

MasterCard® Government Services & Solutions Case Study

## Egypt Ministry of Finance Prepaid Payroll Card

Payroll is delivered safely and efficiently through a Government Prepaid Card



### Summary

In Q4, 2010, as a result of joint collaboration between the Ministry of Finance (MOF) and MasterCard, and under the direction of the Central Bank of Egypt (CBE), a Ministry of Finance MasterCard Prepaid Program was launched through local state-owned financial institutions to drive the issuance of Government payroll payments in Egypt.

In 2008, CBE and MOF had been seeking ways to promote financial inclusion in Egypt, where only 10% of the population of nearly 90 million had a banking relationship. The government wanted to provide employees with a convenient and reliable method of receiving payroll. CBE was also looking to expand the use of electronic payments so they could reduce reliance on cash, reduce their management costs and increase payment transparency.

MasterCard's existing partnership with CBE, its relationships with all of the stakeholders, and its ability to convince CBE that an open loop branded card could bring all of the stakeholders together and fulfill their objectives, made the new payroll card possible, guaranteeing government employees a safe and convenient method of receiving payroll on time, every time.

The Ministry of Finance Prepaid Payroll Card underscored the value of electronic payments during the recent unrest in Egypt, when public sector employees who received the MasterCard prepaid card were the only government workers who were able to receive their pay on time and use their cards at ATMs and retail locations throughout Cairo and Alexandria. Today, more than 1.5 million cards have been issued to government employees in Egypt, making this program the largest Public Sector Payroll program in the AP and MEA region.

## The Situation

Egypt is a cash-based society with only 10% of nearly 90 million Egyptians having a bank account. Cash is widely used for salaries, pensions, purchases and bill payments, and it's often kept at home to use for purchases and to pay bills. A significant portion of the population receives government funds as employees or pensioners.

The Egyptian Ministry of Finance (MOF) plans, prepares and oversees the Government of Egypt's budget and public debt, and also manages public income and expenditure systems such as government employee salaries. The aim of the MOF is to raise the rate of sustainable growth that promotes the economic and employment opportunities for all Egyptians, and support rising standards of living and improved quality of life for all in the country.

To achieve its mission of full potential of inclusive citizenship and more effective financial governance, the MOF is always seeking the widest financial inclusion initiatives and collaboration between the public and private sectors.

Payroll was distributed primarily in cash from the government, but some entities had private label cards issued by public sector banks for ATM cash withdrawals and closed loop POS transactions. In many instances, Egyptian workers would not be paid immediately or on time, and usually had to wait in line for several hours before getting their paychecks. Managing disbursement of regular and recurring government payments to over six million government employees was very costly, time consuming, and posed a challenge to keep clear and concise records.

In 2009 the MOF and the Central Bank of Egypt set out to find a solution that would reduce costs, promote transparency and expand electronic payments. The solution would, at the same time, provide government employees with added peace of mind and guaranteed payments any time and every time.

## Why MasterCard?

MasterCard's existing relationship with the CBE and Egyptian Banks Company (EBC), a prepaid processor and local switch partially owned by the Central Bank, and the trust that existed among them became a strong factor in the development of the payroll program. The MasterCard team knew that the only way to achieve MOF objectives was by introducing a MasterCard prepaid card program using EBC, which would enable MOF to distribute funds in a timely manner, with total transparency, by loading salaries and pensions onto the cards on the first day of each month. Additional key partners were the public State banks: National Bank of Egypt, Banque Misr, and Banque du Caire.

MasterCard united all the partners with the proposal for a customized open loop prepaid card that replaced the private label card of the past and contained universal appeal—demonstrating the ability to deliver on the key needs of all stakeholders:

- Introduced an innovative solution to the market—the first payment card that allowed cardholders to access hundreds of ATMs and merchant locations both nationally and internationally during pilgrimage season
- Guaranteed government employees a safe and convenient method of receiving payroll on time, every time
- Enabled the Central Bank of Egypt and the Ministry of Finance to deliver on their objectives of financial inclusion and reduction of cash payments and management costs
- Allowed customer banks to reach an untapped customer base

## The Solution

In 2010, a Ministry of Finance MasterCard Prepaid Card (Government Payroll) was launched through state-owned local financial institutions. Employees were issued cards at the bank and then salaries were loaded onto the MasterCard prepaid cards via batch load each month.

State-owned banks such as National Bank of Egypt, Banque Misr, and Banque du Caire are the main issuers of government payroll cards and use Egyptian Banks Company as the processor for government payroll cards. After banks sign governmental entities for payroll programs, the technological arm of the Ministry of Finance, E-finance, is responsible for gathering government employee data and provide it to MasterCard banks. Cards are distributed by issuing banks to relevant government entities and salaries loaded onto cards at the end of each month via the Automated Clearing House (ACH).

MasterCard leveraged its relationship with EBC to bring about the routing of domestic 'off-us' MasterCard Debit and Prepaid ATM transactions through a National ATM Switch. This initiative was designed to enhance the profitability of Debit portfolios and encourage all customer banks to expand their MasterCard Debit issuance, thus delivering on the financial inclusion objective and further strengthening the MasterCard portfolio.

The card has the same design as the private label card that had been used in the past, complete with Ministry of Finance logo.



## Educating Stakeholders and Government Workers

Education for both bank employees and consumers was considered extremely important to the success of programs where citizens are unbanked. Initially, issuing banks conducted education campaigns to encourage POS usage. As the program got underway, MasterCard assisted the banks in putting together an education campaign that included brochures, take-ones, and internet content that showed cardholders how to activate and use their cards, and continues to support CBE and the MOF with education materials.

## Results

Customer banks felt the positive effects of the program almost immediately. They were able to reduce costs for local switching of domestic off-us MasterCard Debit and Prepaid ATM transactions. Float on the money transferred also improved their float.

Key government needs were addressed too, with the reduction in cash handling and paperwork. They were also able to disburse regular and recurring payments to government employees, providing them with convenience and peace of mind.

Since its launch in Q4 2010, more than 1.5 million cards have been issued to Egyptian government workers. An important outcome of the program was that Government employees were able to gain access to their funds at both domestic and international POS and ATMs, providing them with convenience and peace of mind, particularly during pilgrimage season.

## Lessons Learned

Early commitment to both bank staff and consumer education as to the benefits of the card is critical to the activation process, and to the success of electronic payments, especially in cash driven economies or with consumer segments where banking relationships do not



exist. The MasterCard team learned that banks aren't necessarily well equipped to provide the education needed. The more we advocate for and provide early education support, the greater the sign up.

Existing relationships with one or more stakeholders can make the difference a program's success. The prepaid payroll program is exclusive to MasterCard due to its strong existing and ongoing relationship with the CBE and public sector banks.

### **Next Steps**

MasterCard continues to support CBE with its consumer education campaign, and continues to work to expand the Payroll program to include additional blocks of government workers.

### **Get Started**

To learn more about the details of MasterCard's work with the Egyptian Government Prepaid Payroll program and to receive other important case studies, please contact your local MasterCard representative, or visit us at [www.mastercard.com/government](http://www.mastercard.com/government)

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MasterCard is a technology company in the global payments business. We connect consumers, financial institutions, merchants, governments and businesses worldwide, enabling them to use electronic forms of payment instead of cash and checks. We use technology and data-driven insights to make electronic payments more convenient, secure and efficient for people everywhere.

Electronic payments present an enormous opportunity for governments to better serve their citizens, while reducing costs and increasing fiscal transparency. As an experienced, globally-integrated payments network, MasterCard is in a unique position to help governments navigate the challenges that come with the design and implementation of these solutions. Working as an advisor and market facilitator, MasterCard brings governments and the private sector together to help create a flexible and secure payments ecosystem—while driving the greatest efficiency, social progress, and value to all stakeholders.

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