

G2P Payment Arrangements in Egypt and COVID-19

Social Assistance

The “Takaful and Karama” cash transfer program (TKP) was launched in 2015² as a flagship social assistance initiative of the government. Takaful is a family income support program. It is a conditional cash transfers programme targeting poverty reduction and improved human development outcomes in health and education. Karama is an unconditional income support and social inclusion sub programme. The intended beneficiaries are the poor elderly (above age 65) and persons with severe disability.


The World Bank financed US\$400 million for the Strengthening Social Safety Nets Project (known as Takaful and Karama operation) in 2015 followed by an additional financing of \$500m signed with the Government of Egypt in September 2019.

Takaful is a conditional cash transfer (CCT) program providing households with children under 18 years of age with income support tied to improvement in specific behaviors related to education and healthcare. Takaful’s ‘co-responsibility’ approach focuses on household level decisions about child school attendance, improved family nutrition, and primary healthcare. Households receive a baseline monthly transfer of EGP 325 if households meet the following conditions: a) children between 6 to 18 years of age attend a minimum of 80 percent of school days; and b) mothers and their children under 6 years of age attend a minimum of 3 annual health care clinic visits. These visits monitor maternal and child health and wellbeing, ensure up-to-date health records and immunizations, and provide mothers with important primary healthcare (including pre-and postnatal care) and nutrition information sessions that result in increased healthcare outcomes for the entire household. Households are provided with an additional EGP 60 for every child between 0 to 6 years of age; EGP 80 for primary students; EGP 100 for preparatory stage students; and EGP 140 for secondary stage students. From November 2018, Takaful covers up to two children per household; and beneficiaries are recertified every three years. The conditionality element of Takaful was carefully designed to serve as a “nudge” to influence behavioral changes amongst Egypt’s poorest of the poor in the long term.

Karama, on the other hand, is an unconditional cash transfer program that targets the elderly poor (over 65 years of age), poor orphans and those living with permanent and severe disabilities. Eligible beneficiaries currently receive EGP 450 per month. In determining eligibility, a new functional disability assessment model has been rolled out across Egypt that moves away from a purely medical approach to disability to a more rights-based model. People with Disabilities (PWDs) have the right to education, the right to ease of access to any site, the right to be employed, and the right to receive pensions. PWDs endure difficulties on a daily basis and often receive little or no support from the community. The Karama program focuses

1 This case study has been prepared by Anand Raman, with inputs from Nahla Zeitoun, Oya Pinar Ardic Alper, Oleksiy Sluchynsky, and Souraya El Assiouty.

2 Takaful WB: <https://www.worldbank.org/en/news/feature/2019/03/14/egypt-empowering-women-trough-cash-transfers>



on turning disabilities into ability and the belief that everything is possible. It encourages companies to be open to employing PWDs and to give everyone equal opportunities.

As of May 2020, a total of 30.25 million applicants were registered on the TKP database. Of this number, 3.11 million beneficiary households were found eligible and enrolled, representing 11.1 million individuals across all 27 governorates, covering 345 districts, 5,630 villages, and 2,636 social units.³

Egyptian authorities had plans⁴ to launch a [new social protection program](#) as part of a new law for cash subsidies. The bill was expected to amalgamate all of the country's cash-subsidy schemes into the [Takaful and Karama program](#) (TKP).⁵

Social Insurance

Egypt's pension system is governed by the National Organization for Social Insurance (NOSI) under the Ministry of Social Solidarity (MoSS). Two pension funds, Public and Private Sector Insurance Fund (PPSIF) and the Government Sector Insurance Fund (GSIF), reporting to NOSI, are in charge of actual administration of various pension schemes. In August, 2019, the Government promulgated a new pension Law. The law provides for a unified framework for policy and management of the pension schemes. It appointed NOSI as a sole entity responsible for management of the reformed system. This institutional change also provides a context for modernization of the pension schemes, including investments in upgrading the business processes, capacity building, and infrastructure of service delivery, prioritizing Information and Communication Technology (ICT) systems.

Registration and eligibility determination for social assistance

TKP uses a hybrid targeting method including geographical (poorest districts), categorical and proxy-means testing to identify the eligible poor households. The selection is done by the 12,000 trained social workers.

The Egyptian Government has established a Unified National Registry (UNR) as an initiative, led by the Ministry of Planning and Administrative Reform (MoPAR). The Egyptian government has assigned the role of developing and managing the UNR to the Administrative Control Authority (ACA). It connected 52 databases which includes more than 100 million individuals or 90% of Egyptian households. The new system is currently used to clean up records of various programs as well as to cross check and verify identity and socio-economic status of TKP beneficiaries.⁶

Payments arrangements

e-Finance: G2P payment processor

e-Finance was Established in 2005 to build, operate and manage the Egyptian Government's financial payments network. It is a state-owned enterprise, with a paid-up capital of 800 Million EGP. e-finance's shareholding pattern is as shown in figure 1.

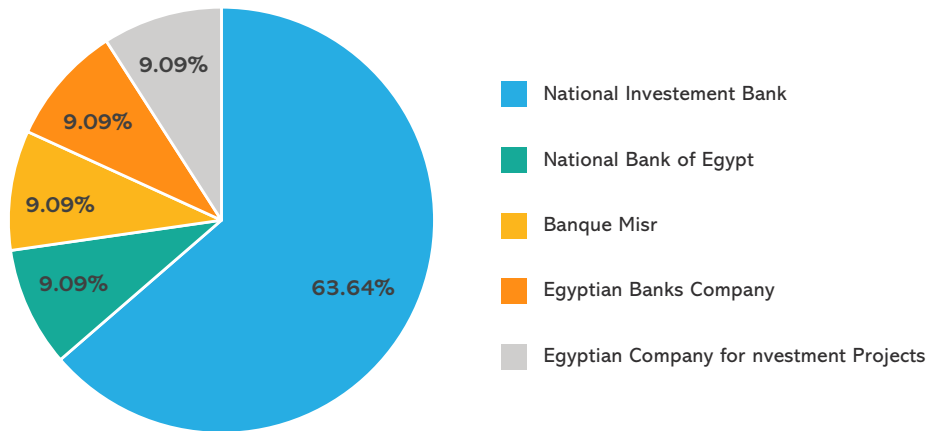
3 WB document – restricted distribution: <http://documents1.worldbank.org/curated/en/257141562378463646/text/Egypt-Strengthening-Social-Safety-Net-Project-Additional-Financing.txt>

4 Cash transfer program: <https://www.al-monitor.com/pulse/originals/2019/07/egypt-social-security-takaful-karama-poor.html#ixz-z6OckExrJl>

5 It is not clear if the bill was passed.

6 Unified national registry: <http://documents.worldbank.org/curated/en/218711513829546536/pdf/Disclosable-Version-of-the-ISR-EGYPT-Energy-Social-Safety-Nets-Sector-Reforms-Technical-Assistance-P144305-Sequence-No-07.pdf>

Figure 1. e-finance's shareholding pattern



Source: e-Finance website

e-Finance acts as the digital and informational technology arm and operating company for the financial network of the Egyptian government. It facilitates government payments including the payroll processing for 4.7 million government employees and 5.7 mn other beneficiaries. It facilitates government receipts including taxes, customs, social insurance payments as well as other payments for government services.

e-Finance additionally runs the card issuance, processing and management of various social assistance programs including TKP, Pensions and farmer subsidies. e-Finance is partnered with Visa's card networks and the domestic Meeza network. The TKP program is operating under a "Issuance and acquirer certificate" from Visa that allows e-Finance to issue and manage cards. The cards are not Visa branded though.

e-finance leverages its nationwide information technology and network infrastructure to power its proprietary e-payments & collections services. The channel infrastructure is a mix of e-Finance channels such as the Egypt National Post Organization (ENPO) locations with point of sale (POS) terminals, ENPO ATMs, customs outlets, tax offices, fuel stations and partner entity outlets.

Social Assistance

The funds of Social Safety Nets programme are disbursed by MOSS to ENPO which manages this corpus (or what remains as stored value) as an investment.

Initially, MOSS, provides the following beneficiary information: national ID number, name, gender, date of birth, address, and mobile phone number. Individual beneficiaries are then assigned a virtual postal account number which is unique to the individual and is used as a reference number for all subsequent communications between ENPO and MOSS.

Beneficiaries are also issued a personalised, Visa backed "Easy Pay" prepaid cards⁷. MOSS sends a list of account numbers and the corresponding amount to pay for each beneficiary. ENPO credits the respective accounts (linked to Cards), refunding any erroneous payments.

Beneficiary households receive payments into virtual accounts and have to collect cash by visiting post office branches and using their card or presenting their national ID and pin number. Payments are delivered on a monthly basis using program linked Smart Cards.

Furthermore, in partnership with the World Bank, e-finance assisted the MOSS to digitize and manage Egypt's subsidy programs:

- Subsidies are credited into 450,000 cards that have been issued to pension beneficiaries
- Beneficiaries can Cash out from any outlet of e-Finance or Post Office (4,600) on any day of the month. e-Finance officials have confirmed that the ENPO has adequate reach that allows the government to reach all beneficiaries.

⁷ ENPO Prepaid Cards: <https://www.egyptpost.org/enpo/en/financialACardRequest>

- In addition, they can Cash Out from any ATM through Meeza network.
- MOSS is currently exploring options of mobile payments and negotiating contracts with mobile operators.

Social Insurance

The following steps describe registration and payments processes of the pensions program:

1. NOSI sends the new registrations file to e-Finance (payments administrator) with validated data on new pensioners.
2. E-finance system acknowledges receipt to NOSI. Then it uploads this data on to their systems, creates unique customer IDs, as well as registers, issues and sends cards to NOSI, who then distribute it to the beneficiaries. e-Finance provides NOSI with details about the individual Pension cards issued (e.g. card number, e-Finance registration number). Both e-Finance and NOSI track cards that have had no activity for 2-3 months. Such cards are cancelled.
3. Each month, NOSI sends a payment file with amounts to be paid to each pensioner which is used to generate a corresponding payments file on the e-Finance systems. This is used to deposit the amounts due on the cards.
4. When pensioners approach an e-Finance channel and withdraw their pension, using their pension card, a payment confirmation is generated. e-Finance provides a confirmation file back to the pensions department for reporting and reconciliation.
5. These cards can only be used for the purposes of withdrawing funds from ENPO POS and ATMs. They cannot be used to make purchases.

e-Finance officials confirmed that they intend to replace the existing cards with Meeza cards. The main benefit of the Meeza cards is that beneficiaries will be able to cash-in, cash-out at ENPO and additionally use it at Bank ATMs and to make purchases. This will require beneficiaries to complete the KYC requirements as applicable for Bank customers.

COVID-19 and Cash transfer responses

The government introduced several measures in response to the COVID-19 pandemic, directed to (i) expanding coverage and/or increased benefit of cash transfer programs, (ii) modernizing delivery mechanisms, and (iii) alleviating certain restrictions on digital transactions. In March 2020, Egypt announced the allocation of EGP100 billion (estimated at 1.6% of the FY2019/20 GDP) as an emergency response package to combat the COVID-19 pandemic in Egypt. Apart from using post offices by extending their working hours, schools have been also used as payment sites. In order to avoid crowding and maintain social distancing, payments have been staggered over several days. Other relief measures include exceptional wage and pension increases (of 14% starting next fiscal year), revised tax exemption thresholds, and increased minimum wage.⁸

The Ministry of Social Solidarity added 160,000 families to Takaful and Karama programs. Increased payments were envisioned for women leaders in rural areas (EGP 900 per month instead of EGP 350).⁹ The programs is expected to reach a total of 3.5 million families nationwide (around 10 million citizens), with an allocated budget of EGP 19.3 billion. Similarly, the Ministry of Manpower had allocated EGP 50 million (EGP500/month for three months starting April 13, 2020 or USD 2.9 million) for irregular workers, including women, who lost their job due to the coronavirus. Around 2 million beneficiaries were found eligible out of the 4 million that applied to the Ministry of Manpower through online platforms and received EGP 500 (around USD 32) for three months. It is not clear if some of these measures went through.

On the delivery side, for the Takaful and Karama programs, no specific changes were required to deal with COVID-19. The programs are already operating on a principle whereby funds being credited to a card issued to identified beneficiaries. Additional beneficiaries were enrolled in the program and issued cards as any new beneficiary would be.

The government also introduced a six-month extension for credit repayments targeting all individuals and businesses, and the cancellation of the ATM withdrawal fees. ATM withdrawal fees are normally applicable based on guidelines issued by the Central Bank of Egypt. There were no other changes to regulation during COVID. **According to government sources, during COVID the share of electronically delivered social payments accessed through ATMs increased from 31% to 60%.**

⁸ <https://www.worldbank.org/en/country/egypt/overview>

⁹ <https://www.oecd.org/mena/competitiveness/The-Covid-19-Crisis-in-Egypt.pdf>