

INTEGRATED SAFEGUARDS DATA SHEET

IDENTIFICATION / CONCEPT STAGE

Report No.: ISDSC15325

Date ISDS Prepared/Updated: 01-Oct-2015

I. BASIC INFORMATION

A. Basic Project Data

Country:	Egypt, Arab Republic of	Project ID:	P157526
Project Name:	STRENGTHENING POLICIES AND REGULATIONS TOWARDS PROMOTING RESPONSIBLE FINANCIAL INCLUSION IN EGYPT		
Team Leader(s):	Laurent Gonnet,Ghada Ahmed Waheed Ismail		
Estimated Date of Approval:	15-Jan-2016		
Managing Unit:	GFM05	Lending Instrument:	Lending Instrument
Sector(s):	Banking (50%), General finance sector (50%)		
Theme(s):	Financial Consumer Protection and Financial Literacy (30%), Anti-Money Laundering and Combating the Financing of Terrorism (20%), Other Financial Sector Development (50%)		
Financing (in USD Million)			
Total Project Cost:	3	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
MENA Transition Fund - IBRD as Implementing Agency			3
Environment Category:	C - Not Required		

B. Project Development Objective(s)

The proposed project development objective (PDO) to strengthen policies and regulations towards promoting responsible financial inclusion in Egypt

C. Project Description

The proposed project comprises of three main components: (i) conducting a financial inclusion Market Diagnostic for Egypt; (ii) promoting financial consumer protection; and (iii) developing a Risk Based Approach to KYC processes for cheaper and more accessible banking products to enhance access to finance. The total cost of the project is US\$ 3 million.

Component I: Conducting a Financial Inclusion Market Diagnostic for Egypt (US\$ 1.5 million).The key objectives of the market diagnostic exercise are to (i) provide policy makers with an accurate picture of the current status of financial inclusion in the country, including information on the supply, access, demand and quality of both formal and informal financial services in the country; (ii) help inform a national dialogue around the definition and vision for financial inclusion in Egypt, (i.e.

identifying policy priorities around access, usage, quality or impact) and (iii) provide a baseline on access and usage of financial services for poor and low income people in Egypt, against which to set time-bound action plans and targets. This component comprises of the following sub-components:

- (i) Providing TA to establish a National Steering Committee. The committee will be chaired by the CBE to help coordinate the market diagnostic process; determine data needs based on existing sources of supply side data (CBE, EFSE, ENPO, MoF, SFD, MoA) as well as individual and household data including national household and income surveys, SME census data, financial capability survey, etc; and provide guidance and oversight of data mapping efforts. The Steering Committee will include all key stakeholders including commercial banks, NGOs, Microfinance Institutions (MFIs), government agencies and regulators, National Statistics Bureau, and research houses, to ensure buy in for the process and that results are useful and provide maximum impact.
- (ii) Advisory services to develop the scope of work for Data Mapping. The members of the Steering Committee will work together with the GIZ facilitated process to identify the key policy questions to be examined (e.g. willingness and ability of clients to use internet, mobile or agent banking); assess existing data in the country which can be built on or drawn from to reduce costs and avoid duplication of efforts, particularly the supply side data noted above; determine areas of specific interest to be measured (access, usage, quality, impact) and market segments to be included (e.g. geographic breakdowns, women, youth, small holder farmers, etc.) through a nationally representative demand survey. The project will work in partnership with the Central Agency for Public Mobilization and Statistics (CAPMAS). Given that this will be the first financial inclusion mapping exercise done in the Egypt, the project will draw on the expertise of qualified external research firms (such as FinMark, Microfinance Center of Poland, Bankable Frontiers, Gallup, IFMR trust etc.) that have an established methodology in place, which can be adapted to the local context to ensure local ownership of data and data processes, as well as the replicability of data collection in the future.
- (iii) Improving quality of supply side data. There are a number of bodies currently collecting financial inclusion relevant data in Egypt from financial service providers as part of their supervisory function, most notably CBE as part of its offsite activities for the banking sector and EFSA for non-bank financial institutions. However, the scope and quality of this data is relatively limited and does not include information on accounts held at the ENPO or PBDAC, significantly understating access figures. At the same time, much of this data is aggregated and does not provide information on client demographics (geographic distribution, age, gender) or active use/dormancy, which is useful for private as well as public sector actors. The project will provide technical assistance to the CBE on improving the scope, quality and use of supply side financial inclusion data by addressing the technological and human capacity constraints to collecting this data, so that future financial inclusion data collected reflects the broader set of financial inclusion priorities identified by the national steering committee.
- (iv) Designing and conducting demand survey. An external research team will be selected through an international competitive process to work with the Steering Committee on developing a survey to fit the policy objectives and needs of the Egyptian context, ensuring that the survey is appropriately tailored to the domestic environment and the priorities identified by stakeholders. The external research team will work with CAPMAS and/or a local research house to pilot test a sample survey and train local enumerators for conducting field work, ensuring local capacity exists to update and repeat the survey in the future, as part of the national monitoring and evaluation plan.
- (v) Analyzing data and dissemination of findings. Once the field work has been complete, the external research firm will work with a local partner to write up findings from both the supply and demand side data collection efforts and make evidence based policy recommendations that can stimulate debate and lead to effective public and private sector interventions. The survey results will be discussed in and utilized in a series of workshops and conferences to identify opportunities for

greater financial inclusion in the country.

Component II: Promoting Financial Consumer Protection (US\$750,000). This component will support CBE in developing a robust consumer protection capacity within the banking sector, and in developing financial literacy amongst target population groups. The tasks related to consumer protection will be handled by CBE's Complaints Unit through expanding the unit's mandate in line with international practice in Consumer Protection regulation and supervision with the support of the project. This component comprises of five sub-components: (i) developing and finalizing a consumer protection regulation in harmony with EFSA; (ii) providing advisory services on consumer protection specific supervisory tools; (iii) conducting study tours and on the job training in countries which have well developed systems for financial consumer protection; and (iv) building the capacity of the Complaints Unit to cater for the consumer protection regulation through training seminars and workshops.

Component III: Developing a Risk Based Approach to KYC processes for cheaper and more accessible banking products to enhance access to finance (US\$750,000). This component will support CBE and financial institutions in designing KYC processes that meet the national goal of financial inclusion, without compromising the measures that exist for the purpose of combating crime. It will also provide technical assistance to help CBE comply with the latest technology in the field of document scanning, and thus enable them to maintain document integrity, and mitigate document loss risks. Specifically, this component will support CBE through six main sub-components by: (i) defining high level existing or prospected product list, covering payment, deposit and credit services; (ii) defining categorized services list, based on different risk factors, including but not limited to; non-face-to-face relationships and anonymity, geographical reach, methods of funding, and access to cash; (iii) developing a risk matrix for the list of services; (iv) developing possible risk-based exemption from KYC processes for some of the services; (v) developing risk mitigation measures including customer due diligence; loading, value and geographical limits; source of funding; and record keeping, transaction monitoring and reporting; and (vi) developing level of KYC processes proportional to the level of risks.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The surveys and technical assistance will cover the whole country, however, no safeguards issues are related to the Project activities as no civil works are expected, therefore, the Bank OP 4.01 on Environmental Assessment does not apply. If a need arises during implementation for the financing of any civil works, the Bank may reassess the application of OP 4.01 and require further environmental assessment.

Based on the information provided at this stage, the project will not involve civil works activities, therefore, from social perspective, no land acquisition will be needed and OP 4.12 will not be triggered. However, if in the future the financing would eventually lead to components that may entail land acquisition, a framework requiring a TOR for a resettlement instrument might be required.

E. Borrower's Institutional Capacity for Safeguard Policies

Because the Project is Category C, with no specific requirements for the borrower's institutional capacity

F. Environmental and Social Safeguards Specialists on the Team

Ibrahim Ismail Mohammed Basalamah (GSURR)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	No	The project is limited to conducting surveys, analysis, providing training and capacity building and different TA activities. The project will not involve any civil works that would cause any impacts on the environment
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	As long as the project is limited to survey, analysis and training, and no land acquisition is expected to occur, therefore, no major social impacts are foreseen.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

III. SAFEGUARD PREPARATION PLAN

A. Appraisal stage ISDS required?: Yes

i. Explanation

ii. Tentative target date for preparing the Appraisal Stage ISDS
15-Oct-2015

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage ISDS.

IV. APPROVALS

Team Leader(s):	Name: Laurent Gonnet, Ghada Ahmed Waheed Ismail	
Approved By:		
Safeguards Advisor:	Name: Nina Chee (SA)	Date: 27-Sep-2015
Practice Manager/ Manager:	Name: Aurora Ferrari (PMGR)	Date: 28-Sep-2015

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.