>38</td>
<td>9</td>
<td>12</td>
<td>68</td>
</tr>
<tr>
<td>Between 1500-5000</td>
<td>64</td>
<td>5</td>
<td>21</td>
<td>115</td>
</tr>
<tr>
<td>More than 5000</td>
<td>14</td>
<td>1</td>
<td>3</td>
<td>58</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>116</strong></td>
<td><strong>15</strong></td>
<td><strong>36</strong></td>
<td><strong>241</strong></td>
</tr>
</tbody>
</table>
Leakage - FINDINGS

- The higher the income, the lower the probability of using ration card

- There is leakage to non-poor

- Self targeting achieved?

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Criteria</th>
<th>Do you have a ration card?</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Less than 1500</td>
<td>Count</td>
<td>30</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>% within Less than 1500</td>
<td>44.1%</td>
<td>55.9%</td>
</tr>
<tr>
<td>Between 1500-5000</td>
<td>Count</td>
<td>51</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>% within Between 1500-5000</td>
<td>44.3%</td>
<td>55.7%</td>
</tr>
<tr>
<td>More than 5000</td>
<td>Count</td>
<td>44</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>% within More than 5000</td>
<td>75.9%</td>
<td>24.1%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>125</td>
<td>116</td>
</tr>
<tr>
<td></td>
<td>% within whole sample</td>
<td>51.9%</td>
<td>48.1%</td>
</tr>
</tbody>
</table>
TARGETING - QUESTION

- Government Target: To reach those living on less than $2 per day

- “Does the current scheme of smart ration card resulted in a situation where all those living on less than $2 per day are reached?”
SELF TARGETING

- Is there variation of preference between different income groups?

- ANOVA Results:
  + Only for prices, it is noted that the higher the income levels the lower price satisfaction
  + It cannot be estimated that self-target is achieved in ration card as there is no variation between different groups
  + Further administrative actions are needed by the government to exclude non-poor families from using subsidy
## Cost Effectiveness - Findings

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<tr>
<th></th>
<th>2012</th>
<th>2010</th>
</tr>
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<tbody>
<tr>
<td>Total Direct Subsidy</td>
<td>LE2.291 billion</td>
<td>LE0.907 billion</td>
</tr>
<tr>
<td>Total cost</td>
<td>LE1.04 billion</td>
<td>LE5.63 billion</td>
</tr>
<tr>
<td>Total Indirect Cost</td>
<td>LE8.12 billion</td>
<td>LE4.72 billion</td>
</tr>
<tr>
<td>Direct cost per family</td>
<td>LE135.84</td>
<td>LE75.6</td>
</tr>
<tr>
<td>Indirect cost per family</td>
<td>LE480.72</td>
<td>LE393.0</td>
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OUTLINE

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## CONCLUSION - SWOT

<table>
<thead>
<tr>
<th>STRENGTH</th>
<th>WEAKNESS</th>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
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<tr>
<td>✗ A major instrument for Egyptian social safety net</td>
<td>✗ Some poor households that are eligible to use ration card do not have one</td>
<td>✗ Use technology to create a network of information between different ministries</td>
<td>✗ Massive Public Cost</td>
</tr>
<tr>
<td>✗ Ration card is adequate to assist the poor</td>
<td>✗ Non-poor have the incentive to use ration cards</td>
<td>✗ Technology would facilitate excluding high income groups</td>
<td>✗ Political Instrument for Stability</td>
</tr>
<tr>
<td>✗ A way for middle income families to complete their obligation</td>
<td>✗ Indirect cost induced is much higher than direct cost indicating inefficiency in public expenditure distribution</td>
<td>✗ Technology would decrease administrative cost in the future</td>
<td></td>
</tr>
</tbody>
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- MASSIVE PUBLIC COST
- POLITICAL INSTRUMENT FOR STABILITY
Simultaneous development policies are needed to achieve further reform for the social protection program.

Providing work in exchange of food would only attract risky individuals who face food insecurity and do not have other means to get food.

Use Smart ration card as a method to decrease corruption and respectively decrease indirect cost.

Smart ration card can be used as method for sharing information between ministries.

Awareness campaigns about ration card and food consumption.
THANK YOU