

# IFC Mobile Money Scoping Country Report: Egypt

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# Egypt Summary

Overall Readiness Ranking	3 (moderate)
Current Mobile Money Solution	Mobile money is poised to take off, but waiting for final regulatory approval
Population	82 million (mid-size)
Mobile Penetration	73% (high)
Banked Population	5% through formal banks, and 36% when informal players added
Remittance % of GDP	3.5% of GDP
Percent under poverty line	20% - 2005 data (moderate)
Economically Active population	21.6% (Low)
Adult Literacy	71.4%, expected to exceed 80% in 2011 (High)
Mobile Network Operators	Vodafone (39%) Mobinil (37%) Etisalat (34%) There is no dominant MNO, two operators vying for leadership
Additional comments	In February 2011, Egypt had a political revolution that toppled the dictator. Protests continue since the people are not satisfied with the transitional government. While this creates uncertainty, there is also great hope. Two regulators are involved in the mobile payments space, which has created confusion in the market. Prior to the revolution, one of those regulators, the NTRA, cause all MFS activity to stop. In May 2011, the NTRA released “conditional” approval for MFS. MNOs and third-party providers are now waiting for final clearance.

- Macro-economic Overview
- Regulations
- Financial Sector
- Telecom Sector
- Distribution Channel
- Mobile Financial Services Landscape

# Mobile Banking Market Potential

## Key Country Statistics

- Population: 82 million
- Age distribution: 32.7% (0-14 years), 62.8% (15-64 years), 4.5% (over 65 years)
- Urban/rural split: 43% urban
- GDP (PPP): \$500.9 billion, 27<sup>th</sup> globally
- GDP per capita (PPP): \$6,200, 136<sup>th</sup> globally
- Population below poverty line: 20% (2005 data)
- Economically active: 26.1 million, 9.7% unemployed in 2010 up to 11.5% in Apr 2011
- Literacy rate: 71.4%
- Banking penetration: 5% through formal banks and 36% when informal players added
- Mobile phone penetration: 73%
- Remittance (% of GDP): 3.5%

## Insights

- As a result of a political revolution in early 2011, appetite for change is high but too early to determine how this will impact mobile money, particularly in terms of regulations.
- High literacy rates and openness to technology are enabling factors. Internet usage jumped from 17 million in January 2011 to 25 million the following month due to the revolution.
- The combination of high mobile penetration and a relatively small population receiving financial services means there is an opportunity for mobile money.
- Egyptians need to see value proposition before using a new service. Although internet service jumped during the revolution, movement from scratch cards to electronic top-up has been slow. Saw same reluctance with uptake of credit and debit cards. This suggests a need for extensive customer awareness campaigns.
- There are opportunities for both G2P payments and international remittances over medium and longer terms.
- MNOs, banks, and third-party providers are building the infrastructural elements to be ready to launch full services as soon as regulations allow.

CIA Factbook: <https://www.cia.gov/library/publications/the-world-factbook/geos/eg.html>

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# Regulatory Bodies Involved in Mobile Banking

## Roles & Responsibilities

### Central Bank of Egypt (CBE)

- Supervises activity related to the banking business, including deposits
- New financial activities and services require CBE approval
- CBE currently provides e-money license to banks. Attempting to get rights for non-banks
- Supervises the national payments system
- Supporting development of central switching solution through EBC, a company in which CBE has a majority share (54%)

### National Telecom Regulatory Authority (NTRA)

- Ensure telecom services reach all areas of the country
- Monitor technical and economic efficiency for all telecommunications services
- NTRA approval required before MNO can launch new services.
- Protect national security & state interests, thus concern about cash-in/out role of agents with current deterioration of security
- NTRA is influenced by its Board, which includes leading members of military units

## Implications

- CBE and NTRA are both involved in licensing e-money. CBE licenses banks, NTRA MNOs. Lack of NTRA approval caused delays.
- In Feb 2010, CBE released regulations allowing banks to deliver financial services subject to licensing by CBE.
- NTRA put restrictions in place that stopped launch. Security, AML, and terrorism concerns were cited. Politics also likely.
- Oct/Nov 2010 elections delayed progress. As things started moving, a revolution in early 2011 which brought progress to a halt again.
- In May 2011, NTRA gave “conditional” approval for MNOs to provide e-money, but no written approval has been communicated.
- Unclear which body determines which entities can function as agents, NTRA wants a role.
- Steering committee was suggested, but never happened.

# Regulatory Framework, slide 1

## Mobile Money Issuers

### Current Regulations

- CBE issued regulations in March 2010
- The right to issue electronic money units is limited to the banks
- CBE supervises the bank after approving the provision of e-money services
- MNO's role is to provide the technology and telecommunications infrastructures
- No more than 5% of the bank's issued capital or \$8.3 million, whichever is less, can be issues as e-money

## Agents

- Only MNO-owned shops and bank branches can currently function as agents
- CBE claims that it is open to enabling retail chains to serve as agents, but it does not believe small shops should be involved
- Ultimately it is the banks' decision about what entities serve as agents
- Agents can perform KYC, register new users, and provide cash-in and cash-out services

### Implications

- To participate in the mobile banking business, non-banks must have a bank partner
  - The bank needs to maintain cash deposits, ensure KYC and AML requirements met, create a risk management framework, and settle accounts
  - Although banks can utilize service providers there is no clarity about the role of independent multi-bank, multi-operator providers
  - CBE claims they are open to third-parties, but will most likely require bank partners.
  - The capital limitations for issuing banks are likely to become restrictive as volumes grow
- 
- The current regulations severely limit the ability of mobile banking services to expand
  - Seems to be a desire among regulators and banks to “move one step at a time”
  - Some of the banks are also being very cautious about the entities that can be agents
  - Unlikely that the situation will change until the solution is in the market and there are proof points

# Regulatory Framework, slide 2

## Current Regulations

### KYC/AML

- Account opening must take place at bank branch or service provider's location
- National id, birth date, and mobile number are required
- Information checked against national id and AML database prior to authorization

### Services Allowed

- Domestic money transfer is the only service authorized at this stage
- Money transfers may not take place between accounts in the issuing banks, or between banks - except for mobile phone account managed by other banks
- Changes made to the service or new services require CBE approval
- Changes to the cost of service also needs to be reported to CBE

### Account Limits

- Each mobile phone number can only be connected to one mobile money account
- Maximum daily withdrawal limit is \$500
- Maximum account balance is \$835

## Implications

- Since all Egyptian citizens have a national id and since agents can perform KYC, these requirements are not onerous

- This is a highly restrictive environment that will create financial silos
- CBE claims that the current restrictions are for Phase 1 only. IF there are no problems, they will allow other services as long as customer rights are considered in proposals
- What is currently allowed in Egypt can almost be viewed as a pilot

- Single account provision is likely to have more of an impact on the banked, thus can limit value proposition for early adopters
- Lower daily limits can be set by banks

# Regulatory Framework, slide 3

## Current Regulations

### Interoperability

- CBE wants interoperability between mobile money solutions within 6 months of launch
- Interoperability will be based on specifications CBE will develop
- CBE is pushing for their partner, Egyptian Banking Company (EBC) to provide switching, clearing, and settlement services between e-money accounts

### Customer Protection

- Banks establish customer protection and conflict resolution policies

## Implications

- Most players feel that CBE is trying to force interoperability
- No one in the market believes that they will be able to achieve interoperability within the 6 month period
- Even EBC will not be ready to provide settlement services until mid-2012, even they think the six month requirement is “optimistic”
- EBC plans to start with one MNO, Etisalat, and two banks - National Bank of Egypt and Banque Misr

- Ultimate responsibility for customer protection and data security resides with the bank

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# Financial System Overview

4 million people, 5% of the population, are served through commercial banks  
4.5 million are served through the government owned PBDAC  
21 million people have savings accounts through the Post Office

## Banks

- Egypt has 39 banks: 5 public, 27 private and joint venture banks, and 7 branches of foreign banks.
- Of the 5 public banks, 2 are specialized, an example is the PBDAC (Principle Bank for Development and Agricultural Credit)
- Combined the banking sector has a total of 3,443 branches: 2088 branches of public banks, 1270 joint venture and private, and 85 branches foreign.
- Thus 60% of the bank branches are provided by the public sector.

Source: CBE 2009

## Microfinance Institutions

- There are an estimated 1.4 to 1.6 million active MFI clients
- 6 NGOs represent 60% of the market, there are 450-600 smaller organizations
- Four banks deliver microfinance services - Banque Du Cair, Banque Misr, Bank of Alexandria, and National Development Bank
- National Bank of Egypt plans to downscale to deliver services
- MFIs cannot accept deposits, nor can they provide insurance
- ISCORE (credit bureau) will provide its services to MFIs at a discounted rate

## Payment Infrastructure

- Egypt has approximately 4,600 ATMs and 35,000 POS terminals - the exact numbers are not available
- The country does not have a national POS infrastructure. All POS networks switch through VISA and MasterCard
- Commercial International Bank (CIB), Arab Bank, Banque Misr, and National Bank of Egypt have POS licenses

## Switching, Clearing & Settlement

- EBC is owned by a combination of government (54%) and Private banks
- 123 is the company's shared infrastructure for ATM and POS terminals, switching is handled by VISA and MC
- EBC has been tasked with providing an open network for mobile payments to link banks and MNOs
- EBC planning to launch a card-based mobile solution with MC by mid 2012. First to launch are NBE, Misr and du Caire.

# Banking Sector

<b>National Bank of Egypt - NBE (public)</b>	<ul style="list-style-type: none"> <li>• 4 million customers, 2.6 of which are unique customers</li> </ul>	<ul style="list-style-type: none"> <li>• 255 branches</li> <li>• 1,000 ATMs</li> <li>• 6,000 POS terminals</li> </ul>	<ul style="list-style-type: none"> <li>• Egypt's oldest and largest commercial bank - 1 of 4 banks with POS license</li> <li>• Working with EBC and Fawry</li> </ul>
<b>Bank of Alexandria (private)</b>	<ul style="list-style-type: none"> <li>• 1.5 million customers</li> </ul>	<ul style="list-style-type: none"> <li>• 200 branches</li> <li>• 229 ATMs</li> <li>• No POS terminals</li> </ul>	<ul style="list-style-type: none"> <li>• Working with Fawry for bill payments</li> <li>• One of five banks that provides MFI services</li> </ul>
<b>Housing and Development Bank (public/private)</b>	<ul style="list-style-type: none"> <li>• 700.000 customers</li> </ul>	<ul style="list-style-type: none"> <li>• 59 branches</li> <li>• 130 ATMs</li> <li>• 70 POS terminals</li> </ul>	<ul style="list-style-type: none"> <li>• 60% public and 40% private sector ownership</li> <li>• E-money partnership with Vodafone</li> </ul>
<b>BNP Paribas (private)</b>	<ul style="list-style-type: none"> <li>• 170,000 retail customers</li> </ul>	<ul style="list-style-type: none"> <li>• 67 branches</li> <li>• 120 ATMs</li> <li>• No POS terminals</li> </ul>	<ul style="list-style-type: none"> <li>• Operations in more than 80 countries</li> <li>• Partnership with Orange in Ivory Coast</li> <li>• Partnership with Mobinil in Egypt</li> </ul>
<b>Banque du Caire (public)</b>	<ul style="list-style-type: none"> <li>• n/a customers</li> </ul>	<ul style="list-style-type: none"> <li>• 231 branches</li> <li>• n/a ATMs</li> <li>• n/a POS terminals</li> </ul>	<ul style="list-style-type: none"> <li>• NBE and Caire will be first two banks to work with the EBC</li> <li>• Also working quietly with Etisalat</li> </ul>
<b>Commercial International Bank (private)</b>	<ul style="list-style-type: none"> <li>• 900,000 customers</li> </ul>	<ul style="list-style-type: none"> <li>• 155 branches</li> <li>• 525 ATMs</li> <li>• 8,000 POS terminals</li> </ul>	<ul style="list-style-type: none"> <li>• Holds largest market capital in Egypt</li> <li>• Established as JV between NBE and Chase Manhattan Bank in 1975</li> </ul>
<b>Banque Misr (public)</b>	<ul style="list-style-type: none"> <li>• 6 million customers (according to bank website)</li> </ul>	<ul style="list-style-type: none"> <li>• 470 branches</li> <li>• 700 ATMs</li> <li>• n/a POS terminals</li> </ul>	<ul style="list-style-type: none"> <li>• Second largest commercial bank</li> <li>• Provides MFI services, has POS license</li> <li>• Expressed interest in mobile banking</li> </ul>

Banks indicated on this slide are those who have an interest in transformative banking to reach down market at some point in the future.

# Microfinance Sector

Total customer base of 1.4 to 1.6 million, with 6 MFIs controlling over 60% of active clients  
 Microfinance institutions across Egypt have reached maturity -> opportunity to accept more risk

<b>Alexandria Business Association (ABA)</b>	<ul style="list-style-type: none"> <li>• 135,000 customers</li> <li>• 55 branches</li> </ul>	<ul style="list-style-type: none"> <li>• Loan portfolio: \$38.5 million</li> <li>• Average loan balance: \$285</li> </ul>	<ul style="list-style-type: none"> <li>• Provides loans, training, and consulting</li> <li>• Focus on micro and SMEs</li> </ul>
<b>Al Tadamun</b>	<ul style="list-style-type: none"> <li>• 91,000 customers</li> <li>• 23 branches</li> </ul>	<ul style="list-style-type: none"> <li>• Loan portfolio: \$10.8 million</li> <li>• Average loan balance: \$119</li> </ul>	<ul style="list-style-type: none"> <li>• Provides group loans, seasonal loans, solidarity, scheme, and consulting</li> <li>• Focus on women micro-entrepreneurs</li> </ul>
<b>Assiut Businessmen Association</b>	<ul style="list-style-type: none"> <li>• 368,000 customers</li> <li>• 83 branches</li> </ul>	<ul style="list-style-type: none"> <li>• Loan portfolio: \$73 million</li> <li>• Average loan balance: \$193</li> </ul>	<ul style="list-style-type: none"> <li>• Provides loans and social projects</li> <li>• Additional focus on education and health</li> </ul>
<b>Dakahlya Businessmen's Association</b>	<ul style="list-style-type: none"> <li>• 104,000 customers</li> <li>• 11 branches</li> </ul>	<ul style="list-style-type: none"> <li>• Loan portfolio: \$24 million</li> <li>• Average loan balance: \$231</li> </ul>	<ul style="list-style-type: none"> <li>• Provides loans, training and consulting</li> <li>• Focus on low income families</li> </ul>
<b>Egyptian Small Enterprise Development</b>	<ul style="list-style-type: none"> <li>• 105,000 customers</li> <li>• 27 branches</li> </ul>	<ul style="list-style-type: none"> <li>• Loan portfolio: \$19.7 million</li> <li>• Average loan balance: \$188</li> </ul>	<ul style="list-style-type: none"> <li>• Provides loans, technical assistance, and training</li> </ul>
<b>Lead Foundation</b>	<ul style="list-style-type: none"> <li>• 173,000 customers</li> <li>• 19 Branches</li> </ul>	<ul style="list-style-type: none"> <li>• Loan portfolio: \$22.2 million</li> <li>• Average loan balance: \$128</li> </ul>	<ul style="list-style-type: none"> <li>• Provides loans to low income entrepreneurs, especially women</li> </ul>

Source: Mix Market, July 2011

# Other Important Financial Institutions

## Social Fund for Development (SFD)

- Permanent institution focused on alleviating poverty and reducing unemployment through interventions in community development and micro and small enterprise development
- Serves as APEX/wholesaler of capital funds to financial institutions and NGOs, also provides direct lending through its direct lending outlets. Works through a network of regional offices (27); one in each governorate and one in Luxor City.
- Disbursed almost 200,000 loans valued at over \$50 million through NGO intermediaries

## National Postal Authority - Egypt Post

- Serves 21 million people with 18 million savings accounts valued at US\$ 4 billion, offer a pension service for 3.5 million customers for insurance and another 1.3 million for solidarity - currently all handled manually
- Embarking on a very ambitious automation plan to allow for daily reconciliation. 1,200 of the offices are already automated, remainder will be automated over the next 2 years.
- Large network with 3,800 branches, 60% of which offer financial services. Also have 1,700 distribution centers that handle postal logistics. Egypt Post staff hand carry payments directly to 300,000 recipients.
- Wants to provide a third-party agent network and offer its customer base to mobile financial services providers.
- Claims to be working with an MNO, but will not say which. However, through its investment arm, Egypt Post has a 25% ownership stake in Etisalat.

## Principle Bank for Development and Agricultural Credit (PBDAC)

- Serves nearly 4 million people, and has deep outreach into rural areas via 1,500 Branches (with 30 000 employees)
- Serves nearly 3.8 million farmers and rural customers
- As of September 2009, the bank had \$4.6 billion (EGP27.66 billion) in assets.

# Payment Service Providers

## Fawry

- Business launched at the end of 2008, 6,000 POS terminals mainly in major cities
- Considered the largest and most successful of the PSPs in Egypt, currently exceeding 1 million transactions per month
- NBE, Bank of Cairo, Banque Misr, Bank of Alexandria, and Credite Agricole are all using the company's payment services. By end of 2011, seven more banks should join the network.
- Offers airtime, Internet, charity, brokerage, and Cash-U purchases
- Claims no interest in mobile money space at this time, because not enough funding to finance

## Masary

- Applications and Payment Systems Development (APSD) launched in April 2009, Masary is their brand. From April 2009 to April 2011, sold \$20 million in airtime credit
- Currently have 1,500 agents, with goal of 4,000 by end of 2011
- Sees their primary market as the unbanked and underbanked, thus building their agent network in rural areas first. Handling liquidity management for agents
- Very interested in piloting mobile money solutions, but know that the CBE currently will not allow their agents to cash-out. Currently cash-in, then funds used to purchase a service

## BEE

- Singapore-based company that created joint venture with a local company to enter the Egyptian market, launched locally in October 2010
- Currently 1,000 agents, though plans to have 15,000 by the end of 2011. Geographical focus is on Cairo, Delta, and Alexandria - similar to Fawry
- Provide bill payment for mobile and Internet services, also mobile top-up
- Working with Etisalat and Mobinil, competitors are working with all three MNOs in the country
- Intend to provide e-wallets, and have already started conversations with banks

# Payment, Clearing, and Settlement

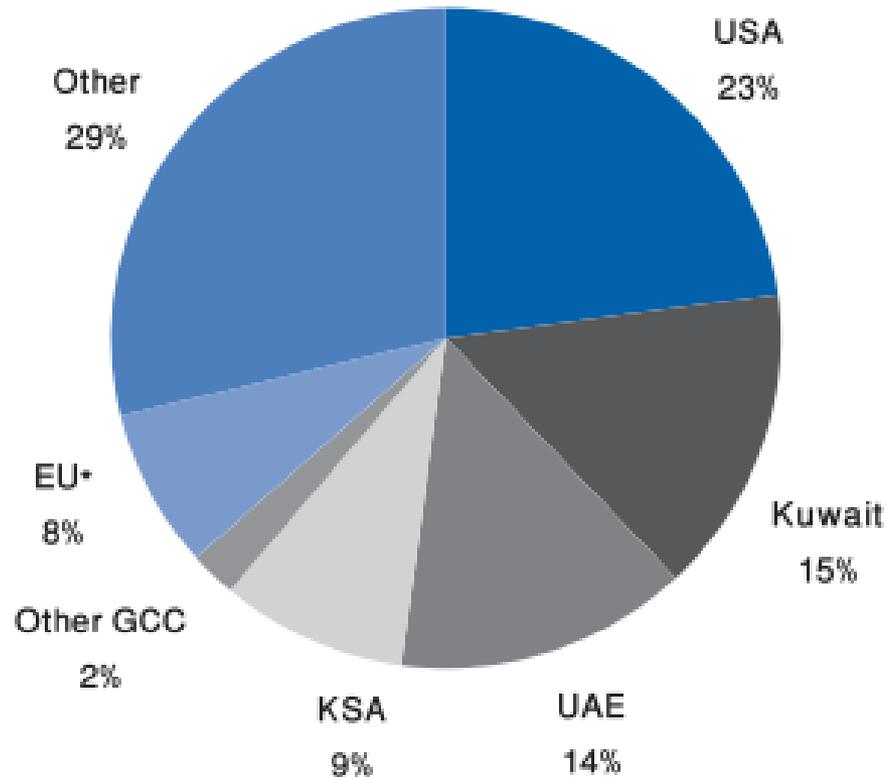
## Egyptian Bank Company (EBC)

- Established in 1995 under the sponsorship and approval of the Central Bank of Egypt, which retains a 27% share in the company. Another 27% owned by the National Investment Bank. Remaining shares split between 16 banks operating in the country.
- The objective of this technology company is to provide Egyptian banks with the infrastructure required for electronic payments and clearing systems in coordination with the CBE
- Operates 123, the platform that provides electronic switching and clearing of local debit transactions. Also functions as an international gateway through relationship with MasterCard



# Financial Flows - International Remittances

## Remittances sent by Egyptian Migrants

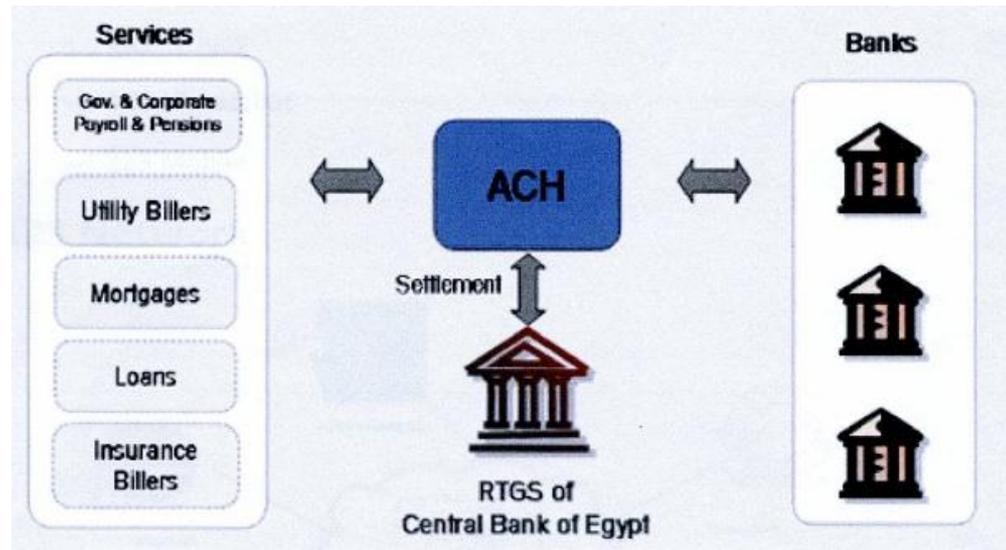


- It is estimated that 4.4% of the Egyptian population lives abroad, with the United States, Kuwait, and the United Arab Emirates as the top destinations
- International remittances from the United States alone was \$7.15 billion in 2009. From this we can extrapolate that the total flows were over \$31 that year.
- Inward remittance officially represents 3.5% of global GDP in 2010

Source: Central Bank of Egypt, 2009

# Financial Flows - Government

- EBC has a product to automate the salaries of 6 million people through a card-based system
- E-Finance is the technology arm of the Ministry of Finance. The organization sits in front of all government offices, such as tax collection, health care, and education.
- The Ministry of Finance has 30 million customers. They want to automate services through mobile networks.
- The Ministry of Finance issues 30,000 checks every day to suppliers alone.
- EBC is partnering with Fawry to access urban agents and Masary to access rural agents
- Four different ministries are involved in delivering subsidy payments.



Source: EBC 2011

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# Mobile Network Operators

More than 80 million mobile phones lines  
An estimated 60 million unique users - 75% penetration  
Close to 100% penetration among users that are more than 15 years old



- 31 million customers
- 37% market share

- Complex ownership structure
- Orange (36.4%)
- Orascom Telecom Holding (34.6%)

- Leveraging Orange mobile money implementations in 7 African countries
- Partnership across Africa has been with BNP Paribas, which will be Egyptian partner as well



- 32.8 million customers
- 39% market share

- Ownership:
- Vodafone Group (54.93%)
  - Telecom Egypt (44.95%)

- First in mobile money market with HBSB in 2008 - pilot failed
- Now partnering with Housing & Development Bank



- 20 million customers
- 24% market share

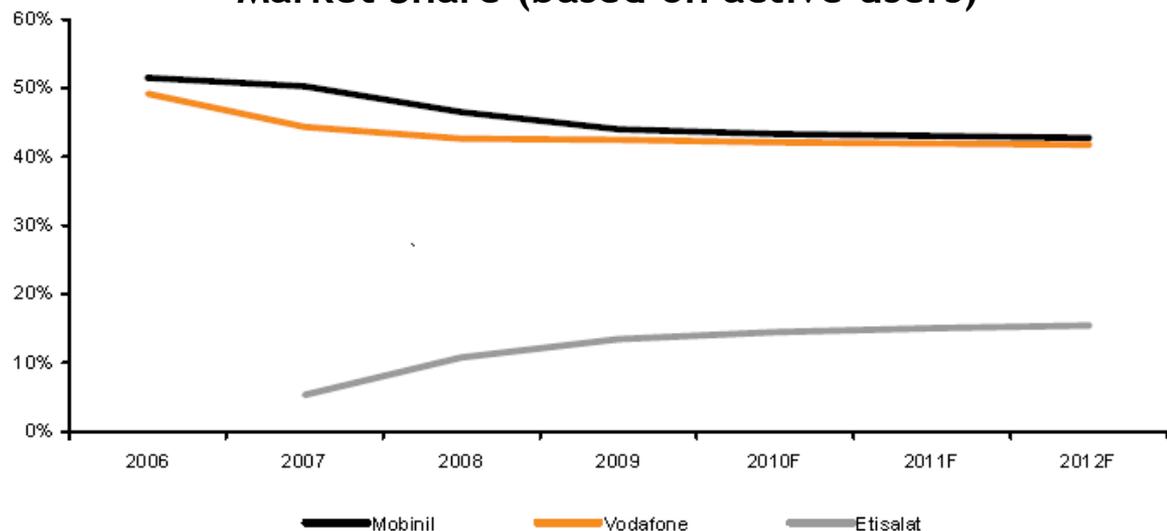
- Etisalat (65%)
- Egypt Post (25%)
- National Bank of Egypt (10%)

- 50 storefronts, over 100,000 agents
- International remittances opportunity to leverage presence in Saudi and UAE
- Working with Banque Misr and Banque de Caire

# Mobile Outlook

Mobile penetration is estimated to reach 80% of the population by the end of 2011

Market Share (based on active users)



Mobinil and Vodafone have been head-to-head on the market for years, so there is no market leader. The maturing market will push these two companies to:

- Address remote and disadvantaged populations
- Differentiate their products and services
- Look for additional revenue sources
- Reduce distribution costs and improve EBITDA

Etisalat seems more focused on the high-end market and shows the least progress toward mobile money.

Vodafone Cash resulted in a higher level of mobile money knowledge  
Former staff now at Etisalat, Masary, Fawry, and Egypt Post

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# Distribution Landscape

## MNO Agent Structure

### MNO Storefronts

- Vodafone: 100 owned
- Mobinil: 50 shops, 46 co-branded
- Etisalat: 40 shops, 50 co-branded

### Distribution Partners: Vodafone

- 4 distribution partners
- 800-900 exclusive dealers
- 5,000 non-exclusive dealers

### Distribution Partners: Etisalat

- 4 national distribution partners
- 30-40 regional distributors
- 1,000 POS terminals

### Airtime Resellers

- Over 100,000 claimed by each MNO
- Non-exclusive

Initially the only locations that can be used as mobile money agents, as determined by regulatory authority

Each MNO uses some of the same distribution partners. Fawry, Masary, and Bee considered among them.

There is no exact figure on the number of airtime resellers across the country. Most likely that the vast majority sell airtime for all three MNOs.

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# Transformative Mobile Banking Initiatives

## Vodafone with Housing & Development Bank

- Vodafone is the primary business driver, will provide technology, develop agent network, lead marketing, and offer customer services
- HDB will provide license, confirm KYC/AML, and audit financial flows
- Due to regulatory constraints, will launch with a P2P product only, but see bill payment as the product that will have more impact and provide more revenue
- Due to regulatory constraints, will launch with only 59 HDB branches and 100 Vodafone branded storefronts as agents
- Requested IFC to educate regulators and help with evolution of the Vodafone product

## BNP Paribas with Mobinil

- BNP Paribas views themselves as a key decision maker in the business because they believe that most aspects are ultimately their responsibility
- Bank will provide license, KYC vigilance, approval of agents, and financial audits
- Will launch with P2P transfer only, but really want to cross-sell to Mobinil customers
- Will launch with 67 bank branches and 100 Mobinil branded storefronts, BNP will require all sub-distributors to be clients of the bank
- BNP has partnered with Orange in Senegal, Mali, Côte d'Ivoire, Niger, Cameroon, Kenya, Madagascar, and Botswana - sees no role for IFC other than regulatory assistance

## EBC, 1-2 banks, and Etisalat

- EBC delivers a card-based solution to banks through their ATMs and POS networks, will work with Etisalat to deliver a mobile solution to their bank customers
- EBC is pushing banks to deploy e-payment solutions, anticipates that NBE and Banque de Caire likely to be the first two banks to pilot mobile financial services
- Envisions a pilot with 10,000 customers, 5,000 from each bank
- Branches of both banks and branded Etisalat storefronts will serve as agents, ie 745 sites
- None of the participants have prior mobile money expertise