

# WOMEN'S FINANCIAL INCLUSION, DIGITAL FINANCIAL SERVICES AND COVID-19 POLICY RESPONSE: CASE OF EGYPT



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## EGYPT AT A GLANCE

Strongly affected by the COVID-19 Pandemic, Egypt has been able to implement economic recovery measures, ease restrictions, and rebound in important economic sectors, such as agriculture, tourism, manufacturing, and communications.

Egypt is home to one of the world's earliest great civilizations. It is classified as a lower-middle-income transcontinental country. Egypt connects Africa with Asia through a land bridge formed by the Sinai Peninsula. It shares borders with Sudan, Libya, Palestine, Jordan, and Saudi Arabia.

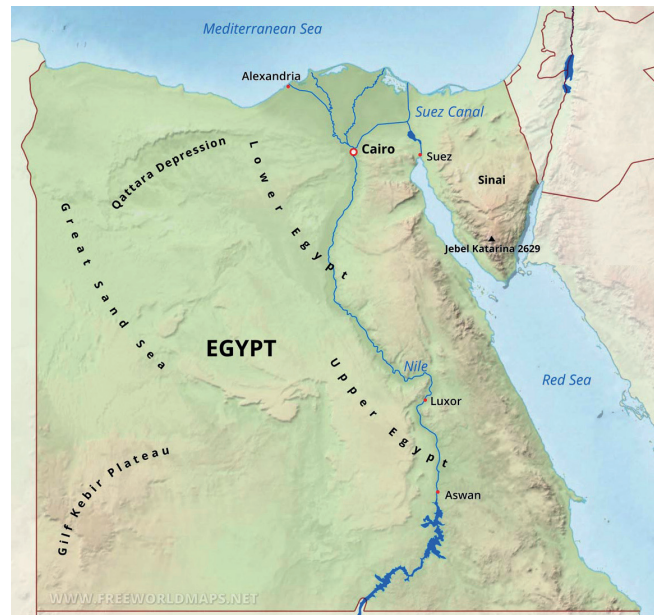


Image by Omar Elsharawy/Unsplash

With a population exceeding 100 million individuals, Egypt holds the distinction of being the Arab world's most densely inhabited nation and Africa's third-most populous state. Egypt is divided into 27 governorates, of which Cairo, Alexandria, Port Said, and Suez are the four most important governorate cities. Ninety-six million inhabitants live along the narrow Nile Valley and Delta. With an urbanization rate of 43 percent for the past 50 years, rural areas and agricultural activity (11.6 percent of GDP) play an important role.

With a sex ratio at birth close to the global average, women account for 49.9 percent of the population.<sup>1</sup>

FIGURE 1. MAP OF EGYPT



Source: <https://www.freeworldmaps.net/africa/egypt/map.html>

As noted in the World Bank's report, the COVID-19 pandemic had adverse effects on growth, foreign revenue streams, and government debt. However, these factors are now showing signs of improvement owing to favorable foundational circumstances, recovering global situations, and the easing of limitations.

Due to the persistent impact of COVID-19, economic expansion experienced a decline, dropping from 3.6 percent in 2019/2020 to 3.3 percent in 2020/2021. Nonetheless, sectors that were vulnerable since the onset of the pandemic (tourism, manufacturing, extractives, and the Suez Canal) began to recover between April and June 2021. This rebound can be partially attributed to base effects, the relaxation of restrictions, and the gradual resumption of economic activity, international travel, and trade. Unemployment rates declined from their peak of 9.6 percent during the height of the COVID-19 pandemic to 7.3 percent by 2020/2021.<sup>2</sup>

1 Central Agency for Public Mobilization and Statistics. 2022. Informatics Monthly Statistical Bulletin. Available at: [https://www.capmas.gov.eg/Pages/StaticPages.aspx?page\\_id=5035](https://www.capmas.gov.eg/Pages/StaticPages.aspx?page_id=5035).

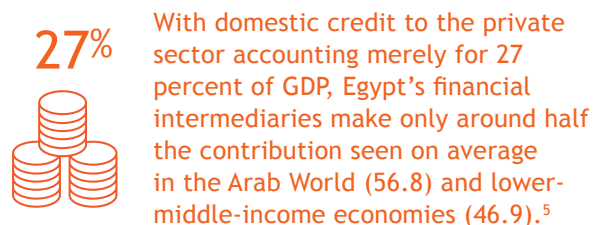
2 World Bank. 2021. Egypt's Economic Update. Available at: <https://www.worldbank.org/en/country/egypt/publication/economic-update-october-2021>.

## EGYPT'S FINANCIAL SYSTEM

According to the Central Bank of Egypt (the CBE), a principal member of AFI, the Egyptian banking system consists of 36 banks. These banks are categorized as state-owned and private commercial banks.

As per the Central Bank and Banking Sector Law No. 194 of 2020, the CBE is the Egyptian entity mandated to undertake “any tasks or take any measures required for applying the monetary, credit, and banking policies, as well as guarantee the soundness of bank credit.”<sup>3</sup>

In commercial banking, Egyptian public sector capital plays an important role through several leading and largest state-owned banks: the National Bank of Egypt, the Bank Misr, and the Banque Du Caire.<sup>4</sup>



The banking sector had long been marked by exceptionally low loan-to-deposit rates (38 percent vs. 99 in Morocco and 145 in Tunisia),<sup>6</sup> indicating that in its past business model, commercial banks were not effectively intermediating funds for productive use by households and businesses. This is also mirrored in the comparatively limited physical infrastructure (6.7 branches and 22 ATMs in 2019 per 100,000 adults vs. 22 and 24 branches, as well as 29 and 34 ATMs in Morocco and Tunisia, respectively).<sup>7</sup>

While the CBE oversees banks, transfer companies, foreign exchange companies, credit bureaus, credit guarantee companies, payments service providers, and payment service operators, the country's microfinance sector has its dedicated supervisor, the Financial Regulatory Authority (FRA). Established in 2009, the FRA also oversees other non-bank financial activities, such as capital market, insurance activities, mortgage finance, financial leasing, factoring, small and medium enterprise (SME) finance through licensed microfinance institutions (MFI), consumer finance, and securitization.

3 The CBE. 2021. Annual Report. Available at: <https://www.the.cbe.org.eg/en/EconomicResearch/Publications/Pages/AnnualReport.aspx>.

4 Privacy Shield Framework. 2021. Egypt: Banking System. Available at: <https://www.privacyshield.gov/article?id=Egypt-Banking-Systems>.

5 2020 value as per <https://data.worldbank.org>.

6 Ibid. (originally IMF Financial Access Survey).

7 Ibid. (originally IMF Financial Access Survey).

Accounting for less than 1 percent of GDP, microfinance activity is even more concentrated than banking. The top three institutions comprise some 47 percent of the market's outstanding portfolio, with strong fragmentation among 981 licensed institutions.<sup>8</sup> Loans are focused on the productive activities of microentrepreneurs and small businesses.

Mobile money activities were launched in 2013 in setups that linked Mobile Network Operators (MNOs) with banks, bringing the National Telecoms Regulatory Authority (NTRA) together with the CBE. With mandated interoperability in Q3-2017, clients can register up to three wallets per national ID using a different mobile number for each.



Egypt had 30 million wallet accounts at the end of November 2022 with more than EGP66 billion (USD2.15 billion) monthly value of transactions and 55 million monthly transactions.<sup>9</sup>

Finally, in the space of payments, Egypt Post continues to play a substantial role. Despite the pandemic, it disbursed more than 6 million pension payments in March 2022 and performed more than 1.3 million transfers for clients over the counter.<sup>10</sup>

## EGYPT'S DIGITAL ECOSYSTEM

As the most populous country in the Middle East and North Africa (MENA) region, boasting a government supportive of technology innovation, Egypt has attracted substantial interest in the digital entrepreneurship ecosystem.



Egypt's startup ecosystem is ranked 65th globally and 6th in the Africa and the MENA regions, with a sample of 257 startups broadly spread across verticals.<sup>11</sup>

8 Arab Republic of Egypt, FRA. 2021. Annual Microfinance Report by FRA. Available at: <http://www.msmeff-eg.org/materials/w8PJiqH7dPUdErQ3wW7c8iX9Ama4ohEmB3ZDNRHw.pdf>.

9 Middle East Institute. 2022. Mazloun, A. 2022. Expanding use of e-wallets in Egypt: Strengthening the social contract one transaction at a time. Available at: <https://www.mei.edu/publications/expanding-use-e-wallets-egypt-strengthening-social-contract-one-transaction-time#:~:text=Cashless%20transactions%20in%20Egypt%3A%20Gateway%20to%20economic%20equity>.

10 MCIT. 2022. ICT Indicators in Brief. Available at: [https://mcit.gov.eg/Upcont/Documents/Publications\\_862022000\\_ICT\\_Indicators\\_in\\_Brief\\_Apri\\_2022\\_06082022.pdf](https://mcit.gov.eg/Upcont/Documents/Publications_862022000_ICT_Indicators_in_Brief_Apri_2022_06082022.pdf).

11 StartupBlink. No date. Egypt Startup Ecosystem Overview. Available at: <https://www.startupblink.com/startups/egypt>.

In 2021, only Nigerian startups secured more funding than Egypt's USD400 million.<sup>12</sup> With ten FinTechs, Egypt had the second-most firms in the MENA region behind the United Arab Emirates in 2020.<sup>13</sup> Recent reports indicate that FinTech is one of the fastest-growing sectors in Egypt.<sup>14</sup> Payments provider Fawry has become the country's first 'unicorn.'

The Ministry of Communications and Information Technology (MCIT) reported that during the pandemic, the number of internet users in Egypt grew by more than half from 40 million in February 2020 to 64.6 million in April 2022, which roughly corresponds to the number of adults in the country.<sup>15</sup>



**6.6%**

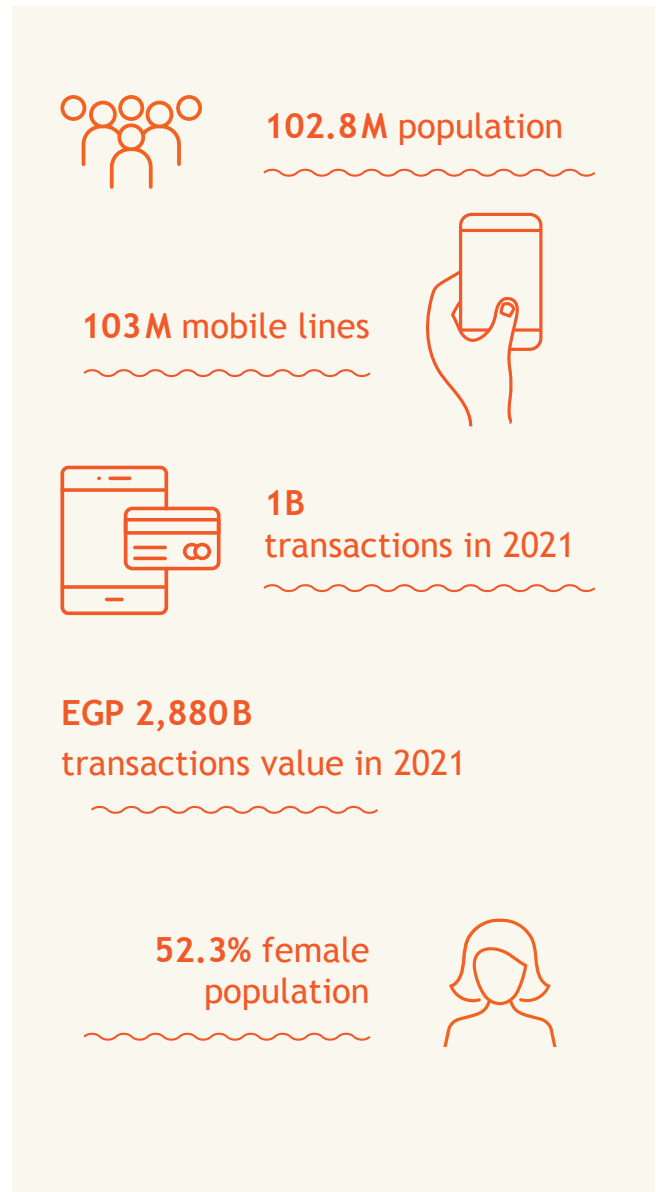
The Egyptian government has also launched dedicated information and communication technologies (ICT) activities for women, recording a 6.6 percent gender gap in internet usage.<sup>16</sup>

Fostering digital capabilities more broadly is part of a Digital Egypt strategy with which MCIT seeks to contribute to the country's Sustainable Development Goals objectives.<sup>17</sup>

By December 2021, there were 103 million registered mobile lines and 75 million internet subscriptions. Some 54 percent of adults already use smartphones.<sup>18</sup> The Internet is more affordable in Egypt than, for instance, in Indonesia, Morocco, or Tunisia.<sup>19</sup>

As all digital indicators are running ahead of the figures on financial inclusion, Egypt's digital economy still holds more potential to act as an enabler and motivator for greater inclusion driven by digital financial services (DFS), especially given the social norms constraining women's time and mobility.

FIGURE 2. POPULATION OF EGYPT AND E MONEY TRANSACTIONS



12 The Africa Report. 2021. Egypt is rapidly rising to top spot in Africa's startup ecosystem. Available at: <https://www.theafricareport.com/149429/egypt-is-rapidly-rising-to-top-spot-in-africas-startup-ecosystem>.

13 CCAF, World Bank, and World Economic Forum. 2020. The Global Covid-19 FinTech Market Rapid Assessment Report, University of Cambridge, World Bank Group, and the World Economic Forum. Available at: <https://www.jbs.cam.ac.uk/wp-content/uploads/2021/03/2020-ccaf-global-covid-fintech-market-rapid-assessment-study-v2.pdf>.

14 Central Agency for Public Mobilization and Statistics. 2022. Egypt in Figures. Available at: [https://www.capmas.gov.eg/Pages/StaticPages.aspx?page\\_id=5035](https://www.capmas.gov.eg/Pages/StaticPages.aspx?page_id=5035).

15 MCIT. No date. ICT Indicators in Brief: Monthly Issue. Available at: <https://mcit.gov.eg/en/Publications>.

16 MCIT. No date. ICT for Woman Portal. Available at: <http://www.ictforwoman.gov.eg/Indicators.aspx>.

17 MCIT. No date. Digital Egypt. Available at: [https://mcit.gov.eg/en/Digital\\_Egypt](https://mcit.gov.eg/en/Digital_Egypt).

18 Middle East Institute. 2022. Mazloun, A. (see also footnote 10).

19 Alliance for Affordable Internet. 2022. Mobile Broadband Pricing. Available at: <https://a4ai.org/research/mobile-broadband-pricing>.



## CONTEXT

The pandemic presented a grave risk to Gender Inclusive Finance (GIF) in Egypt. However, (women's) financial inclusion has progressed, showing Egypt's policy achievements.

### THE PANDEMIC

On 14 February 2020, the first case of COVID-19 was registered in Egypt. On 21 April 2020, there were 3,333 cases. On 13 June 2020, the Egyptian Ministry of Health reported 41,000 positive cases and 1,422 deaths, nearly at the peak of the first pandemic wave. Governmental authorities acted immediately, initiating lockdowns and social distancing measures. Multiple health, social and economic actions entered into force, including a curfew, suspension of all mass public and private events, and transportation during curfew hours.<sup>20</sup>

Despite efforts to contain the spread of COVID-19 throughout the country, Egypt experienced several waves of the pandemic (see chart on confirmed cases at the end of this study), with the timing indicative of the situation. The numbers likely missed the proportions as testing capacities, and use were limited.

A first wave gripped the country from early March to the end of July 2020. Infection rates rose again in November until the end of the year, then subsided swiftly. A third peak was experienced in mid-May 2021. A plateau slightly below those peaks marked the final quarter of 2021. Egypt saw its fourth and highest wave build-up from mid-January to mid-February 2022.

The rollout of the vaccination campaign began in late March 2021 and fully took off in mid-August 2021. Since March 2022, the vaccination drive has dropped off. The share of Egyptians with at least one vaccination shot stood at nearly 45 percent in May 2022.<sup>21</sup>

### OBSERVED IMPACT

Google Mobility data (see Overview pages at the end of this case study) showed the first four to five months of the pandemic in Egypt were characterized by massive disruption of social and economic activity. Shopping dropped by up to 60 percent, as did transit

use. Workplace attendance also dropped by around 40 percent before recovering from July 2020. The recovery was slow for workplaces and fast for commerce and transit. However, as workplaces and transit had nearly recovered their pre-pandemic levels by November 2020, retail stores saw around 20 percent reduced footfall until the end of February 2021.

Since then, activity has been recovering since the second half of 2021. Transit activity, including presumably the full reopening of tourism, went back to 40 percent pre-pandemic levels and around plus 20 percent for shopping and workplace attendance.



Image by keladawy/iStock

Therefore, after very disruptive first months, Egypt's citizens had settled into a mode that was no longer a drag on growth by the end of the first year of the pandemic.

According to the International Monetary Fund (IMF), GDP per capita in purchasing power continued to grow slightly throughout the pandemic. After two years of lower real GDP growth of around 3.5 percent, the economy is projected to return to its roughly pre-pandemic trajectory of around 5.5 percent. Unemployment is recorded as continuing to decrease throughout 2020 and 2021.<sup>22</sup> The disruption due to inflation and food shortages due to cut imports from Ukraine outranks the pandemic as a worry for 2022.

20 Beschel, Robert P. 2021. Policy and Institutional Responses to COVID-19 in the Middle East and North Africa: Egypt. Brookings.

21 Our World Data. 15 May 2023. Total COVID-19 vaccine doses administered. Available at: <https://ourworldindata.org/grapher/cumulative-covid-vaccinations?tab=chart&country=-EGY>

22 IMF. 2022. World Economic Outlook April 2022 - WAR SETS BACK THE GLOBAL RECOVERY. Available at: <https://www.imf.org/en/Publications/WEO/Issues/2022/04/19/world-economic-outlook-april-2022>.

## WOMEN'S FINANCIAL INCLUSION

### CHALLENGING CONTEXT:

A blend of limiting social norms and a formal sector which is challenged to create opportunities for a rapidly expanding population create a challenging context for Gender Inclusive Finance (GIF) in Egypt.

Together with family care responsibilities, such challenges mean that Egypt's advances in schooling and young women overtaking their male peers in tertiary education enrolment have not yet translated into notably improved economic inclusion of women, even as progress has been taking place in their financial inclusion. A labor force participation rate that was in the past slightly above the level of Arab peers, around 20 percent, is expected by the International Labour Organisation to have dropped in recent years in a challenging economic context and COVID-19 to merely 15 percent, below the regional average. The share of young women not in education, employment, or training has risen to 44 percent, well above their male counterparts' 17 percent.



However, 57.8 percent of graduates from public and private universities and 56 percent of PhD holders are women.<sup>23</sup>

The Human Development Index for Egypt has increased by 13 points since 2015.<sup>24</sup> The World Bank's Women Business and the Law data shows Egypt has made notable progress in 2022 and 2023, with their composite indicator score rising from 45 in 2021 (where it had been static since 2016) to 50.6 in 2023. Strong areas of equality were pensions, workplace rights, and, particularly, entrepreneurship, where the score rose to 100 in 2022. Areas where further reforms would be beneficial, include women's ownership of assets, parenthood, marriage, and pay.<sup>25</sup>

After slightly declining from 49 percent in 2010 to 46 percent during the pandemic, women's workplace participation rose again. In 2021, it stood at 47 percent.<sup>26</sup> There is a concentration of women working informally, and moving them into formal employment will provide them with additional security and economic opportunities. However, this is challenging because

23 World Bank database, originally from ILOSTAT.

24 UNDP. 2022. HUMAN DEVELOPMENT REPORT 2021-2022. Available at: [https://hdr.undp.org/system/files/documents/global-report-document/hdr2021-22pdf\\_1.pdf](https://hdr.undp.org/system/files/documents/global-report-document/hdr2021-22pdf_1.pdf).

25 World Bank. 2023. Women Business and the law, Explore our Data. Available at: <https://wbl.worldbank.org/en/wbl>.

26 World Bank. 2023. Labor force participation rate, female (% of female population ages 15+) (modelled ILO estimate). Available at: <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS>.



Image by Blake Dunn/Unsplash

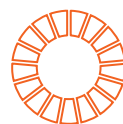
women also spend six times more time undertaking domestic care than men.<sup>27</sup>



Egypt is also taking measures to support women's representation in public life, with women's representation in parliament reaching 28 percent in 2020, up from only 2 percent in 2013.

There is a 10 percent quota for women's representation in the Senate, where their current representation stands at 14 percent. There is also a higher representation of women in executive leadership positions, which stands at 7.1 percent compared to a MENA average of 5.4 percent.<sup>28</sup>

Egypt is acting on legal reforms. It has launched a new platform to collaborate with the private sector.



It is the first country to launch a Sustainable Development Goals-aligned 2030 strategy on women's empowerment.<sup>29</sup>

27 UN Women. 2020. Policy Brief No.2 THE CARE ECONOMY IN EGYPT: THE ROAD TOWARDS RECOGNIZING, REDUCING AND REDISTRIBUTING UNPAID CARE WORK. Available at: [https://arabstates.unwomen.org/sites/default/files/Field%20Office%20Arab%20States/Attachments/Publications/2020/12/UNW\\_ERF\\_PolicyBriefs\\_Egypt\\_final\\_Dec4\\_2020.pdf](https://arabstates.unwomen.org/sites/default/files/Field%20Office%20Arab%20States/Attachments/Publications/2020/12/UNW_ERF_PolicyBriefs_Egypt_final_Dec4_2020.pdf).

28 Egypt Today. 2023. In numbers: How Egypt helped empowering women politically over past years. Available at: <https://www.egypttoday.com/Article/1/123347/In-numbers-How-Egypt-helped-empowering-women-politically-over-past>.

29 As reported by the Head of the NCW in Autumn 2021. Egypt Independent. 2021. In a first, Egypt launches National Strategy for Egyptian Women Empowerment 2030. Available at: <https://egyptindependent.com/in-a-first-egypt-launches-national-strategy-for-egyptian-women-empowerment-2030>.

Egypt's women do not stand apart from the country's economy. They generate and receive income, make purchases, save, and interact financially with family, friends, and community members. Indeed, financial needs can be migrated to formal solutions if these offer a convincing value proposition of being 'better than cash,' getting the unbanked to try out such propositions and build routines for using them.

Egypt's financial sector development and inclusion efforts focused on getting the economic interactions of any citizen into the formal financial system, therefore looking for opportunities to convince those who receive, spend, and pay money. This brought many activities by women into the picture, as they were already, rather than hoping first for a transformation of the economy to occur.

Opportunities for bundling women's financial inclusion efforts with activities targeting women's economic empowerment are prioritized by The CBE, especially in the creation of self-employment and the fostering of entrepreneurship. Banks, MFIs, and savings groups can collaborate on business development support with regulators and civil society organizations.<sup>30</sup>

#### HEADLINE DATA ON FINANCIAL INCLUSION:

Although its relative gender gap (ratio of women to men's account ownership) is below that of Tunisia or Morocco, financial inclusion adoption and ratios were challenging for Egypt before 2017.

Egypt released a set of core financial indicators in late April 2022, establishing a new detailed information base. These documented that Egypt was making strong progress.

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**+192%** As of June 2022, women's financial inclusion reached 54.1 percent, with a growth rate of 192 percent from 2016 to June 2022 for ownership of transactional accounts.

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The 17.2 million accounts recorded for women (out of an adult population of 65.4 million) covers accounts at banks, Egypt Post, mobile wallets, and prepaid accounts.<sup>31</sup>



Image by FatCamera/iStock

Women's financial inclusion has notably accelerated in the five years to the end of 2021. With an increase of 171 percent during this period, it outpaced the growth in the inclusion of men (around 85 percent). As a slight increase in the gender gap from 11.8 percent in December 2021 to 12.6 percent in June 2022 indicates, ensuring that Egypt's women benefit equally from the The CBE's initiatives and providers' emerging offers remains an ongoing mission.

Increases in the rate of financial inclusion in Egypt are achieved against strong demographic headwinds. Around 1.7 million Egyptians turn 16 annually, representing 3 percent of the adult population below 65. The decision by The CBE to change its indicator definition from 21 and above to 16 and above is said to have added another 10 million to the pool of the addressable financial inclusion population.<sup>32</sup>

During the pandemic, The CBE detected a disproportionate impact on women, especially in the microfinance sector, where lockdowns disrupted group lending and Village Savings and Loans Associations (VSLA) practices. This affected the activity of saving groups while credit volumes increased.<sup>33</sup>

Accordingly, VSLAs figured prominently as one target group of the The CBE interventions where its priorities of less-cash/digital payments, women's financial inclusion, and pandemic response policies overlapped.

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30 AFI member interview with The CBE, December 2021. Examples in Egypt include Nilepreneurs for startups and the "Strivers" programme of Tasaheel MFI with African Management Institute. African Management Institute. No date. Empowering Women Entrepreneurs in Egypt. Available at: <https://www.africanmanagers.org/stories/empowering-women-entrepreneurs-in-egypt>.

31 Information provided by The CBE for this case study, February 2023.

32 AFI member interview with The CBE, December 2021.

33 AFI member interview with The CBE, December 2021.



## MANAGING THE CRISIS RESPONSE

Egypt managed to deploy a wide range of COVID-19 responses while using the challenge presented by the pandemic and its impact on changed client behavior as a catalyst for its pre-existing DFS- and payments-led financial sector development plan. With a digital transformation framework provided by the National Payment Council, Egypt's public sector, led by the the CBE, had a suitable governance structure to deal with crisis relief and structural change simultaneously and mutually reinforcingly.

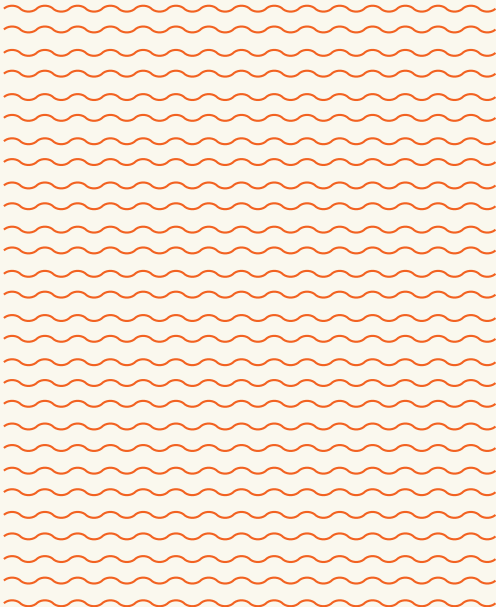
The The CBE and local authorities approved the following measures to respond to and recover from the COVID-19 crisis, among others. In April 2022, the CBE summarized a set of 18 measures undertaken to offset the impact of the pandemic, most of which were directed at financial sector stability (liquidity, treatment of overdue loans).<sup>34</sup> The measures outlined below were obtained from the AFI policy trackers and engagement with the CBE.

POLICY	EMERGENCY POLICIES IMPLEMENTED BY THE GOVERNMENT OF EGYPT	EMERGENCY POLICIES IMPLEMENTED BY THE CBE
EMERGENCY RELIEF EFFORTS	<p>The government unveiled a stimulus package of USD6.4 billion on 14 March 2020. This economic boost presents increased incentives for industries characterized by a significant presence of women in the workforce, such as tourism and agriculture. The Egyptian prime minister's decree allows women to work from home or take paid leave if they have children under 12.</p> <p>Increase or new setup of various G2P programs: The Ministry of Manpower supported irregular workers, including women, who lost their jobs: 1.5 million citizens received an EGP500 subsidy disbursed to accounts or wallets for three months.<sup>35</sup></p> <p>To promote gender equality, the government raised the monthly remuneration for women community leaders residing in rural regions, uplifting it from EGP350 to EGP900. The Ministry of Social Solidarity declared its intention to expand the pool of recipients for low-interest loans and soft loans, specifically designated for establishing microenterprises, by at least 100,000 households, to some 3.8 million in the Takaful (Solidarity, Arabic) program for lower-income families with children under 18 (over 80 percent of Takaful beneficiaries are women), and the Karama (Dignity, Arabic) for the lower-income older population and people living with disabilities.</p>	<p>Facilitate and expedite the digitization of all government-to-people (G2P) programs as part of the country's payments strategy, disbursing principally to mobile wallets, the (bank-issued) Meeza prepaid debit card, and Egypt Post with presence across the country.</p> <p>Disseminate knowledge regarding novel services and exemptions to both customers and merchants, while employing diverse communication channels, to encourage the adoption of electronic payments as a secure substitute for physical currency during the pandemic.</p> <p>The FRA released a series of resolutions pertaining to microfinance operations, aiming to assist 3.1 million individuals. These measures encompass a reduction or deferral of 50 percent of the amount owed in each installment for microfinance recipients. Granting exemption from prepayment penalties or reducing administrative fees for the renewal of existing funding serves as an incentive for microfinance clients who make prompt repayments. These measures create economic opportunities that particularly benefit women engaged in microfinance.</p>

34 The CBE. No date. The CBE's Measures to offset the impact of COVID-19. Available at: <https://www.the CBE.org.eg/en/Pages/HighlightsPages/Central-Bank-of-Egypt-Measures-to-offset-the-impact-of-COVID-19.aspx>.

35 AFI member interview, March 2021.

POLICY	EMERGENCY POLICIES IMPLEMENTED BY THE GOVERNMENT OF EGYPT	EMERGENCY POLICIES IMPLEMENTED BY THE CBE
EMERGENCY RELIEF EFFORTS	<p>Microfinance sector clients were included in the decision to defer installment loans from the CBE (where women comprise over 70 percent of microfinance clients).</p> <p>A deferment of six months has been implemented for all credit obligations, encompassing customers from various sectors such as corporations, individuals (including retail loans and mortgage loans for personal housing), and SMEs. Additionally, these customers will be exempt from any additional interest rates or penalties associated with delays in payment.</p>	
MSMEs	<p>A new program was introduced by the Micro, Small, and Medium-sized Enterprise (MSME) Development Authority (MSMEDA) on 7 April 2020 to provide financial assistance to small-scale projects impacted by the coronavirus outbreak, with a focus on financing SMEs. Subsequently, on 13 May 2020, MSMEDA and Banque du Caire entered into two agreements amounting to EGP620 million, aiming to support and fund micro enterprises. The Financial Regulatory Authority (FRA) declared a grace period of 6 months on 26 March 2020, allowing MSMEs to defer payment of insurance premiums.</p>	<ul style="list-style-type: none"> <li>&gt; The preferential interest rate on loans for SMEs has been reduced from 10 percent to 8 percent for             <ul style="list-style-type: none"> <li>&gt; mortgaging finance initiatives for the middle-income class</li> <li>&gt; industrial, agricultural, and construction private sector initiatives</li> <li>&gt; tourism sector initiative to support financing the replacement and renovation of hotels, floating hotels, and touristic transport fleets, as well as working capital and salaries.</li> </ul> </li> </ul> <p>A postponement of six months has been implemented for all credit obligations, which includes retail loans, mortgage loans for personal housing, and other forms of credit. During this period, these dues will be exempt from incurring any late interest or additional penalties for delayed payments.</p> <ul style="list-style-type: none"> <li>&gt; Availing the necessary credit limits to finance the imports of strategic commodities and supporting the sectors strongly affected by COVID-19.</li> <li>&gt; Initiative for non-performing companies in all sectors</li> <li>&gt; Amending some credit registry rules.</li> <li>&gt; Enhancing the role of the credit risk guarantee company in initiatives to support the sectors of tourism, industry, agriculture, and construction.</li> </ul> <p>The commitment of the banks subject to an online acceptance license (e-commerce) to waive all fees that private sector merchants bear from MSMEs aiming to activate electronic services via the Internet (e-commerce) for the first time.</p>

POLICY	EMERGENCY POLICIES IMPLEMENTED BY THE GOVERNMENT OF EGYPT	EMERGENCY POLICIES IMPLEMENTED BY THE CBE
DIGITAL PAYMENTS AND INCENTIVES/WAIVERS		<p>Precautionary measures for payment systems and services taken by the CBE to face the COVID-19 pandemic:</p> <ul style="list-style-type: none"> <li><b>A.</b> The maximum balance limits for both mobile wallet accounts and cards have been canceled and left to be controlled by each bank for their products.</li> <li><b>B.</b> The daily and monthly limits for mobile wallet accounts and prepaid cards have increased.</li> <li><b>C.</b> The electronic money issuance for banks has been increased and can be implemented by the banks only notifying the central bank.</li> <li><b>D.</b> The procedures for opening mobile wallet accounts for customers have been simplified with adherence to all due diligence procedures to enable wallet customers to temporarily self-register to open a mobile wallet account.</li> <li><b>E.</b> All commissions and fees related to transfers between mobile wallet accounts have been waived for a specific period.</li> <li><b>F.</b> E-commerce merchants have been exempted from paying the setup, monthly fees, and special transactions' commissions.</li> <li><b>G.</b> All commissions and fees related to transfers in EGP using electronic channels, including mobile wallets, Internet and mobile banking, and instant payment networks, have been waived during the pandemic to reduce cash transactions because they carry a risk to health.</li> <li><b>H.</b> The issuance of electronic wallets and prepaid cards to citizens is free of charge during the pandemic, provided that the cards are contactless.</li> <li><b>I.</b> Waiving the fees and commissions applied to QR codes and points of sale (POS).</li> <li><b>J.</b> Waiving the fees on withdrawals from ATMs for mobile wallets and card transactions for a specific period</li> </ul>



POLICY	EMERGENCY POLICIES IMPLEMENTED BY THE GOVERNMENT OF EGYPT	EMERGENCY POLICIES IMPLEMENTED BY THE CBE
DIGITAL PAYMENTS AND INCENTIVES/WAIVERS		<p>The CBE digital payments and electronic acceptance Initiatives:</p> <ul style="list-style-type: none"> <li>&gt; Issuing a package of regulations and standards for issuing and accepting contactless payments, QR codes, technical payment aggregators and facilitators, etc.</li> <li>&gt; Increasing the spread and activation of electronic acceptance channels by publishing and activating many electronic POS machines and QR codes nationwide with incentives from the CBE to the acquirer banks and aggregators.</li> <li>&gt; Guaranteeing seamless connectivity among all payment service providers (PSPs) and agents, encompassing mobile money-to-bank account interoperability, which allows transfers between any mobile wallet account and any bank account, irrespective of the service provider. This measure ensures the consistent operational efficiency of diverse electronic channels while enhancing the level of cybersecurity monitoring for these systems. Moreover, diligent surveillance is conducted to detect any suspicious activities that may potentially facilitate illicit operations.</li> </ul>

# PLANNING, COORDINATION, AND PREPAREDNESS FOR CRISIS RESPONSE

## A MULTI-STAKEHOLDERS RESPONSE

Egypt entered the pandemic with a fully functional governance structure and a set of initiatives on financial inclusion and financial sector development. This preparedness facilitated coordinated crisis response and catalyzed initiatives to benefit from the changed outlook of (potential) users and increase uptake and usage of formal financial services.

### NATIONAL PAYMENTS COUNCIL

Improved digital payments were defined as a policy priority for national development with important benefits.



The research has shown that for every 10 percent of the population migrating to electronic payments, Egypt's GDP would rise by USD1.5 billion and create some 200,000 formal sector jobs.

To advance this priority, a National Payments Council (NPC) was established in February 2017 under the aegis of the President of Egypt, H.E. Abdel Fattah El-Sisi. This brings the relevant institutional weight to the effort required to orchestrate a whole-of-government initiative. The NPC includes all concerned ministries along with other authorities and the CBE, which is responsible for its technical office. Since mid-2017, a structure of working committees and sub-committees has developed and rolled out various key initiatives (Meeza national payment scheme: Meeza card and Meeza digital for mobile wallets, deployment of subsidized PoS terminals, QR code, and request to pay) to increase the acceptance of cards and mobile wallets.

The focus was on the digitization of commerce (including small, informal merchants) as well as “e-government,” reflecting the role of government, which is both the biggest payer (employees, contractors, social transfers) and the biggest merchant (collection of taxes, fees, and fines) in the country. The goal was a DFS-led transformation to a less-cash reality.

As an outcome of the NPC's work, a dedicated Less-Cash Law for Using Non-Cash Instruments no. 18 of 2019 was issued to set the regulatory framework for migrating to digital payments before the pandemic. It allowed for speeding up the intended initiatives and overcoming concerns about pragmatic and digital know-your-customer (KYC) requirements.<sup>36</sup>

### CENTRAL BANK OF EGYPT

AFI member the CBE is the principal financial services regulator for banking activities and oversees the country's payment system and the monetary policy responsibilities of a central bank.

The CBE has been a key player in promoting and linking overall financial sector development and financial inclusion objectives before, during, and after COVID-19. Mobilization and coordination of a wider set of public sector resources and responsibilities are necessary even for progress on financial inclusion.

The new the CBE and Banking Law launched late in 2020 brought the CBE's regulatory powers up to the frontier of financial inclusion. The new law has been issued with a dedicated chapter for payment systems and services, providing the legal basis for introducing new digital concepts to the financial services market. These include digital authentication and e-KYC, open banking, digital currencies, improved regulation of agents, and licensing and oversight for PSPs and payment service operators. Moreover, the law introduced a new banking license for digital banks, which put the CBE in a key role in the payments-led vision of financial sector development (and financial inclusion) in Egypt.

### GOVERNMENT OF EGYPT

The concerned government ministries and authorities are stakeholders in the NPC, which gives them a chance to inform draft regulations (e.g., further flexibility on electronic KYC). Similarly, public sector institutions whose incoming and outgoing payment streams are prime targets for digitization are coordinated via the NPC. In the Egyptian context, government payments are seen as a key driver of higher DFS adoption by creating more use cases (e.g., obligatory cashless payment of dues to the government) and ensuring that accounts and wallets get funded with G2P payments (pensions, social transfers, subsidies). Government contractors will also digitize their payroll at certain staff thresholds to advance DFS adoption throughout the formal economy.<sup>37</sup>

<sup>36</sup> Presentation by Mr. Ayman Hussein, First Sub-Governor, Information Technology, November 2020.

<sup>37</sup> AFI member interviews with the CBE, March, November, and December 2021.

The tightknit integration of these various ministries and authorities in the NPC structure and the routines of collaboration did allow for a faster turnaround of various pandemic response and relief programs when it counted.

### COMMERCIAL BANKS

Traditionally focused on the banked middle class and corporate and public sector borrowers, Egypt's intended DFS inclusion still considered banks to have a principal role in providing a full set of financial services across the country.

However, with changes in regulation and a shift to more DFS operations, the CBE aims to make the business case for lower-income households and women more attractive by increasing revenue from G2P flows and decreasing the operating cost. Banks were key to issuing the Meeza prepaid debit card.

### PAYMENT SERVICES PROVIDERS

In the Egyptian context, the role of PSPs is complementary to that of banks. PSPs are entering untapped markets and segments by providing innovative products and services tailored to the needs of these segments and bundling them with other services that generate additional revenue for clients. By deploying agent networks, PSPs facilitate retail customer acquisition, provide KYC services for banks, and increase outreach in a more expedited manner. To reach and serve small merchants (with a maximum payment volume equivalent to around USD100,000 per year), banks can work more effectively through payment facilitators.

With a fast rollout in recent years and a strong track record in bill payments at kiosks and stores, PSPs have proven to have the capacity to deal with consumers, especially socio-economic classes C and D.<sup>38</sup>

Another important role is played by MNOs licensed by the National Telecoms Regulatory Authority, which supplies mobile money services. Although all mobile wallets in Egypt are bank-led, the MNOs also have their e-wallets as agents backed by banks, in addition to the wallets provided and managed by banks separately. The wide presence of the MNOs on the ground for airtime sales gives them an edge as potential partners.<sup>39</sup>



Image by Dmitri Kalvan/iStock

### EGYPTIAN BANKS COMPANY

Established in 1995, the Egyptian Banks Company for Technological Advancement (EBC) is a joint venture between the CBE, the Ministry of Finance, and 18 commercial banks. EBC is classified as the technical arm of the CBE for the national payments' infrastructure. It is a key resource tasked with developing and supporting DFS infrastructure in the country. This joint undertaking may have contributed to the successful launch of sector-wide technology initiatives in Egypt. EBC manages the national payment scheme Meeza, including Meeza Card and Meeza Digital (for mobile wallets). EBC also manages the ATM switch, providing full interoperability between ATMs across the country and the Automated Clearing House Network EG-ACH, which enables the automation of direct bank debit and credit transfers via a nationally secured platform. Moreover, EBC operates the instant payment network InstaPay mobile application, which enables instant interbank transfers 24/7, transfers to bank accounts, digital wallets, and any Meeza card. InstaPay is the first operating application via the Instant Payment Network and is expected to include all banks operating in Egypt by the end of Q1-2023.

38 AFI member interview, March 2021. Egypt Covid-19 policy response and impact on Financial Inclusion, Interviewee; Ehab Nasr, Assistant Sub-Governor Payments and IT Systems at the CBE.

39 AFI member interview with the CBE, November 2021.



## POLICY GUIDANCE

Egypt's financial sector ecosystem had clear guidance. It benefited from the strong cultivation of routines of collaboration between the various stakeholders resulting from years of collaboration in the context of the NPC.

A clear set of priorities was provided for the payments-led financial inclusion of Egyptians, with the government in a catalytic role as payer and payee alongside efforts to digitize B2C and B2B payments.

During the pandemic, when the operational risk of interruption of cash-based transactions and access to financial services became a major concern, the policy priorities set by the NPC and the Less-Cash Law coincided with the need to migrate to DFS, implied by the crisis. Therefore, Egypt had a set of broad policy initiatives that could be expedited now that the demand-side would likely feel a stronger sense of urgency about accessing or migrating to DFS.

Building upon the aforementioned endeavors, the Financial Inclusion Strategy (2022-2025) established by the CBE introduces a comprehensive framework to drive further advancements. The initial report outlines a systematic approach to evaluate the extent of financial inclusion in Egypt, considering aspects, such as accessibility, utilization, and the standard of financial services. This methodology enables the establishment of specific targets to guide policymakers and service providers, aligning with the overall vision of the financial inclusion strategy and shaping the implementation priorities.

## ACTIVE OVERSIGHT OF INCLUSION

Egypt's financial system had traditionally been centered on banks. Getting buy-in from banks for actively promoting inclusive finance, especially GIF, was very difficult, as banks perceived it as not worth their effort.<sup>40</sup> Egypt's ambitions for financial inclusion, for which women were essential, and the experience of the pandemic indicated that this was not sustainable for such a central part of the financial system.

That banks are moving towards contributing to financial inclusion (e.g., achieving the regulatory requirement that 25 percent of their portfolio go to MSMEs) reflects active regulatory action by the CBE. Coinciding with the beginning of the pandemic in Egypt in March 2020, the central bank issued a regulation obliging banks to establish a financial inclusion department that reports



Image by Marwa Elsayed/iStock

to the bank CEO or the deputy CEO. The role of this department is to undertake the internal coordination process between the bank's departments on the one hand and the Central Bank on the other regarding financial inclusion. Among the tasks assigned to the Financial Inclusion department is preparing a medium-term strategy (3-5 years) to achieve financial inclusion to be approved by the bank's board of directors or its local equivalent in the case of subsidiaries of international banks.<sup>41</sup>

Dialogue between the CBE and the banking sector has also helped shape a stronger sense of the need for low-cost but granular distribution models for the un- and underserved segments and getting banks closer to women. DFS and agents are understood even by smaller private sector banks to allow them to punch above their weight in the market in terms of reach.

In this active dialogue, the CBE also introduced its vision of a financial sector with a new division of labor between incumbents (especially banks) and newer entrants. Based on a more modular approach to who does what, such as outreach and acquisition of client services, agency and payment acceptance services, or the provision of microfinance services, some banks that have gone through the financial inclusion strategy design are now opening dedicated microfinance subsidiaries, having seen potential in that space.

More importantly, the CBE saw this active guidance and dialogue on financial inclusion as having already borne

40 AFI member interview with the CBE, December 2021.

41 AFI member interview with the CBE, December 2021, and interview with commercial bank, November 2021.

fruit just before the pandemic when banks were still in the strategy design process and during. This resulted in smoother collaboration for delivering crisis response and wider participation in some of these initiatives.<sup>42</sup>



Image by Scott Graham/Unsplash

This is also true when it comes to GIFs. The CBE reported that in its dialogue on the practical notions of financial inclusion strategies by each bank, the old notion of an undifferentiated ‘financial services are for everyone’ approach is giving way to dedicated attention to women as a segment.

In a blend of dialogue and mandates, the CBE highlighted the need for a ‘design for inclusion’ for women and other vulnerable groups by reflecting on and capturing their needs in solution development. This sense of benchmarking against the needs of the most challenged population is balanced with the side benefits it brings to banks by better capturing the full spectrum of clients in each segment.



One example may be interactive voice response channels that deal with limited literacy (one-third of female adults were reported as illiterate in 2017 vs. 24 percent of men) and visual or motion impairments to serve the elderly better.<sup>43</sup>

## DATA BUILDING BLOCKS

In recent years, the CBE has emerged as a pioneer in the AFI community in expanding data to build a stronger basis for evidence-based policymaking and tackle the issue of providers abstaining from the country’s mass-market clients due to a lack of understanding its characteristics and opportunities.

This is especially true for women, where preconceived notions and a sense of the obstacles to banking them preclude pragmatic considerations of how to serve this segment. To turn from stereotype-led to a fact-based market discussion, the CBE has engaged in two data initiatives that ‘put women on the map.’

The first is the creation of a Central Financial Inclusion Data Hub, which will enable the CBE to achieve more near-time monitoring of trends in the sector. This objective has become particularly important in a fast-moving and broad-ranging crisis, such as the pandemic, and for a country with a large share of informal economic activities that distort statistical data.

Three choices about the hub are central to its use and the quality of insights it can generate: a) all data is sex-disaggregated, b) supply-side data covers all key sets of financial service providers (even if not directly under the CBE supervision), including MFIs, and Egypt Post as important providers to the underserved, and c) data is reported at the level of individual clients with unique ID information so that clients can be aggregated across the various FSPs that serve them.

With this database to be obtained by automated data collection at regular intervals from the providers (currently: monthly), the CBE can obtain an accurate and timely picture of the state of (women’s) financial inclusion in Egypt and could sub-segment such an analysis further. With criteria such as age, location, etc., other differentiated perspectives on the market are feasible. Moreover, they can gain a sense of patterns of offer and usage of various types of financial services and offer them for gap analysis to determine potential market size allowing providers to benchmark their performance against the market average.

To achieve this, the CBE has set unified definitions (dormant accounts and inactive wallets across the sector). It aggregates data from iScore to apply a gender definition to registered SMEs (owner or led). A linkage to the database for deceased people now assists the CBE in performing data quality control and adjustments.

<sup>42</sup> AFI member interview with the CBE, December 2021.

<sup>43</sup> AFI member interview with the CBE, December 2021.

The CBE developed a set of demand-side indicators to complement this supply-side dataset for strategic analysis to be researched by CAPMAS via two representative surveys: individuals (payments, raising emergency funds, etc.) and MSMEs covering formal and informal. For example, such demand-side research informed the drafting of the NPC and financial inclusion strategies.<sup>44</sup>



Image by Windows/Unsplash

One example illustrates how sex-disaggregated supply-side data helps track and improve the CBE initiatives. Coordinated across the banking sector, the CBE has initiated six “financial inclusion events” throughout the year so the banks can have a wider outreach beyond their branches. The CBE directs banks towards areas with higher exclusion rates. Each event is in conjunction with an international day for certain segments, including March as the month for women’s financial inclusion. During this time, banks can engage communities of excluded segments on-site and remotely open free-of-charge accounts with no minimum balance requirements. Over the past four years, some 11.5 million financial products, including accounts, mobile wallets, and prepaid cards, have been opened in this manner. The CBE has reviewed the results to advise on improvements.

44 AFI member interview with the CBE, November 2021. AFI. 2019. Integrating Gender and Women’s Financial Inclusion into the The CBE’s Framework.



As a result, the CBE now observes 95 percent active usage among such event-driven accounts, with female clients even at 97 percent.<sup>45</sup>

Supply-side data was also used to advise the CBE on the best locations to set up POS terminals in the large rollout during the pandemic. The CBE observed patterns of usage (number and type of transactions to have the best impact in overcoming the time and mobility constraints of women and men to manage their finances.

*“We would encourage countries to have their national supply-side data.”*

Khaled Bassiouny, General Manager, Financial Inclusion Department, the CBE

The Central Bank and Banking Sector Law No. 194 of 2020 allowed a wider scope of data to be considered in credit decisions, moving beyond the very high degree of dependence on collateral for credit decisions in Egypt.

Whereas in other markets, digital lending startups try to read out behavioral information from smartphones on their own, Egypt seeks to make this available centrally. Working with Egypt’s iScore credit bureau, the CBE has undertaken an initiative to collect data from various sources related to mobile wallets and digital savings to provide other sources of information for loan approval processes. This alternative data captures women’s manifold financial interactions more thoroughly. Tests with behavioral scoring to assess creditworthiness should offer a women-friendly alternative to current practices that heavily rely on hard collateral.<sup>46</sup>

45 AFI member interview with The CBE, December 2021.

46 AFI member interview with The CBE, December 2021 and February 2022.



# GENDER LENSES TO EGYPT'S POLICIES

## AFI MEMBER GIF ALIGNMENT

Financial inclusion has been a key item on the CBE's agenda since at least 2017 when Egypt hosted the AFI community at the Global Policy Forum in Sharm El-Sheik. In a keynote speech, the President of Egypt highlighted the importance of financial inclusion for the country's development targets. GIF was brought into the picture. Egypt has shown a wide relative gender gap and low overall financial inclusion levels for women.



During the Global Policy Forum, the CBE signed a memorandum of understanding with the country's principal organization for gender equality, the National Council for Women (NCW).

As part of the high-level committee between both organizations, they set out priorities for GIF initiatives (rural women, savings groups) and a commitment by the CBE to incorporate GIF considerations in regulation, DFS initiatives, and the setting of women-specific targets in its strategies.

The priorities focused on gender data: instituting the collection of sex-disaggregated supply-side data, also facilitated by setting a definition of women-owned MSMEs, the demand-side research of a baseline, and the choice of indicators for tracking women's access and usage of financial services. The CBE's Deputy Governor, Lobna Helal, who took the role of the deputy chair on AFI's Gender and Women's Financial Inclusion Committee, further highlighted this commitment.<sup>47</sup>

Since then, the CBE has moved forward in its collaboration with NCW, building out work with VSLAs from capacity-building to supporting them in digitizing their operations. The CBE has advocated for GIF aspects in the NPC. Consequently, a gender lens had become an integral part of Egypt's DFS and financial inclusion plans in the years before the pandemic.<sup>48</sup> The CBE has circulated many explanatory memos on the topic and

47 AFI. 2019. Integrating Gender and Women's Financial Inclusion in the CBE's Framework. Available at: [https://www.afi-global.org/wp-content/uploads/publications/2019-04/AFI\\_Egypt%20gender\\_AW\\_digital.pdf](https://www.afi-global.org/wp-content/uploads/publications/2019-04/AFI_Egypt%20gender_AW_digital.pdf).

48 AFI member interview with The CBE, December 2021.

has identified important GIF enablers (i.e., women agents). In revising the definition of adults for the newest round of financial inclusion core indicators from +21 to above 16 years old, the CBE considered the efforts this implies for measuring and advancing women's financial inclusion. This focus on the topic has filtered through to discussions with commercial banks, who are now reportedly more open to considering more segmented perspectives, including by gender,<sup>49</sup> and have started targeting women's segments through tailored products and services.

## WOMEN-CENTRED POLICIES

In June 2020, the CBE's partner, the NCW, reported tracking a total of 106 measures, initiatives, and decisions related to the pandemic that incorporated gender considerations, highlighting Egypt as the only country in the MENA region to have taken actions in all three areas recommended by the World Economic Forum's Gender Accelerator: economic protection for women, unpaid care, and combating violence against women.<sup>50</sup>

Since 2019, the NCW has also prepared a new format for advancing gender equality in collaboration with private-sector businesses. The "Closing the Gender Gap Accelerator" was launched in July 2020 by the Ministry of International Cooperation in collaboration with the NCW and the World Economic Forum. Making Egypt's formal economy and entrepreneurial ecosystem more conducive for women should also make further financial inclusion more readily achievable. Several Egyptian commercial banks have launched initiatives to promote GIF.<sup>51</sup> The broader National Strategy for Women's Empowerment 2030 should provide additional momentum.

The CBE's work and crisis response directly touch upon women's financial inclusion. The overall payments focus is an important hallmark with women as an often implicit and explicit target segment, both as receivers of income and spenders. The CBE's expedited rollout of payment acceptance points, including 300,000 POS. Two-hundred thousand QR codes seek to bring DFS usage to the everyday purchases and services women handle. This initiative exceeded the targeted objectives of accepting card or mobile wallet payments by deploying more than 850,000 POS and more than 620,000 QR codes by the end of November 2022.<sup>52</sup>

49 Ibid.

50 NCW. 2020. Egypt's Rapid Response on Women's Situation during COVID-19. Available at: [https://www.iom.int/sites/g/files/tmzbd486/files/our\\_work/ICP/IDM/2020\\_IDM/2\\_-\\_presentation\\_dr\\_maya\\_morsy\\_panel\\_4.pdf](https://www.iom.int/sites/g/files/tmzbd486/files/our_work/ICP/IDM/2020_IDM/2_-_presentation_dr_maya_morsy_panel_4.pdf).

51 Egypt Today. 2021. Q&A on Egypt's Closing Gender Gap Accelerator. Available at: <https://www.egypttoday.com/Article/3/99047/Q-A-on-Egypt-s-Closing-Gender-Gap-Accelerator>.

52 Information provided by The CBE in February 2023.

The pandemic had increased the need for this transition to be ready once customer needs had been swiftly reshaped in favor of DFS use. Transaction fee waivers, lower merchant discount fees, free transfers between bank accounts or mobile wallets, free issuance of mobile wallets and prepaid cards, and the most recent launch of instant payments are all intended to bring the user experience closer to that of cash. Especially improvements in time, trust, and cost considerations are crucial for (lower-income) women if they transition from using cash to electronic forms of payment.

Under the notion of the government as the biggest payer in the country, G2P plays a prominent role in Egypt's DFS and inclusion strategy. During the pandemic, this role was exacerbated by the need for relief and support funds for households and small businesses. Many of the key programs launched or expanded during the pandemic targeted women. As a principle, though cash disbursement via Egypt Post was an option, the CBE designed the interventions to maximize the uptake of formal DFS in the process.

During 2020, the Ministry of Workforce put up a three-month support scheme where informal workers, where women tend to be overrepresented, received around EGP500 (USD30) per month. The scheme reached a reported 1.5 million beneficiaries.



The cash transfer programs for lower-income families with kids (Takaful, 88 percent women recipients) or with elderly parents and dependents with disabilities (Karama) saw an expansion of 60,000 recipients.

Eligible citizens were to submit their requests online. The SIM card information they provided was then used to detect whether this number was already used to open a mobile wallet or Meeza card. If so, authorities went ahead with disbursement directly, cutting the need for beneficiaries to queue or file further information. Those who did not yet have a mobile wallet or account would receive information on obtaining a disbursement at the post office. However, these beneficiaries receive communication, such as SMS, when receiving money, so they should consider opening a DFS solution.<sup>53</sup>

With increasing focus on GIF and prominent efforts towards making the regulatory environment and policies more conducive to women, the CBE has issued

the simplified KYC regulation, which requires only a national ID to open an account.

The CBE's collaboration with NCW on the women's saving and lending groups, VSLAs, was also transformed to respond to the pandemic. It is a widely known and used concept in many developing countries targeting women in rural areas aiming at their economic empowerment through the creation of saving and lending groups where amounts saved weekly are kept in a "money box" serving as a source for loans for women based on an agreement signed between group members, which represents the original model. However, the CBE, in collaboration with NCW, envisioned digitizing the model via the launch of a mobile application called Ta7wisha (Savings, Arabic), to formally include women in the financial system and provide them access to further financial products like prepaid cards or mobile wallets. This transition was reinforced by training and mentoring on financial literacy and economic and social empowerment topics.

While the security aspects related to the pooled funds had been dealt with (digital locks, multi-person access), the lockdowns and social distancing mandates disrupted women's ability to build social capital in their group interactions. It also meant money could not be physically pooled and paid into an account. Through remote meetings, group members could digitally transfer their respective contributions. However, as many rural VSLA members did not have national IDs, NCW's team came in with its capacity-building efforts and sped up issuing national IDs.

The CBE accomplished its intended purpose through the initiative with relatively high transaction numbers. The pandemic has made the VSLA group members more open to digital solutions to make their group resilient to disruption. They were also positively surprised by the features and utility of the digital wallet and actively promoted it in their community, creating powerful multiplier effects. VSLA members were open to cross-selling other DFS use cases beyond group savings and small-value loans.<sup>54</sup>

The CBE's experience confirmed that the reasons behind the low usage of (digital) formal financial services could be overcome through real value proposition and delivery and that the pandemic was a booster for DFS usage by the low-income women segment.

53 AFI member interview with The CBE, November 2021.

54 Ibid.

## THE ROLE OF DFS

The CBE highlighted that the pandemic presented a great opportunity for live-testing DFS infrastructure and the framework that the CBE built. Essentially, the CBE's exceptional degree of readiness was crucial in enabling the subsequent achievements.<sup>55</sup> A faster growth path was possible as the pandemic caused a shift in consumer perceptions and behavior in favor of DFS.<sup>56</sup>

DFS is considered a priority in Egypt's financial sector development priorities, guided by a focus on payments and a move to a less-cash economy. Like with the institutional setup, key initiatives on DFS had been prepared or launched before the pandemic. When the need for expedited migration to DFS became urgent, Egypt was ready to move.

One of the core elements is the National Payment Scheme Meeza Network, which consists of a Meeza Card that serves to funnel money to beneficiaries at a large scale (especially G2P) and subsequently use the cards through different e-channels and acceptance channels, such as ATMs, agents, and online and offline merchants, at a lower cost than international card schemes.<sup>57</sup> Meeza Digital, mobile wallets accessed via app or USSD shortcodes with a similar purpose as Meeza cards, offer easier money transfer features, bill payments, generating a virtual card number, account value load, and some other features and use cases that mainly fit the low-income, unbanked, and financially excluded segments. Licensed banks issue both Meeza cards and mobile wallets. MNOs backed by banks could also issue mobile wallets.

The digitization of all G2P programs in the country and requirements from certain thresholds to exclusively pay government taxes, dues, fines, and fees in cashless formats, supported by outreach activities and incentives, was the CBE's principal tools to drive the adoption of these DFS. All the above and new programs launched during the pandemic were the basis for the pandemic precaution measures, which aimed to promote financial inclusion, especially for women as the implicit or explicit target beneficiaries.

While cash alternatives existed, primarily by way of disbursement at Egypt Post offices, the CBE tried to incentivize using DFS by promoting it as a simple and convenient service with remote onboarding and a

lower cost (fee waivers),<sup>58</sup> as well as by the massive and expedited expansion of acceptance points where those opting for DFS receipt of their income could use it to pay for their cost-of-living.<sup>59</sup>

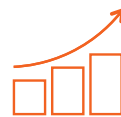
*“The pandemic pushed Egypt two to three years ahead in adopting digital payments.”*

Ehab Nasr, Assistant Sub-Governor,  
Payment Systems, The CBE

The empowerment of PSPs as key partners to banks (who will continue to ‘own the client’) in reaching, acquiring, and onboarding low-income clients was an important new feature that is seen as instrumental to the growth trajectory achieved by Egypt. Their easier physical and emotional approachability compared to branches is an important asset for the faster growth achieved with women during the pandemic.

Soon, the CBE intends to license “digital banks” as enabled by the new the CBE Law, indicating the continuing evolution of the DFS space in Egypt.

The progress achieved on DFS is running ahead of expectations.



Equivalent to nearly 40 percent of the adult population, 26 million Meeza users had more than 44 million cards by the end of 2021.

This is a 120 percent outperformance over the target set by the CBE for the number of cards upon the launch of this offer three years earlier.

The pandemic brought both an expansion and a deepening of DFS usage, especially in mobile money. The CBE's efforts during the pandemic increased the number of mobile wallet accounts, reaching about 28.3 million accounts by the end of June 2022, with an annual growth rate of 22 percent (compared to June 2021). On the other hand, the volume of monthly transactions reached about 40 million during June 2022, which represents an increase of 93 percent over June 2021. Moreover, the value of monthly transactions amounted to about 48.5 billion EGP in June 2022, an increase of 143 percent over June 2021. These figures are considered an indication of the reliability of the

55 Ibid.

56 AFI member interview with The CBE, February 2021.

57 Ibid.

58 eKYC for easier onboarding for mobile money products during waiver from March 2020 to September 2020: picture from photo and 16 digits of ID card; the measures resulted in 3 million new wallets opened.

59 AFI member interviews with The CBE, November and December 2021.



mobile payment services and the efficiency of the different use cases that are being provided to users.

It is worth noting that the CBE regulated digital saving and digital lending via mobile wallets in April 2021. The regulations should enable mobile wallet users to have their creditworthiness assessed and get a microloan instantly and remotely based on their behavioral scoring. The CBE is working on availing the service, which is planned to be launched in 2023. Facilitating access to credit should further enhance the value proposition of Egypt's DFS for segments that make only limited use of formal financial services.

Egypt's fragmented microfinance sector also came onto the radar for digitization. MFIs under the supervision of FRA need to use digital payment tools for disbursement and repayment collections. Like paying government dues, the maximum for cash payments is EGP500 (some USD16.50),<sup>60</sup> bringing all but the smallest microcredits into the space for digitization. In collaboration with the Egyptian Federation for Microfinance, the CBE is working on a project digitizing the microfinance loan disbursement and repayment processes by allowing banks to take MFIs as bank agents and issuing prepaid cards and wallets for their clients. A financial literacy Training of Trainer's was implemented for the Egyptian Federation for Microfinance and the MFIs to ensure that microfinance beneficiaries know how to use their digital financial products. Some MFIs are themselves adjusting to the world of DFS and have business models strongly aligned with the CBE's strategic objectives and the NPC's digitization vision. As microfinance borrowers in Egypt comprise more than 60 percent of women, these initiatives are bound to address women's uptake and active usage of DFS.<sup>61</sup>

## PUBLIC GOODS FOR DFS

With a view to the socio-economic benefits of DFS as spelled out in the national development plans that gave rise to Egypt's financial sector development approach, Egypt's public sector is willing to invest in the foundations for a DFS ecosystem.

For digital payments to become a fact of life, consumers, often women, must be able to make everyday purchases with DFS. By 2019, Egypt's banks had deployed 75,000 POS payment terminals in an economy with an estimated 2.45 million formal MSMEs. The CBE understood that this was insufficient for the DFS ambition, especially if the incomes of millions of Egyptians were to shift to DFS, as

intended for the Mobile wallet and Meeza prepaid card initiatives. As everyday use cases provided a key motivator for the adoption and continued use of DFS, the pandemic brought further urgency to cashless payments, and faster deployment of acceptance points became a priority.



With an EGP1 billion (USD55 million) program, in June 2020, when retail store attendance was still down by 60 percent, the CBE started to roll out up to 300,000 POS and 200,000 QR codes to micro and small businesses.

Catalyzed by this investment and the expansion of DFS users, Egypt managed to go from 75,000 to 800,000 POS within three years, one per 81 adults.<sup>62</sup> QR code rollout reached even 600,000 QR codes.



Image by Thales Botelho de Sousa/Unsplash

The return on this public investment also comes in the form of a lower fee for small merchants accepting payments via these funds, which would improve their willingness to offer clients this payment option.<sup>63</sup>

The September 2021 licensing of contactless payment acceptance that works with smartphones and small peripheral devices should expand this publicly-funded set of terminals with an even larger number of private handhelds.

<sup>62</sup> BusinessToday Egypt. 2022. The CBE to announce issuance of digital banking licenses. Available at: <https://www.businesstodayegypt.com/Article/1/1470/The-CBE-to-announce-issuance-of-digital-banking-licenses-in-E2%80%9Cnext>.

<sup>63</sup> AFI member interview with The CBE, March 2021.

<sup>60</sup> AFI member interview with The CBE, November 2021.

<sup>61</sup> Information by The CBE for this case study, February 2023.

Across all access channels, the CBE has worked to ensure full payment interoperability: P2P transactions, merchant acceptance, and ATMs are already part of the system. With the upcoming agent cash-in and cash-out,<sup>64</sup> Egypt will have provided an optimal infrastructure configuration to deal with women's time and mobility constraints. Their next access to cash (if still needed) is now only far away from home as the nearest service outlet of any type and by any provider. For any economy that has not yet mostly moved to cashless transactions, such a setup offers critical resilience to crises and disruptions in operating financial transactions.

Full interoperability also translates into a more level playing field where newer entrants can compete on the merits of the solution features as the wide networks of ATMs, agents, and POS can provide equal access.

In January 2022, the CBE launched an online portal where clients can manage all mobile wallets, whether to inquire about their wallet account service provider or deregister immediately to shift to another wallet service provider, to improve the user experience and help less digitally-savvy users keep oversight.<sup>65</sup> Following the tracks of markets in Asia and recently in Latin America (Brazil, Uruguay, Paraguay), Egypt launched the first instant payment solution with interoperability among banks and open APIs for FinTech (InstaPay smartphone app)<sup>66</sup> at the end of Q1-2022. The purpose was to bring the DFS user experience closer to cash exchanges. Egypt's universal payment interface backing the InstaPay app lays the infrastructural foundation for bigger plans: open banking that will allow providers (if clients enable them) an aggregate view of a client.<sup>67</sup>

In turn, open banking provides a new level of competitive dynamics for the market. It holds the prospect that the full data on customers' finances are available to match clients to suitable solutions and inform loan origination, especially for those with the most limited track records and least access to the assets conventionally sought for backing loans (for example, women).

## FROM INNOVATION TO INCLUSION

The universal payment interface exemplifies how Egypt seeks to ensure innovation delivers inclusion. Its interoperability and openness across providers and applications bring full network effects to all its users.

Financial technology and related innovation often focus on multi-banked middle-class clients and often showcase gender gaps exceeding those of mobile wallets and formal finance.<sup>68</sup> In seeking to create a conducive setting for local and international FinTech (including an Innovation Hub at its historic downtown Cairo HQ), the CBE seeks to ensure that innovation is put to the use of inclusion.

The regulatory sandbox set up by the CBE provides a testbed to explore where, within current regulations, innovation can drive inclusion and where regulation may have to evolve for this to happen effectively. In another incubator setting, the DFS Lab, the CBE was orchestrating support for FinTech innovations to address the gaps that stood in the way of more inclusion in the country.



Image by Rob/Unsplash

64 AFI member interview with The CBE, February 2022.

65 AhamOnline. 2022. Egypt's The CBE launches web portal for mobile phone wallet management. Available at: <https://english.ahram.org.eg/News/454702.aspx>.

66 The Paypers. 2022. The CBE rolls out InstaPay app for bank clients. Available at: <https://thepayers.com/online-payments/the-cbe-rolls-out-instapay-app-for-bank-clients--1255388>.

67 AFI member interview with The CBE, February 2022.

68 Feyen, Erik, Jon Frost, Leonardo Gambacorta, Harish Natarjan, and Matthew Saal. 2021. Fintech and the digital transformation of financial services: implications for market structure and public policy. White Paper, Bank for International Settlements. Financial Alliance for Women. 2021. Gender-Intelligent Fintech Design: How Fintechs can capture the Female Economy. Available at: <https://financialallianceforwomen.org/download/how-fintechs-can-capture-the-female-economy/?wpdmdl=20262>.



A dedicated “COVID-19 Innovation Sprint” held in 2021 had set out eight statements on the problem that had emerged during the pandemic, including remote lending and alternative data, KYC/remote onboarding, remote marketing, and education, which mirror the principal constraints women face in accessing and using formal finance.<sup>69</sup>

In the CBE's experience, for DFS innovation to support financial inclusion meaningfully, it needs to be purposefully steered to tackle those constraints and challenges that have held back conventional approaches. The pandemic highlighted those challenges. Taking stock of these problems and putting them on a country's FinTech agenda is a good way to ensure the next crisis can be met with more coping mechanisms and resilience.

### **FUTURE DIGITAL FINANCE SERVICES PROJECTS**

In addition to its efforts to promote financial inclusion for women, especially during the pandemic, the CBE seized the opportunity of this digital adoption period to enhance the payment ecosystem in Egypt, provide new digital infrastructure and use cases, and work on future promising projects that would help women's financial inclusion, such as the following:

#### **ELECTRONIC CUSTOMER IDENTIFICATION DIGITAL FINANCIAL IDENTITY**

The e-KYC aims to develop the Egyptian banking and financial sector by providing a secure electronic means for users of financial services to create a digital financial identity by verifying customer data electronically. E-KYC thereby allows customers to open bank accounts electronically and remotely without going to the bank branch, which is reflected in the process of onboarding new customers with banks by electronic means in an easy, fast, and safe way, reducing paper procedures and footfall at bank branches to register and obtain other financial services, such as verifying the customer's risky financial transactions electronically.

#### **DIGITAL SAVINGS AND LENDING THROUGH A MOBILE WALLET**

The project aims to instantly provide electronic borrowing to mobile wallet customers through a secured channel based on their behavior, thanks to alternative credit scoring/behavioral scoring. The regulations for this service were issued in April 2021.



Image by David Dvoracek/Unsplash

The CBE is working with the Egyptian Credit Bureau I-Score to finalize the technical aspects of the project so that the citizens can borrow in real time around the clock through their e-wallet in 2023.

#### **CENTRAL BANK'S DIGITAL CURRENCIES**

To complement the steps that the The CBE has taken against the spread and trading of cryptocurrencies, the Central Bank is studying the application of Central Bank digital currencies, which are safe and stable as an alternative to other types of cryptocurrencies and their risks. A steering committee headed by the CBE was formed among all concerned parties (relevant ministries and national authorities) to develop the project's feasibility study. The CBE is progressing in the exploration and study phase, cooperating with several international institutions.

#### **SETTING REGULATIONS ON THE ESTABLISHMENT OF DIGITAL BANKS IN EGYPT**

Digital banks are considered one of the most important tools for providing banking services electronically to customers, which greatly impacts achieving financial inclusion. The CBE identified a need to develop a supervisory and legislative framework to create a new type of bank that provides services electronically and attracts a new segment of customers. the CBE is currently developing the licensing and regulatory framework for digital banks.

69 Fintech Egypt. 2021. COVID-19 Innovation Sprint Demo Day. Available at: <https://fintech-egypt.com/C19Innovation>. FinTech Egypt Dialogue, DFS Lab webinar, held on 11 February 2021 (no recording); AFI member interview with The CBE, February 2022.



## CONCLUSIONS

Egypt presents an encouraging case of the opportunities that may be hidden in a crisis. During the pandemic, women's financial inclusion appears to have been promoted, not merely protected. The key to this was a purposeful transition to a less-cash economy by creating easier and more universal use cases and bringing the weight of government as an economic actor into the DFS agenda.



Image by Simon Berger / Unsplash

While crisis relief policies provided additional momentum, the various regulatory and infrastructural enablers in a less-cash economy and financial inclusion strategy were crucial for getting to the scale of the growth experienced during the crisis. With gender increasingly mainstreamed into the activities of the CBE and the government of Egypt, women's financial inclusion appears to have benefited from a faster growth trajectory in those years.

In the years leading up to the pandemic, Egypt had strong institutional momentum for bringing the country's financial sector to the most modern standard, including an impetus for advancing financial inclusion. This preparedness set clear initiatives that could be expedited to rise to the challenge of the pandemic. The routines of stakeholder collaboration that had been established and enjoyed the visible support of the Presidency proved essential.

It highlights that, over and above the regular promotion of financial inclusion, diligent structuring of such an effort as a multi-stakeholder venture with well-defined initiatives constitutes a force multiplier when faced with crises that may occur with increased frequency in the "new normal."

Orchestrated by the CBE but organized as a whole-of-government effort, payments constitute the principal vector of this development strategy. The institutional focus on expanding and digitizing the use of payments coincided well with the challenges of the pandemic. On the one hand, sustaining economic transactions during lockdowns and social distancing plus funneling financial support to households and businesses swiftly and efficiently, and on the other hand, with an implicit and partly explicit focus on women as target beneficiaries for such livelihood support and pivotal constituency for payments at small businesses.

Understanding that financial inclusion needs to be delivered by financial service providers, the CBE also revised its approach to the sector. Commercial banks, whose business models and operational practices had remained directed at urban, middle-class clients and the formal economy, now need to specify how they intend to contribute to inclusion and institutionalize these efforts. The enabling of non-bank players, especially payments service providers, introduced their leaner, more focused operations, proving their strength in GIF: reaching, acquiring, onboarding low-income clients, and servicing low-value transactions.

Finally, the promotion of FinTech deliberately aligned with the major challenges and gaps identified for realizing inclusion should also put innovation in the service of this cause. Beyond the remit of regulators, startups looking to formalize retail distribution concepts hint at the promise of "embedded finance" in markets like Egypt, where working capital finance remains scarce. Women play a central role in these considerations. Policymakers may be well advised to enlist such willing support for financial inclusion by facilitating regulatory or accounting obstacles to more funding coming to small (women) online and offline merchants.<sup>70</sup>

This resulting web of cooperating and competing providers should constitute a sector more capable and willing to push the frontiers of formal finance. But the CBE was also willing to further support such capabilities by investing in "public goods": a publicly funded rollout of large numbers of payment terminals at a reduced

<sup>70</sup> Examples in Egypt include MaxAB in retail distribution, Capiter looking to fund merchants and partnering with bank QNB AlAhli, and Brimore an eCommerce platform with female sales agents.

cost of use for small merchants, a movable collateral registry, and a hub to collect, analyze, and make available alternative data to originate loans without the past near-exclusive reliance on collateral. By creating such an enabling infrastructure, the CBE was addressing some of the most intractable challenges to women's access to finance.

Microfinance, supervised separately by the FRA, may constitute an area where increased regulatory cooperation may hold further upside. The emergence of some newer providers in this space who seek to harness a digital business model may hint at the promise of scaling the sector up to millions of users rather than just hundreds of thousands.

Finally, the CBE has moved to one of the pole positions among regulators globally in harnessing data, with many of the benefits yet to accrue when financial inclusion insights and behavioral data for lending decisions become part of the financial systems' routine.

All these developments offer the prospect that the MENA region's most populous country can continue the trajectory of expedited inclusion and women's access and usage catching up to men's that the newly released Core Set of Financial Inclusion Indicators has shown.

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## APPENDIX

### COUNTRY SNAPSHOT: EGYPT

#### Population & Social Development

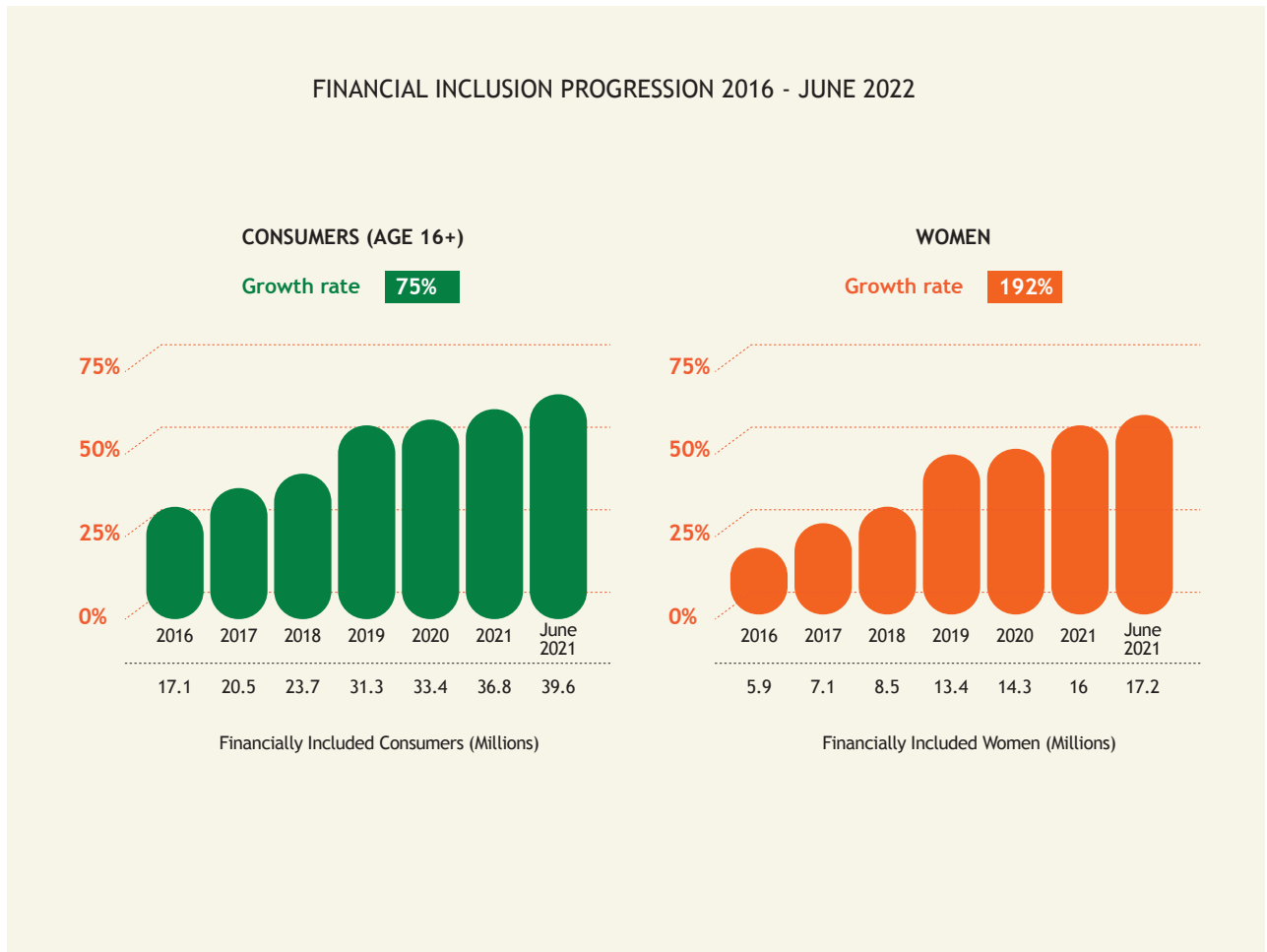
Population, total	100,388,073	GDP growth (annual percent)	5.56%
Life expectancy	71.8 years	Poverty gap at \$1.90 a day (2011 PPP) (percent)	0.60%
HDI rank	116 of 189	Social institutions and gender Index (SIGI, 2019)	70.30%
Languages	Arabic	Urban population (percent of total population)	42.73%

#### Economy

GNI per capita (PPP)	\$ 11,579	Tax revenue (percent of GDP)	13%
Status	Lower middle income	Government expenditure (percent of GDP)	27%
GINI index (World Bank estimate)	32	Manufacturing, value added (percent of GDP)	16%
percent SME Female owned	6%	Ease of Doing Business Rank	114 of 190

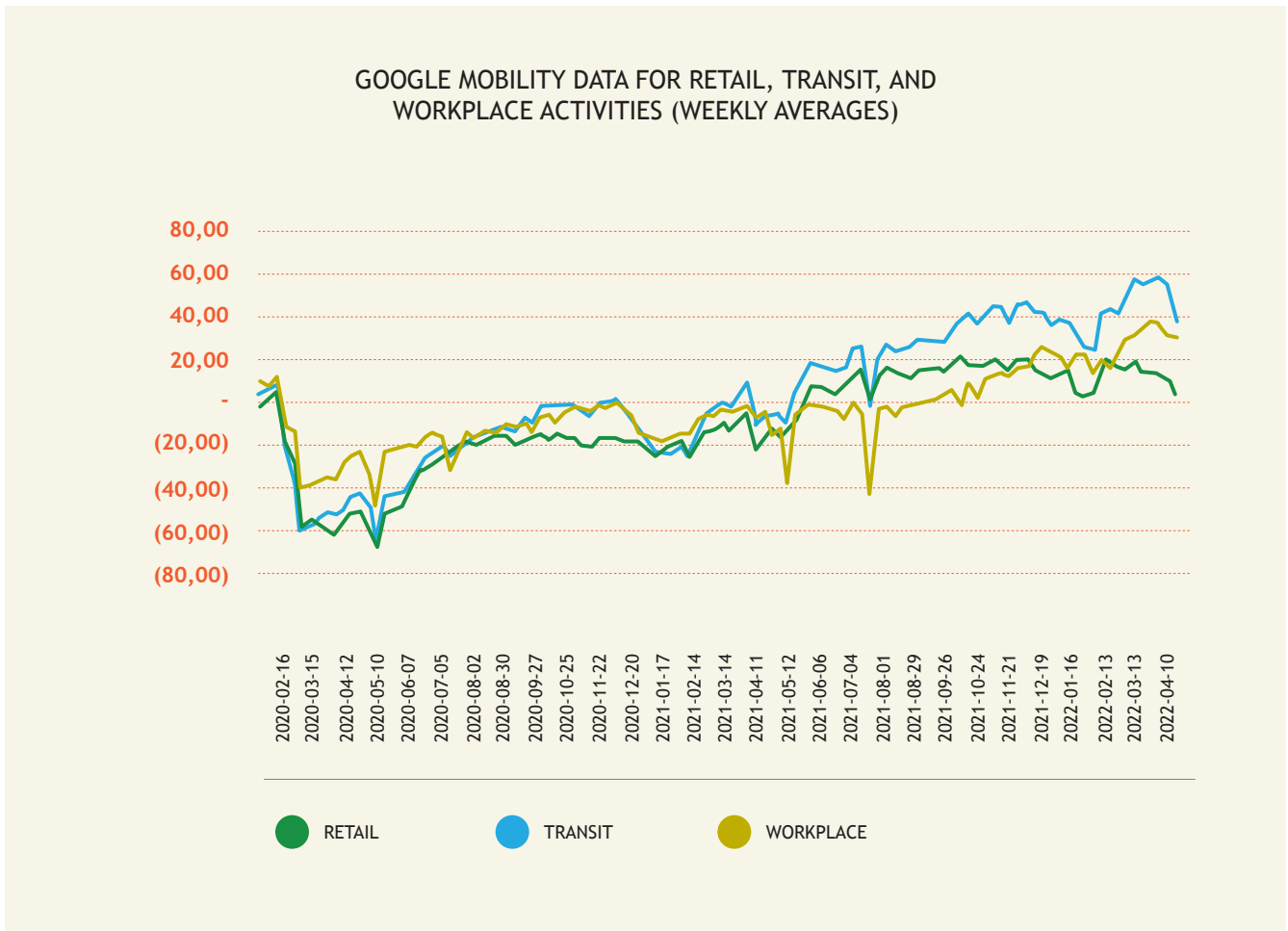
**FINANCIAL INCLUSION**

Note: figures shown below are calculated based on the Core Financial Inclusion Indicators released by the CBE as of June 2022 for adults defined as 16 years and above.



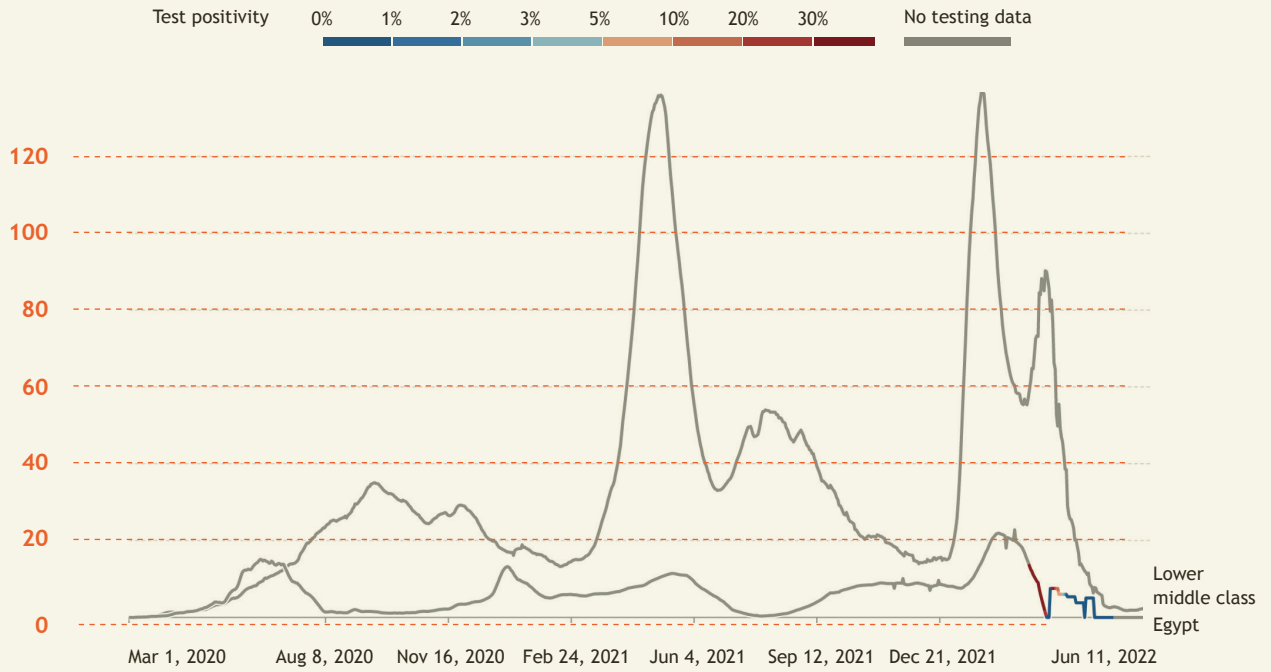
COVID-19 IMPACT

The Google mobility data reveals shifts in activity across various public settings such as shops, restaurants, workplaces, parks, and more. These changes are measured in comparison to a baseline, which represents the median value for the corresponding day of the week, focusing on the period between 3 January and 6 February 2020





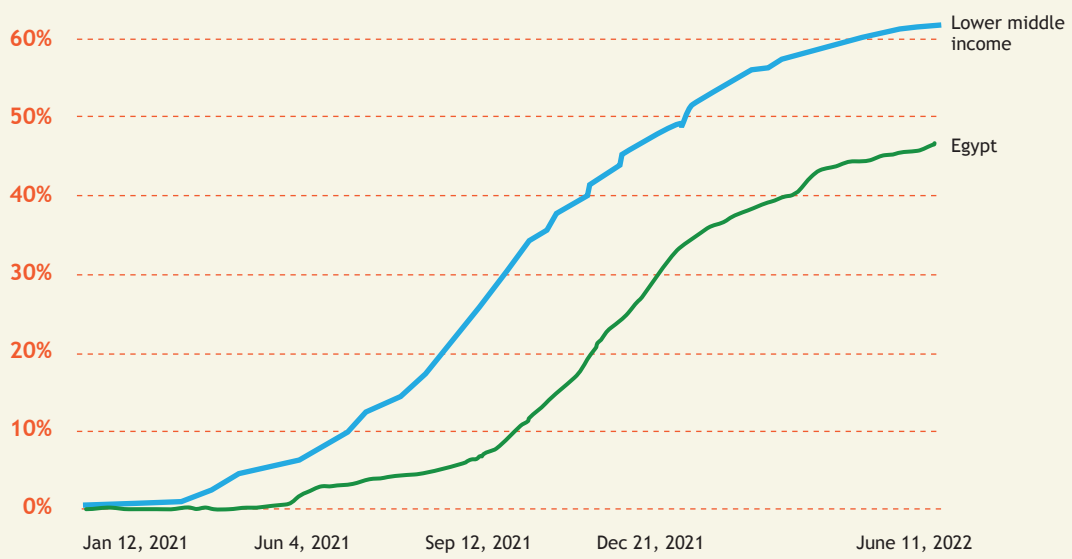
### DAILY NEW CONFIRMED COVID-19 CASES PER MILLION PEOPLE



Source: John Hopkins University CSSE COVID-19 Data, Official data collated by Our World in Data

### SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF COVID-19 VACCINE

Total number of people who received at least one vaccine dose, divided by the population of the country



Source: Official data collated by Our World in Data

## ACRONYMS

The CBE	Central Bank of Egypt
DFS	Digital Financial Services
EBC	Egyptian Banks Company for Technological Advancement
FRA	Financial Regulatory Authority
G2P	Government-to-people Programs
GIF	Gender Inclusive Finance
ICT	Information and Communication Technologies
IMF	International Monetary Fund
KYC	Know-your-customer
MCIT	Ministry of Communications and Information Technology
MENA	Middle East and North Africa
MFI	Microfinance Institution
MNO	Mobile Network Operators
MSME	Micro, Small, and Medium-sized Enterprise
NCW	National Council for Women
NPC	National Payments Council
POS	Points of Sale
PSP	Payment Service Provider
SME	Small and Medium Enterprise
VSLA	Village Savings and Loans Associations



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