

SBN Member Case Study – COVID Special

Egypt – Proactive Precautionary Measures Led by the Central Bank*

The Central Bank of Egypt (CBE) is taking proactive precautionary measures to curb and offset the negative implications of the COVID-19 virus outbreak. The below measures were adopted by CBE from March 15th to ensure the safety of individuals and the continuity and viability of businesses.



On the macro monetary policy level, CBE's Monetary Policy Committee decided to cut the interest rates by 3% in an unscheduled meeting on March 16th. This preemptive decision was introduced to support national economic activities disrupted by the outbreak.

To further support the viability of businesses, especially SMEs, the following specific measures were put in place:

- CBE launched new initiatives and introduced adjustments on the interest rates applied on CBE's existing initiatives for the industrial, agricultural, and housing sectors, to be offered by banks at lower interest rates.
- Given that the tourism sector has been the most adversely impacted by COVID-19, CBE launched an initiative to finance this specific sector at a preferred interest rate with repayment tenor of two years. A grace period will also be allowed of up to 6 months starting from the date of granting the facility.
- CBE mandated banks to extend credit limits to finance working capital and OpEx for companies to meet their expenses, especially salaries.
- In addition to the above initiatives, CBE directed banks to develop immediate support plans for the most impacted economic sectors.

To ease the pressure of the unfolding coronavirus crisis, CBE mandated banks to postpone the repayment of all loans (whether to individuals or corporates) for a period of 6 months with no penalties and without classifying the borrowers as non-performing.

In light of the CBE measures to support non-performing clients (individuals and businesses) by easing their access to finance in the formal financial sector, the CBE board amended the decree regarding the credit registry rules for this category of clients, to enact the following:

- Canceling the blacklist for enterprises, and the negative list for individuals.
- Lifting the ban on dealing with non-performing clients (within specific categories).
- Decreasing the disclosure period of historical data (after repayment) on non-performing clients.
- Removing the data on non-performing individuals below a certain threshold (EGP 1000), and hence giving them access to credit.

* This case study is provided by Mr. Walid Ali, the General Department Head at the Central Bank of Egypt. For more information on the Central Bank of Egypt and its activities, please visit its website cbe.org.eg/en. For more SBN case studies, visit: www.ifc.org/sbn or [follow us on LinkedIn](#).

To ease citizens' access to funds and reduce physical presence in bank branches, CBE further promoted the use of digital financial tools through a number of measures. These included increasing the existing limits of wallets and prepaid cards; allowing issuance of wallets and contactless cards at no fee for 6 months; allowing banks to open new wallet accounts in electronic formats; and putting limits on cash withdrawals to avoid risks of spreading the virus through cash, while exempting local transfers in Egyptian Pounds from all fees and commissions in addition to suspending fees on ATMs, POS and other electronic channels for 6 months.

On the institutional level, at CBE and within the banking sector, CBE endorsed the use of technology and allowed for virtual meetings, including for Board of Directors. This aligns with the decree by Egypt's Prime Minister (PM) calling for institutions nationwide to reduce human capital presence to the minimum for sanitary precautions. The PM decree also enables working women to work from home or take paid leave if they have children below the age of 12 years.

The above-mentioned measures introduced by CBE are inclusive and address the immediate needs of all segments of society, including individuals (youth, women, children, etc.), self-employed persons, and MSMEs. In the meantime, CBE is closely monitoring the market and is committed to introducing further measures as needed in order to alleviate the adverse economic and financial effects of the COVID-19 outbreak.

About the Sustainable Banking Network (SBN)

Established in 2012, SBN is a voluntary community of financial sector regulatory agencies and banking associations from emerging markets committed to advancing sustainable finance. The first global network of its kind focused on sustainable finance at market level, SBN represents 39 countries and US\$43 trillion (86 percent) of the total banking assets in emerging markets. SBN members are committed to moving their financial sectors towards sustainability, with the twin goals of improved environmental and social risk management (including disclosure of climate risks) and increased capital flows to activities with positive climate, environmental, and social impact. IFC is Secretariat and technical partner, assisting members to share knowledge and access capacity building that helps them design and implement national sustainable finance initiatives. For more information, visit www.ifc.org/sbn.

About Central Bank of Egypt (CBE)

The Central Bank of Egypt (CBE) is an autonomous regulatory body, assuming the authorities and powers vested therein by Law No. 88 for 2003, and the Presidential Decree No. 65 for 2004. The main objectives and functions of the CBE are as follows:

- Realizing price stability and ensuring the soundness of the banking system.
- Formulating and implementing the monetary, credit & banking policies.
- Issuing banknotes and determining their denominations and specifications.
- Supervising the banking sector.
- Managing the foreign currency international reserves of the country.
- Regulating the functioning of the foreign exchange market.
- Supervising the national payments' system.
- Recording and following up on Egypt's external debt (public and private)

For more information, visit <https://www.cbe.org.eg/en>.