

Confusion over range of government projects

Vendors queue up for business, but questions remain over which government card schemes will roll out

Egypt's planned national smart ID card scheme is one of the biggest such projects in the region and is likely to open for international tenders in 2010.

Amr Shawki, chairman of the Cairo-based regional smart card industry association Arab-Smart and founder of Cardex Middle East, told Card World that around 45 million of Egypt's total 76 million population are scheduled to be issued with the contact chip cards. Shawki says he is "constantly" receiving inquiries from international vendors about the progress of the much-delayed project which dwarfs other ID projects in the region such as those in Saudi Arabia and the UAE.

"The problem has been the different government ministries wanting to add lots of different applications like health, driving licence, tax, and pension payments to the card," he says. "They haven't reached a solution yet."

Biometrics

A second issue is whether biometrics can be added to the card. To do this would require an Automated Fingerprint Identification System (AFIS - a database of fingerprints of the whole population). A pilot project is underway to look into the feasibility of this but so far such a database does not exist.

Despite these issues, progress is being made to turn the project into a reality. In 2008 the Ministry of the Interior, which is overseeing the scheme, carried out a major upgrade of the local card manufacturing facilities and they are now capable of producing chip cards and carrying out the necessary card personalisation.

The current national ID card uses a 2D bar code on the back.

PLANNED NATIONAL SMART CARD PROJECTS IN EGYPT

| Scheme | Estimated cards |
|------------------|-----------------|
| National ID | 45m |
| Family card | 10m |
| Company tax card | 300k |
| Health card | 45m |
| Pension card | 3m |
| Post office card | 6m |

Source: Arab-Smart/Card World

Government projects

A number of other government smart card projects are currently at the planning stage or early stages of rollout, such as one handling the registry of agricultural land.

Shawki said: "This is very important in Egypt as it is so big in size and there is confusion over who exactly owns land."

The card will be linked to a database showing ownership of the 2% of land in Egypt that is cultivated.

Family card

One of the most advanced projects is the family card, a payment card for poor people to get food (such as rice and sugar) with a subsidy from the government. The original system used a building society book and was handwritten with no automation. This led to widespread fraud with traders making profitable returns by selling fake books. The project is a joint work of the Ministry of Social Solidarity and the Ministry of Administrative Development.

The card scheme started in 2005 in the Suez region with an initial 85,000 cards and has now been rolled out across the country. So far 2.5 million smart cards have been issued out of a

planned total of ten million.

There is also a scheme for pensioners to use smart cards to withdraw their pensions via any ATM worldwide, as opposed to the current system where payments are made at bank branches and post offices. This scheme involves a projected three million cards (more than the number of credit cards in the country) and has just started to go live this month.

Tax and health cards

A smart card scheme is also planned for companies to make tax payments. SagemOrga will be supplying cards for the project which has not yet started issuance, but is planned to involve 300,000 cards.

The Ministry of Health is in the early stages of planning a national health smart card, while the national Post Office has started issuing a card enabling poorer people without



AMR SHAWKI

bank accounts to make deposits and withdrawals from their post office accounts. This is to replace the books that are currently used and six million cards are being targeted. Giesecke & Devrient and IBM are two prime contractors on this project.

This plethora of projects begs the question of just how many smart cards Egyptians are going to end up with in their pockets.

Amr Shawki says the situation is still somewhat confused but it is likely there will finally be two main cards – a national ID card with biometrics also incorporating a driving licence, and a second card featuring applications such as the pensioners' ATM scheme and the food (family), health and tax cards.

"The Ministry of Interior, which is responsible for the ID card, is very rigid about the scheme staying on a separate card from the other projects," says Shawki. "I'm not optimistic about one multi-app card, but what I see as positive is that people are accepting the need of a card."

Mr Shawki is also chairman of the Egytec Engineering company which organises the Cardex smart card industry event held annually in Cairo.

He says this year's show in December will have a series of forums featuring government ministers giving details on the ID scheme and other major smart card initiatives, and will aim to give more information and clear up some of the confusion that currently surrounds the different projects, while allowing technology vendors the chance to provide the government with solutions.

Opportunities

Despite the confusion over which government schemes will go on what cards, Shawki says there is great potential for smart cards across a range of different applications including government transactions, access to control for big buildings and sporting clubs. Participatory sport is very popular in Egypt.

Around ten million plastic cards currently issued by sports clubs are likely to be shortly migrated to smart technology.

Cairo Metro system to go contactless

Modernisation of the capital's transit ticketing system is among an array of major capital investment projects in Egypt

A range of major infrastructure projects are underway in Egypt with capital investments showing little sign of being hit by the economic downturn.

One of the biggest of these is the modernisation of the Cairo Metro with upgraded telecommunications and an automatic fare collection system that will use RFID contactless card technology.

France-based Thales has recently won the contract to supply the contactless card system and communication infrastructure for phase two of Cairo's new Metro Line 3.

Line 3 is the first step towards introducing contactless technology in the capital city's transit system and, in the long-term, the whole network is planned to run on contactless.

The first smart cards (to be supplied by locally-based MasriaCard) are scheduled for issuance for the Metro when the initial section of Line 3 opens in 2011, but there will be resistance to overcome among users first according to Michel Viallaneix, Thales division country director for Egypt.

"The mentality of passengers in Cairo is towards using the single ride paper ticket," he says. "A big evolution of attitudes is needed, but I am convinced that the rollout will be successful."

The introduction of contactless will be vital to speed up passenger flows at entry and exit gates in one of the world's most congested transit systems in a city of 18 million people. Cairo's Metro carries 2.5 million passengers a day on a network that is 65km long, compared to the Paris Metro which carries 6.5

million people a day on a 325km-long network.

There will continue to be specific gates for magnetic stripe tickets until the migration to smart cards is complete. Viallaneix says the new ticketing system can easily be upgraded to use mobile technology in future if required.

It is planned to expand the contactless ticketing system to cover the entire national railway network in future, where a major investment in infrastructure is also underway. The Egyptian rail network was built by the British and opened in 1865 and much of it is in need of modernisation.

Tenders

A call for tender will shortly be issued to modernise the signalling on the 230km line between Cairo and second city Alexandria. Viallaneix says Egypt



has escaped much of the economic problems currently hitting more developed countries, despite some decline in tourism and from shipping using the Suez Canal.

He says a strong domestic market of 75 million people is supporting Egypt's economy and its banking system is "not polluted" by much of the fallout from the global financial crisis.

"In terms of infrastructure there are a lot of projects happening and a lot of financial

investment from France and Japan, as well as from the World Bank which has just funded the new third terminal at Cairo Airport," says Viallaneix. "A lot of foreign companies are investing and I think this shows the attractiveness and strength of the economy. In the last quarter there was GDP growth, which is the opposite of what many countries are currently seeing, and the new government is showing a strong willingness to invest in infrastructure."

EMV issuance still to gain momentum

Payment card migration to the EMV standard has been relatively small and sporadic so far in Egypt in a country where cash is still king.

Misr Bank, the second biggest bank card issuer, has only rolled out around 40,000 chip cards so far and between 10 and 15% of total banks cards are chip-enabled.

Barclays Bank Egypt has converted all its cards to EMV and Visa Inc named it the country's Fastest Growing Credit Card Portfolio and Superior Customer Service Cycle for performance during 2008.

The two awards were presented by Visa to Barclays in recognition of the marked increase in the number of its issued credit cards and increased volumes while maintaining quality customer ser-

vice. Barclays says it is keen to receive feedback from customers, who are surveyed periodically and reports are reviewed on a regular basis by the management of the bank through which decisions are made and actions required to

develop and improve products according to the customers' needs and requirements.

Bassel Kelada, head of Barclays Egypt retail banking, said the bank has expanded from issuing 10,000 cards in 2007 to over 100,000 in 2008.

FINANCIAL CARDS IN EGYPT 2000-2009

| YEAR | DEBIT CARDS | CREDIT CARDS | TOTAL CARDS |
|------|-------------|--------------|-------------|
| 2000 | 473,812 | 352,168 | 823,143 |
| 2001 | 676,874 | 433,167 | 1,106,661 |
| 2002 | 966,963 | 532,795 | 1,495,892 |
| 2003 | 1,381,375 | 652,873 | 2,034,248 |
| 2004 | 1,795,788 | 803,034 | 2,598,822 |
| 2005 | 2,334,524 | 987,732 | 3,322,256 |
| 2006 | 3,034,881 | 1,214,910 | 4,249,791 |
| 2007 | 3,945,345 | 1,494,339 | 5,439,684 |
| 2008 | 5,128,949 | 1,838,037 | 6,966,986 |
| 2009 | 6,667,633 | 2,260,786 | 8,928,419 |

Source: Central Bank of Egypt

DON'T MISS EGYPT PART 2 NEXT MONTH, WHICH WILL CONCENTRATE ON PAYMENTS