

THE WORLD BANK GROUP

DRAFT: CAS-Completion Report FY06-FY14

Arab Republic of Egypt

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This report will be finalized until March 2015.

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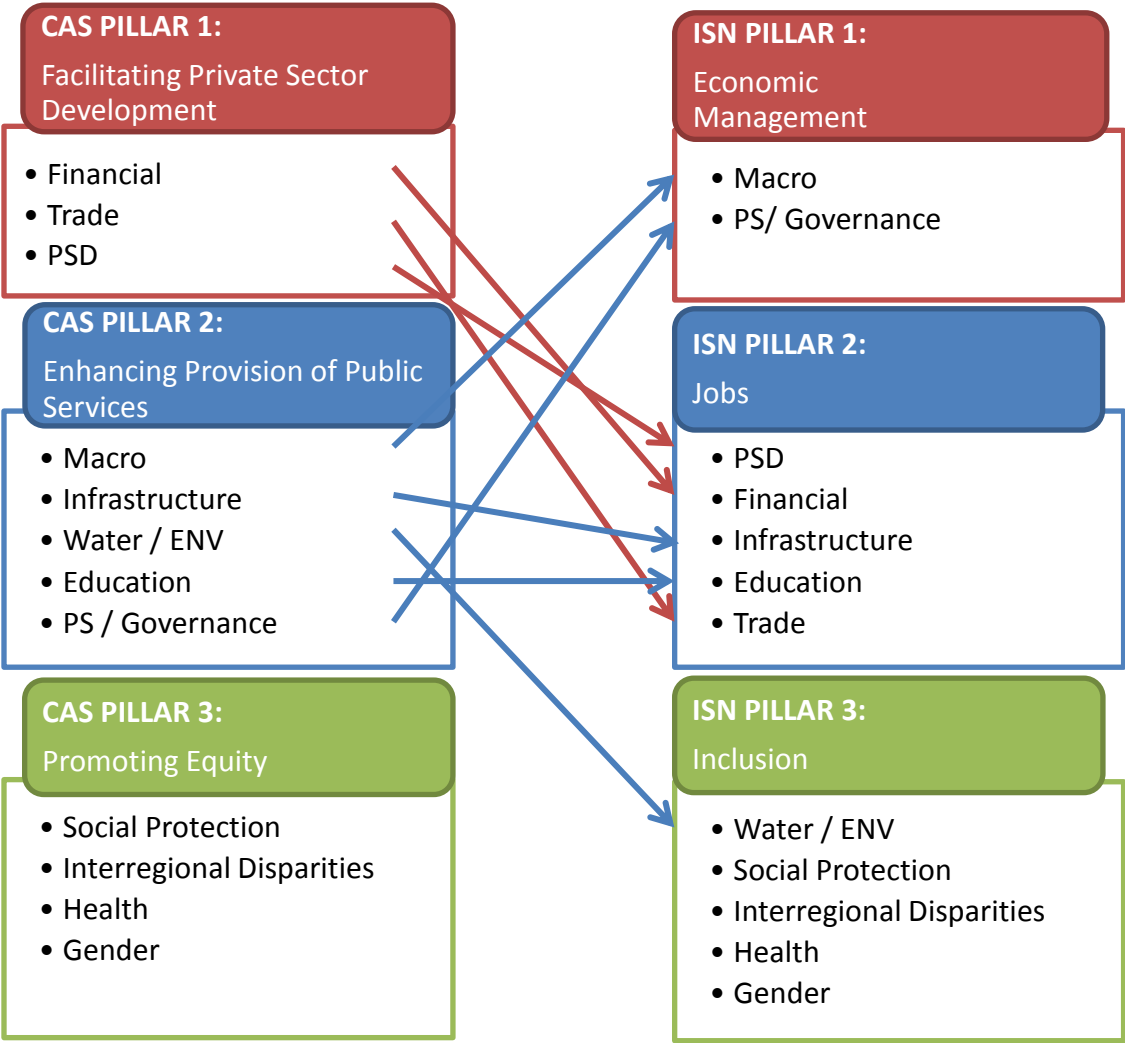
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INTRODUCTION

1. **The Country Assistance Strategy Completion Report (CASCR) assesses the World Bank Group's¹ assistance activities in Egypt over the period FY06-FY14.** It addresses issues relating to the relevance, results, and impact of the Bank's activities and also draws lessons for developing the next Country Partnership Framework for FY15-FY18. It evaluates how the Bank's ongoing portfolio of projects, new lending, program of Analytical and Advisory Services (AAA), policy advice, Technical Assistance (TA), Trust Funds (TF) and IFC have supported the goals of the Bank's program.
2. **Given the political and economic uncertainties facing Egypt in 2011, IFC and Bank presented an Interim Strategy Note (ISN) to the Board on June 28, 2012 with an indicative program of support over an 18-month period, from June 2012 through December 2013.** This followed on from a Bank and IFC joint CAS in May 2005 for the period FY06-FY09. A joint Bank and IFC CAS Progress report, with an updated results framework, was then presented to the Board in June 2008 and extended the period of the 2005 CAS to FY11. In the 2005 CAS, the Bank and IFC proposed three key strategic objectives, namely, facilitating private sector development, enhancing the provision of public services, and promoting equity. The ISN maintained the results framework but in the overall context of a new set of pillars, which were more consistent with the goals of the revolution in January 2011(see figure 1 for more details)
3. **The ISN (joint between World Bank and the IFC)- initiated, after the January 2011 revolution- was a short term strategy for the transition period expected to last until December 2013.** The pillars defined by the ISN were: economic management, jobs, and inclusion. The ISN pillars reflected the new political environment but addressed the ongoing challenges, which the country faced in the decade and earlier. Improving economic management in the near term was seen as key to helping maintain political stability; this in turn meant having credible fiscal and exchange rate policies. Job creation, in a country with chronically high unemployment, was a key challenge. Fostering broader inclusion, which included social services (health and social protection) for women, youth, the poor, and those in disadvantaged areas, including greater voice and participation in Government programs, was seen as central in confronting inequality issues in the country.

¹ The CAS/CAS Progress Report/ISN were joint Bank and IFC document. They were not done jointly with MIGA although MIGA inputs were included in the strategy.

Figure 1: From CAS to ISN: Pillars and Covered Sectors



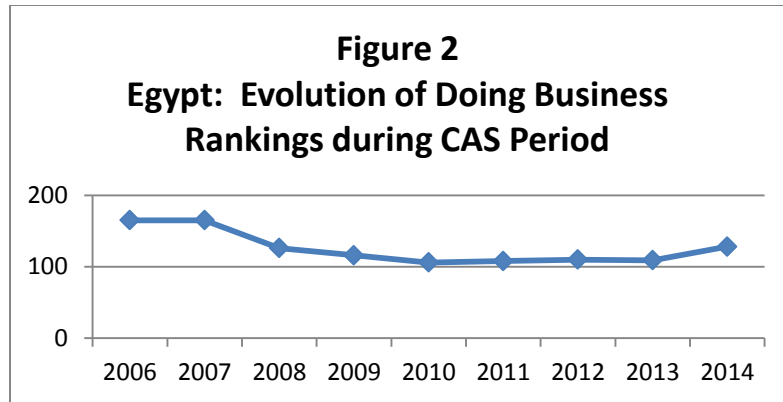
4. **The World Bank and IFC readjusted their strategy in the ISN in line with the changing political and social environment in the country.** The ISN lending program was modest, anchored in an Emergency Labor Intensive project (approved in June 2012) which was focused on job creation. Central to the discussion during this time period was the deteriorating fiscal situation in the country. The newly elected Morsi Government came forward with an economic and fiscal plan, the National Initiative for Economic Recovery. A key focus in this period was dissemination of knowledge and advisory services, and the initiation of substantial dialogue in key areas, including on gender, governance, energy subsidies, financial sector reforms and transport. The Bank also instituted beneficiary feedback mechanisms to better respond to stakeholders' needs and demands. Portfolio performance was weak during much of this period partly as a result of the changing political situation.
5. **The IFC also attempted to respond to the changing environment.** IFC's immediate response in Egypt was to: (i) restore investor confidence in the country, send positive market signal, and help mitigate risks; (ii) support new and existing clients to restructure/strengthen their balance sheets; (iii) provide financing to local bank; and (iv) review needs on advisory services and redesign pipeline projects to meet needs.

OBJECTIVES AND OUTCOMES (FY06-14)

6. **Pillar 1: Improving economic management through control of the fiscal deficit and initiating reforms to enhance transparency in Government operations.**
 - a. **The goal of reducing the fiscal deficit by one percent of GDP annually was not achieved.** This was in large part due to the inability to rein in public expenditures and implement much needed tax reforms. Although the fiscal goal was not achieved, the Bank was able to advance the dialogue on fiscal sustainability in its dialogue notably on the energy subsidy issue. The Bank had proposed in the ISN, a DPL on governance and safety net reforms on the back of an IMF program but the IMF program did not transpire. The Bank also organized a multi sector team (with PREM, SD, and HD) to engage with the Government on subsidies and safety net reforms, showing the distributional impact of subsidies and measures to mitigate the impact of reducing certain subsidies on the poor. Egypt in FY 14 has embarked on a program of targeted energy pricing and fuel subsidies reforms to achieve cost recovery and to replace untargeted subsidies with targeted social safety nets programs, which were off limits in the past. Overall, these reforms reduced subsidies by 0.7 percent, while this is still very small, it is a step in the right direction if these reforms are continued.
 - b. **The goal of increasing transparency of the budget process and improved perception of public service efficiency was partially achieved.** While there were some improvements in perception, the reforms undertaken during this period did not go far enough in increasing transparency. Egypt improved in the Open Budget Index in recent years. Over the past six years, Egypt has provided more budget information to the public, and its score jumped from 19 in 2006 to 49 in

2010. Still, Egypt's 2010 score, the latest available, indicates that the Government provides the public with only some information on the central Government's budget and financial activities, and much more remains to be done. The Government also moved forward with the drafting of several laws aimed at increasing transparency in recent years. These included: Conflict of Interest; Access to Information; Anti-corruption Agency; Whistleblower; Witness Protection; Procurement; Central Auditing Organization; Income and Asset Disclosure; and Consumer Protection laws. The Bank successfully mobilized grant funding for technical support to the drafting of these laws. The Bank also engaged in dialogue with the authorities and stakeholders to create debate and consensus but with the absence of parliament for 18 months following the revolution, the laws were not passed; only the Witness Protection and the Conflict of Interest laws have been passed. Reforms such as resuming publication of a citizen's budget, issuing a budget framework paper, and the publishing audit reforms of SOEs did not occur during this period.

7. **Pillar 2: Job creation, through direct emergency lending and initiating steps to improve the environment for private sector led growth.**
8. **In line with its strategy of providing counter-cyclical support to boosting the confidence of both domestic and international investors, in the area of private sector development, the Bank Group sought to address the following key constraints:** a difficult regulatory environment and investment climate; low access to finance; gaps in access to sustainable energy and transport services; telecommunication costs; and skills mismatch. Achievement of outcomes pertaining to these challenges (rated moderately satisfactory) is discussed in the following paragraphs.
 - a. **Both outcomes aimed at creating an enabling environment for private sector investment, namely improved *Doing Business* rankings and successful completion of regulatory reforms, were achieved.** With respect to the target on improved "Doing Business rankings, Egypt was ranked "top performer" under *Doing Business 2008* with support from Bank Group advisory services. As Figure 2 shows, there was improvement in overall "doing business" rankings during this period. As follow on to the Doing Business, IFC and the Ministry of Investment and Ministry of Local Development partnered to conduct an extensive sub-national Doing Business (DB) that expanded the benchmarking of 4 Doing Business topics—starting a business, dealing with construction permits, registering property and enforcing contracts to 14 additional cities beside Cairo and analyzes the challenges of trading across borders through 5 strategic ports. There was also improvement in the regulatory environment and completion of regulatory reforms. The Bank and IFC support to the regulatory reform agenda yielded results including streamlining of procedures and other reforms in reconciliation.



- b. **The seven results pertaining to World Bank Group support to the financial sector were achieved.** IFC and the Bank both provided substantial support to this sector during this period in the form of lending and Technical Assistance. Among the achievements were (details provided in Annex 1):
- i. A strategy to expand access to the poorest was achieved through Government's strengthening of the MSEMEs and the Social Fund for Development. This was supported by both the IFC and the Bank.
 - ii. The Central Bank has strengthened corporate governance in the banking system and amended the Central Bank, Money, and Banking Law to improve its governance.
 - iii. The banking sector is now majority owned by the private sector and open to competition. These reforms were undertaken with active lending and advisory support from the Bank and IFC, including through the MSME Technical Assistance Facility that is being jointly implemented by both institutions.
- c. **The goals related to improving power infrastructure, namely expansion of power generation capacity by 27,000 MW, expansion of natural gas by 300,000 households, and reform of energy subsidies, were mostly achieved.** The outcome of expansion of power generation capacity was partially achieved. Although the numerical target was not met, the Bank made substantial progress in expanding generation capacity. The fast track power generation program (2,100MW) was one of the main drivers for bringing installed capacity to a total of 29,000 MW. From FY06 to FY13, the World Bank supported four gas-fired generation plants (El Tebbin², Ain Sokhna, Giza North and Helwan South) and supported a program of renewables. IFC has been supporting the Egyptian power program through the development of the 2,250 MW gas-fired Dairut independent

²In a recent review, IEG rated, the El Tebbin project Marginally Unsatisfactory. The Bank recommended a Marginally Satisfactory rating because of efficient operation of the plant prior to a fire incident and the ongoing successful efforts at repair. Moreover two of the three TA components which would lead to improving energy efficiency of the industrial sector, would translate into financial benefits for Egypt's power sector;

power project as the Lead Transaction Advisor. The Bank has supported the Government of Egypt's effort to expand household access to natural gas in Greater Cairo Area through the \$75 million Natural Gas Connection Project. This project has successfully financed gas connection to 365,637 households (more than meeting the goal of expanding access to gas for households by 300,000). These households represent 15 percent of connected households. On energy subsidies, the result was partially achieved since some reforms did occur, but the reforms were small in scope (as is noted in paragraph 6a). There was an increase in electricity tariffs for a group of energy intensive industries, and tariff reforms for consumers were also implemented. The Bank provided substantial policy advice in this area.

- d. **In the transport sector results were mostly achieved with respect to the ISN outcomes-increased airport capacity; improved financial viability of railways; increased financing for road maintenance; and improved urban transport.** Airport capacity has significantly improved although rehabilitation and expansion of an existing terminal (T2) in Cairo airport was slower than envisaged at the time of project approval but has now advanced. An air transport liberalization study was carried out as well and its implementation is ongoing. The Bank also supported the Government in setting up management contracts for the airports. Reorganization of Egyptian National Railways is ongoing in line with the ISN objectives; and modernization of signaling on Cairo Assiut is also under implementation. The financial viability of the authority was improving but is now jeopardized by the ongoing political and economic situation. The Bank is discussing railways reform to improve governance and efficiency of railways management. In line with the ISN goal, the Government has adopted a road asset management strategy aiming, among others, to improve road maintenance; The Greater Cairo Urban Transport Authority is established on paper and the Bank is working with the Government to make it fully operational.
- e. **In telecommunications, the Bank helped improve the regulatory framework, but information is not readily available on cost reduction which was the ISN outcome.** The Bank involvement was framed under an elaborate Recipient Advisory Services (RAS) program that did not pertain specifically to costs decrease, but rather on capacity building on statistics, legal and broadband policy. Notably, the team delivered two RAS on "Strategic Options for Broadband Policy" and "Broadband Development: Socio-economic Assessment". These two activities were used by the Government to formulate the eMisr Strategy, a comprehensive sector development strategy to provide access to broadband to 8 million Egyptian households.
- f. **There was progress in achieving the two education targets (successful scale up pilot schemes and improvement of secondary education) and results were mostly achieved.** The first outcome, successful testing (for an eventual scaling-up) of pilot schemes for improving quality/relevance of: (i) higher education, (ii) skills development, and (iii) early childhood development was achieved.

Important contributions to the modernization of higher education in Egypt were made by helping to establish the National Quality Assurance Commission and quality assurance units in all universities; as well as the Competitive Fund for the Improvement of Higher Education. On skills upgrading, the IBRD Skills Development Project developed a funding mechanism that supported training for in-service and prospective workers through a cost-shared and competitive approach. In addition, a SABER-WfD³ technical assistance was provided to facilitate next steps for policy dialogue and development with Egypt's skills development. For early childhood education (ECE) the main achievement was the expansion of access by supporting NGOs as well as public schools; the preparation and design of new standards and curriculum for ECE; and the development of new learning materials to support the implementation of the new standards. Achievements in relation to the improvement to the second ISN outcome of improving the curriculum for secondary education were mixed. Although, the Ministry of Education approved the new curriculum framework for secondary education, it was unable to translate the framework into a well-developed new curriculum document due to a lack of cooperation between education institutions and the business community. In order to support private sector development in the education space, IFC committed a US\$15 million investment to CIRA, a leading K-12 education institution for their expansion plan across governorates.

- g. **The outcome of successful development of schemes for improving linkages between suppliers and external markets was partially achieved.** In the CAS period, the Bank and IFC provided knowledge support in improving Egypt's competitiveness, notably through our dialogue on Doing Business. The Bank and IFC had a dialogue on trade in the pre-revolution period. However, this dialogue has not been sustained post-2011 due to the political turmoil. IFC used its Business Edge (a face-to-face management capacity building program) advisory instrument to train 7434 individuals (of which 20% were women) between 1 July 2005 and December 2013. Of these, 1,721 persons were from 130 different SMEs, part of the value chain of four large lead firms in the ICT, Fast Moving Consumer Goods, Pharmaceutical and Telecommunications sectors. These value chain interventions helped to strengthen the overall value chain and to improve the relationship with the lead firm, resulting in increased sales of firms.
9. **Pillar 3: Fostering Inclusion.** Progress in achieving outcomes in the evaluation period through interventions in water, environment, health, social safety nets, in lagging regions, and gender is discussed below.

³ *SABER WfD help countries evaluate the skills development policy options for improvement.* Following the recent launch of the World Bank's Education Sector Strategy 2020, the Education Department (HDNED) of the World Bank's Human Development Network (HDN) has embarked on the System Assessment and Benchmarking for Education Results (SABER) Initiative to support implementation of the Strategy.

- a. **The ISN goal of improving management of water and sanitation through expanding sanitation, increased beneficiary participation, and development of PPPs, was mixed so the ISN result is partially achieved.** Notably, there have been improved irrigation and drainage services to 190,112 farmers. Bank support in irrigation has yielded results of more beneficiary participation. On sanitation, results were more mixed. The goal of expansion of networked sanitation infrastructure into rural areas is going on under the Bank's ISSIP1 and ISSIP2 (accompanied by a Sanitation Trust Fund) projects albeit more slowly than envisioned due to operational design and land acquisition issues. Designs of these operations have now been readjusted but land acquisition continues to be a major source of delays. The authorities do not yet have the skill set or mechanism to address this issue, and the existing formal approval mechanisms in Government are slow even when consensus is reached with communities. The Bank is working with the Government to develop capacity in the Government to respond to community concerns. IFC has successfully advised the Government on its first wastewater PPP transaction in the country via the implementation of the New Cairo Wastewater project. The project attracted \$120 million of private investment and reached financial close in 2010. The project is now fully operational.

- b. **There was substantial progress in achieving the ISN environmental outcome, successful scale up for pollution abatement and wastewater management, in line with ISN objectives, and results were mostly achieved.** This outcome was met as part of the Bank's EPAP project. The Bank's follow on EPAP II contributed to the improvements of emissions notably from cement sector and brick factories, both among the most polluting sectors. The Bank has also been involved in other sectors that would lead to the improvement of the air quality, such as the Natural Gas Connections Project, the taxi scrapping program, and the Cairo Congestion Study. One innovation of our engagement in environment is that EPAPII was implemented using the Country Environmental System in 2006. Various actions were taken such as issuing revised EIA guidelines, stipulating a provision on severe penalties are promulgated for establishments constructed/operated without EIA, and issuing new sectoral EIA guidelines for thermal power plants, and for the manufacturing of petrochemicals, textiles, cement, and fertilizers. These activities were supported by TA component of EPAP II.

- c. **The ISN outcome on adoption of health insurance reform was not achieved.** The main vehicle for the Bank in the health sector was the Health Insurance Project. Although approved in FY10, this was not implemented by the new Government at the time as it was not in line with their priorities. The Health Insurance Systems Development Project is being redesigned to focus on improving the health service delivery and improving the utilization of the poor of these services in line with Government priorities. IFC has financed four private sector-managed health facilities, three of which are now fully operational.

- d. **The ISN goal of increasing investments to Upper Egypt was partially achieved, principally through lending although some notable analytical work focusing on Upper Egypt was disseminated.** A project dedicated to Upper Egypt proposed in the ISN did not materialize due to continued political instability in the country. However, the Labor Intensive Investment Project proposed in the ISN and approved in FY12 has dedicated about 55% of funds to Upper Egypt. Equally important was the Bank's ability to leverage EU grant funding for this project to the tune of 70 million euro which will increase the geographical scope of the project and make borrowing more concessional to the Government. The Bank is also focusing on strengthening the analytical base for policy and investment decisions affecting Upper Egypt. In 2013, the Bank published "Mapping Gendered Pathways to Inclusion: Shaping Youth Policy in Upper Egypt". This study provides an analysis of the conditions of young men and young women aged 15–29 residing in the region of Upper Egypt and their perceptions regarding the various factors that facilitate or limit their socioeconomic inclusion. The Gas Connections project and a follow on project scheduled for approval later this fiscal year are targeting underserved areas including those in Upper Egypt.
- e. **The ISN goal of strengthening social safety nets through the definition and implementation of a sound plan to move towards a more transparent and sustainable system new pension regulations reflecting international best practice was partially achieved.** As noted earlier, the Governance and Social Safety Nets DPL did not come forward which would have anchored a reform effort in this area. The Bank has maintained sustained dialogue to consolidate and strengthen Egypt's social protection system. One of the main achievements of the Bank in this area has been support to the development of a poverty map for better targeting of social safety net interventions. The Bank also supported the design of a comprehensive Social Insurance reform through a multi-year technical assistance program. In June 2010 the Egyptian Parliament approved a new Social Insurance and Pensions Law that introduced a systemic reform which were expected to constitute a landmark in the Middle East region. The new system was to be effective in January 2012, but the implementation was delayed after the revolution and in early 2013 the Government decided to cancel the law. The Bank provided technical assistance through a multiyear program developed in two phases. The decision of the Government to cancel the Social Insurance law delays the solution to critical shortcomings of the current pension system, notably concerning the fiscal implications of projected deficits in the existing schemes (in spite of a high tax wedge on labor), the lack of coverage of a significant number of Egyptian workers, the high volatility of the real value of pensions due to the practice of "ad hoc" arbitrary indexation, and the inadequate targeting of non-contributory pensions. The Government has expressed concerns with these issues and a new reform (with a different approach) is under study, but the scope, contents and potential impact of such reform still remain unclear.

- f. Both ISN goals on gender- which were contributing to informed advocacy on gender and a specialized financing aimed at women -have been fully achieved.** There was active and sustained dialogue on gender issues in the country. The 2010 Gender Assessment which examined the gender dimension of the Egyptian labor market was disseminated in the country and attracted a lot of attention from stakeholders. The findings of this report have fed into an ongoing Bank study of the Egyptian labor market. Intense policy dialogue on gender resulted in a number of gender operations in Egypt, focused on increasing female employment through business development training and access to finance including the 2012 Egypt Development Marketplace that aimed to support agribusiness and handicrafts projects across Egypt, with a special focus on Upper (southern) Egypt. Under the Enhancing Access to Finance for Micro and Small Enterprises Project, the strong impact on women is evident in the increase in the number of female-owned MSEs from about 4,500 to 20,000 from June 2012 to June 2013. IFC has sought to address issues of gender disparities through its Business Edge and access to finance advisory programs as highlighted above.

BANK GROUP PERFORMANCE

- 10. The program designed in the 2005 CAS and the ISN was responsive to the needs on the ground and flexible.** In view of the improved context with the economic reforms initiated in 2004, the 2005 CAS envisioned scaled up support for Egypt. This scaled up support did occur as Bank commitments more than doubled from FY06 to FY13. Similarly, IFC's investment portfolio tripled during this period. IFC was also instrumental in mobilizing outside investors into Egypt over the FY11-14 period, something it had not done at such scale under previous CAS periods. The Bank changed course with the ISN following the political turmoil in Egypt. The design of the program in the context of uncertainty was flexible, building on ongoing operations while moving to new priority areas in a modest way. The results framework of the ISN was modest, exhibiting realism and built on the CAS Progress Report Results framework focusing on outcomes from ongoing operations.
- 11. The Bank and IFC reached out to Government officials and other stakeholders in a time of political transition** (see Annex IV for details on outcomes of ISN consultations). In the post-revolutionary period, the World Bank Group reached out to new stakeholder groups (including the private sector) and agents of change and future reform champions, with the objective of seeking viewpoints on key issues and priorities for a new Egypt emerging from political transition. The consultations (both formal and informal) sought to address how best the Bank Group could support Egypt in this new environment. Overall, these early engagements and multi-stakeholder consultative meetings were helpful in informing the ISN about (i) what the development priorities are for Egypt; and (ii) where stakeholders see the World Bank playing a role. Key issues raised, including work on safety nets, support for SMEs, education quality, and natural gas are very much part of current engagement.

12. **The strategy took on board recommendations from 2009 IEG’s Country Assistance Evaluation.** Notably, the CAE recommended that future Bank strategy should reflect Egypt's middle-income status by including a flexible lending program and an emphasis on knowledge services. It also recommended that the Bank further strengthen the recent successful partnership by: (i) identifying direct and indirect interventions that could help reduce income disparities through improving the targeting of social safety nets; (ii) focusing analytic work on macroeconomic analysis and income disparities, and improving its dissemination; (iii) pursuing further financial sector reforms and promoting reforms that indirectly combat corruption (public financial management, simplification of taxation and business procedures, and an information act); and (iv) emphasizing sectoral strategies and policy and institutional reforms in infrastructure and energy. All these are areas where the Bank Group is actively engaged (see Table 2 for examples).

Table 2: IEG recommendations and Corresponding Bank Interventions

IEG Recommendation	Select Bank Interventions
Targeting Social Safety Nets	<ul style="list-style-type: none"> • Transition Fund Project on Safety Nets; • Emergency Labor Intensive Project; • Inequality of Opportunity Study
Analysis on Macroeconomic Issues and Income Disparities	<ul style="list-style-type: none"> • Dialogue on Energy Subsidies; • Inequality Study
Financial Sector Reforms and Combatting Corruption	<ul style="list-style-type: none"> • Financial Sector DPLs (I,II,III) • Affordable Mortgage DPL • MSME Project • TA on Governance
Infrastructure and Energy Institutional Reform	<ul style="list-style-type: none"> • Helwan South Power Project • Airports Project • Railways Project

13. **The Bank emphasized the appropriate procurement and financial management mechanisms to improve disbursement rates and build country capacity.** The Bank is working with Government to prepare procurement documentation in advance of approval of projects, streamlining the funds flow process by increasing use of e-disbursement, increasing implementation readiness of projects, and providing support upstream for environmental and social safeguards. The Bank’s extensive engagement in infrastructure has helped drive the development of state of the art implementation arrangements, including in FM, procurement, and M&E in energy, water, transport among others. This has also attracted donors to pool with the Bank (e.g. Helwan South and will be important in the effective absorption and implementation of Bank and other donor assistance going forward, including the funds from Gulf countries).

14. **The Bank and IFC mobilized lending and non-lending services to support the program in the 2005 CAS and in the ISN.** Bank lending FY06-FY12, averaged US\$934 million annually and lending volume foreseen in the ISN was largely met (see Table 3). Throughout

the evaluation period, with lending the Bank focused on enhancing the dialogue in key sectors and disseminating key pieces of demand driven AAA. The Bank did well-regarded AAA activities in a number of areas, including poverty assessment, inequality studies, education, and economic geography analysis. The Upper Egypt Study and the inequality study will feed in to the new Bank Group CPF which is expected to focus on inequality issues and spatial disparities within the country. The Bank leveraged low lending volumes in critical sectors with enhanced knowledge advice through AAA, for example in education, where AAA led to development of new approaches to university entrance and secondary education graduation exams. IFC also exceeded its historical investment trends under previous CAS periods. IFC has committed a total of US\$2.1 billion (including mobilization of US\$377 million) during the CAS and ISN period (FY06-1HFY14). Of this, US\$1.8 billion was during FY06-FY12 and the balance during the ISN period.

Table 3: CAS/ISN Proposed Operations of Which Delivered

Proposed Bank Operations		Delivered Bank Operations	
FY	Activity	Project	Commit
06	West Delta Irrigation Infrastructure	West Delta Water Conserv. & Irrig. Rehab	145
	El Tebbin Power	El Tebbin Power	259.6
	Mortgage Finance	Mortgage Finance	37.1
	Ports Sector Development		
07	Urban/Alexandria Growth Pole	Alexandria Development	100
	Integrated Governorates Development		
	Social Funds IV		
	Education Enhancement II		
	Pollution Abatement II	Second Pollution Abatement	20
	Solar Thermal		
	Financial Sector Restructuring Loan	Financial Sector Reform DPL	500
08	Transport/Road Asset Management		-
	Integrated Governorates II		
	Railways	Railways Restructuring	270
	Delta Integrated Sanitation and Sewerage Infr	Integrated Sanitation & Sewerage Infr	120
	Financial Sector Loan II	Financial Sector DPL II	500
09	Additional Financing for Mortgage	Affordable Mortgage Finance DPL	300
	Low Income Social Housing		
	Ain Sokhna Power Project	Ain Sokhna Power	600
	Railways Restructuring	Egypt National Railways Restructuring	330
	National Drainage (AF)	National Drainage II Add. Financing	30
10	Facilitating Access to Finance	EG-Enhancing Access to Finance for SMEs	300
	Gas Infrastructure	Natural Gas Connections	75
	Airports II	Airports Dev Additional Financing	40
	Roads Assets Management		
	Post-Basic Education Reform		
	Social Protection DPL		
	Health Insurance System Development	EG-Health Insurance Systems Development	75
	Upper Egypt Integrated Development		
11	Power III	EG-Giza North Power Project	600
	Clean Technology for Energy	EG-Wind Power Development	70
	Urban Transport Infrastructure		
	Solid Waste		
	Agriculture/Poultry Industry Recovery	EG-Farm-level Irrigation Modernization	100
12	Giza North (AF)	EG-Giza North Additional Financing	240
	Emergency Labor Intensive	EG Emergency Labor Intensive Investment	200
13	Helwan South Power Project	EG - Helwan South Power Project	585.4
	Kom Ombo Solar		
	Urban Transport Infrastructure Project		

15. **Bank portfolio performance:** The World Bank portfolio included 21 projects from IBRD, with a total commitment value of US\$4,600 billion in FY13. These projects cover a wide range of sectors including power (38.9 percent), transport (21.6 percent), financial sector (14.7 percent), agriculture & irrigation (5.4 percent), social sectors (8.5 percent), and water & sanitation (8 percent). 78 percent of the projects are social and sustainable development projects. The World Bank Egypt portfolio increased from 15 projects with a total commitment of US\$1.32 billion in 2007 to 21 projects in 2013.

Table 4: Selected Portfolio Performance Indicator

Variable	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Number of Projects	16	15	17	14	18	19	19	21
Net Comm Amt	1,795	1,321	1,981	1,786	3,378	3,876	4,057	4,600
Problem Projects	1	2	1	2	1	2	5	4
Total Undisbursed	1,344.9	801.8	1,396.1	1,535.5	2,877.6	3,193.4	3,228.9	3,368.8
Disbursement Ratio	18.5%	26.3%	23.5%	21.1%	13.5%	6.7%	10.2%	14.4%

16. **World Bank portfolio performance has been mixed.** As Table 4 shows, disbursements were above 20 percent until FY09 subsequently falling to 7 percent with the January 2011 Arab Spring. The disbursement ratio is gradually improving⁴ and now stands at 14.4 %. The number of problem projects stood at four in FY13. In this context of political uncertainties and economic downturn, 6 projects are at risk, 10% of the total commitment is at risk, and proactivity index stands at only 33% (compared with 62% in MNA). The Bank is working actively to improve portfolio performance in the country.

17. **IFC portfolio performance:** IFC took a pro-active approach to portfolio management including stress-testing all exposures, helping clients to restructure their balance sheet and cancelling selectively undisbursed commitments in agreement with clients. Considering the past 30 months of turmoil, the portfolio has performed so far. As at December 31, 2013, total portfolio stood at US\$983 million with less than US\$170 million (about 17% of total) undisbursed. With the exception of 3 investments which were underperforming before the start of the Egypt events, the portfolio is current with no delay in repayments to date.

KEY LESSONS AND SUGGESTIONS FOR THE NEXT CPS

18. **Large Infrastructure Projects can be used as a vehicle for institutional reform.** Bank engagement in the transport sector has shown that institutional reform measures such as management contracts to introduce private sector efficiency can be embedded in our investment lending. The Helwan South Power Project embeds institutional change in project design including grievance redress mechanisms. Going forward institution and capacity building should be embedded in project design more systematically.

⁴ Portfolio commitments more than doubled during the CAS period from \$1.795 billion in FY06 to \$4.6 billion in FY13 while effectiveness was delayed with the Arab spring causing, declines in disbursements and an increase in the number of problem projects. p

19. **Flexibility and high risk appetite:** The Bank and IFC's flexible response to the events of 2011 to changes in the country context enabled an adjustment of the strategy to better respond to the Egyptian revolution. In a highly fluid political environment, the Bank and IFC should focus on the countries' immediate needs with a mix of instruments. This flexible approach was successful in the case of energy subsidies. The Bank was able to assemble a multi-sector team to move forward the dialogue on the issue in the absence of a DPL. IFC's Management decision to provide counter-cyclical and confidence boosting support to the private sector (despite the high risk environment where other commercial financing was drying up) helped in job preservation/creation. This successful approach used under the previous CPS/ISN period could help guide IFC's intervention in the new CPF period where uncertainties remain high.
20. **Realism in results framework is crucial.** The Bank should focus only on what it can influence in terms of results and what is achievable in the time frame of the CAS/ISN. In general this was the case. In the ISN/CAS period, the ISN kept the original CAS Progress Report results with the intent that results would only be achieved in projects already under implementation. In hindsight this more scaled back results framework was the correct decision. One exception was the macroeconomic outcome with a specific fiscal deficit target which was not under the control of the Bank. The Bank and IFC should continue its realism and assessment of risks and rewards when developing project and program level results given continued uncertainty in the political and economic situation.
21. **Proactive engagement with the donor community:** The Bank has successfully leveraged donor support in a number of projects, most recently the Emergency Labor Intensive and the Helwan South Power Project and advisory engagements like the MSME Technical Assistance Facility. In an environment where Bank support is relatively small in comparison to needs, continued engagement with the donor community is crucial. In social sectors where the Government is reluctant to borrow IBRD resources, the Bank can leverage grant funding.
22. **Importance of integrating voice and accountability mechanisms and reaching out to stakeholders:** The Bank needs to reach out to CSOs and other stakeholders in project and program design. Moreover, having in place beneficiary feedback mechanisms is crucial to achieving results in Bank interventions. In the water and energy sectors, for example, the changing political environment has led to more active involvement of communities which has impacted project implementation.

Annex 1: Achievement of Results under ISN and CAS Results Matrix for Egypt: FY06-FY13

All outcome from the CAS PR are highlighted in red with the associated pillars (1. Private Sector Development; 2. Enhancing provision of Public Services and 3. Promoting Equity)			
CAS outcome/cluster of outcomes and milestones	Status and Evaluation Summary	WBG Activities that contributed to the Outcome	Lessons
Strategic Objective 1: Economic Management			
1.1. Contain the fiscal deficit			
<p style="color: red;">Effective implementation of the Government's plan to gradually reduce fiscal deficit by end ISN period (CASPR 2.1)</p>	<p>Not achieved: Policy dialogue on macroeconomic targets and priority activities is ongoing and constructive, however the goal of reducing the fiscal deficit was not achieved. The fiscal deficit has been increasingly steadily, from 8 percent of GDP in FY10 to 14 percent of GDP in FY13, and public debt has been rising in tandem reaching nearly 100 percent of GDP in FY13. This is due to weak growth, averaging only 2 percent over the past three years. There has been some progress on the energy subsidy issue, and failure to introduce important reforms, including on an extensive revamping of energy subsidies.</p>	<ul style="list-style-type: none"> • Ongoing Economic monitoring • FY09: Poverty Assessment • FY11: Savings Study • FY12: Inequality Study • FY13: Social Safety Nets TA • FY13 Expanding Opportunities for the next generation 	<p>Our ESW was helpful in maintaining ongoing dialogue The Bank did some useful work in a number of areas, including poverty assessment, inequality studies, and economic geography analysis. The results of this work have yet to bear fruit, but we are seeing it reflected in the current thinking on a number of issues, including on designing a cash transfer program and preparing economic governance legislation.</p> <p>Our DPL discussions, which took place in parallel with the IMF discussions over the past two years, also contributed to advance the agenda on both social safety net and governance issues.</p> <p>We are now proposing a critical strategic public expenditure review which would help identify the medium-term macro-fiscal constraints and expenditure reforms that could support higher and more equitable growth as well as higher quality and more efficient public service delivery. In tandem, we are doing a regional study on the broader economic impact of energy subsidies.</p>

1.2.Improve transparency of public sector management

Increase transparency of the budget process (CAS PR 2.5)

Partially Achieved

Egypt witnessed sustained improvement in its budget and fiscal transparency ratings during the period 2006-2010 before sliding back over the last 3 years due to the ongoing political turmoil and instability as well as absence of elected legislative bodies.

- **Policy notes on economic governance issues**
- **Support for economic governance**
Country Procurement Assessment Update (ESW)
- Support to procurement reform (TA)
- Support to Transparency and Anti-Corruption Commission (TA)
- WBI Local Governance Management Program (TA)
- **Policy dialogue on land management\ reforms (TA)**

Strategic Objective 2: Jobs

2.1. Create an enabling environment for private investment and businesses

<ul style="list-style-type: none"> • Improvement in the Business Environment as measured by Doing Business surveys – by end-ISR (CAS PR 1.3) • Successful completion of regulatory reforms that would lead to a level playing field and a more competitive environment 	<p>Achieved:</p> <p>Doing Business: There was improvement early in the CPS period but this stagnated in the ISR period. In September 2006, <i>Doing Business</i> ranked Egypt 152 out of 175 economies. In <i>Doing Business 2008</i>, Egypt jumped to 126 in the rankings. After that, the rankings stagnated or deteriorated in specific indicators due the absence of reform during 2011-2013. <i>Doing Business</i> rankings were 109/189 in 2013 compared with 106/189 in 2010 period. Overall in the CAS period, there was improvement.</p> <p>Regulatory Reforms: There was progress in undertaking regulatory reforms. The following regulatory reform activities were undertaken with support from the IFC and World Bank:</p> <ul style="list-style-type: none"> • Simplification of procedures to establish industrial projects by canceling the initial approval of the General Authority for Industrial Development (IDA) Simplification of registration procedures of companies foreign branches by reducing time to 3 days (instead of 4-6 Months), Simplification of procedures documents • Simplification of registration procedures of foreign companies representative offices (Reduce time to 3 days (instead of 40 days) & Simplification of procedures) • Second phase of electronic business registration (Electronic payment) • Abolish security approval for the press companies. • Issuance of imports certificate valid for 3-5 years Instead of stamping invoices on a regular basis and Issuance of Exports certificate valid for 3-5 years Instead of issuing letter in yearly basis 	<ul style="list-style-type: none"> • Information on • Ongoing: Benchmarking through Doing Business (TA) • FY07 Investment Climate Assessment Follow up • FY09 Investment Climate Update (ESW) • FY12: ICA Update (• Ongoing: Investments in PPPs (IFC) • FY13: SME Training through IFC Business Edge/Toolkit • Ongoing; Streamline construction permits and licenses (IFC TA) • Ongoing: Roll out Competitiveness Index nationwide 	<p>Political uncertainty and Government turnover has slowed cooperation in pursuit of wider the investment climate reform agenda following on the ICA assessment and initial preparatory work of the GfJ.</p> <p>The importance of this wider Competition/Private Sector governance agenda is well understood by key ministries, but mobilizing effectively to address the challenges in an operational/tractable manner remains elusive.</p>
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	<ul style="list-style-type: none"> • Simplification of Construction Permitting procedures and issuance of the Unified Construction Law executive regulations. • Development of smart regulations for Investment Zones regimes in Egypt. <p>Completion and launch of the Egypt Subnational Doing Business 2014 report, catalyzing reform activities by Government.</p>	<p>(IFC TA)</p> <ul style="list-style-type: none"> • Ongoing: Development of the post SNDB launch reform activities in FY14, targeting reform implementation in 15 governorates • Ongoing: Capacity building for Parliament and Government on business environment 	
<p>2.2. Improve financial sector competitiveness and efficiency</p>			
<ul style="list-style-type: none"> • Adoption by the Government of a sound strategic approach to expand access to finance to the poorest – by end-CAS (CAS PR 1.1) • Substantial increase in access to finance, evident in the rise in credit – by end-CAS 	<p>Achieved:</p> <p>Strategy to expand access to poorest: This was achieved through the gov'ts strengthening of MSEs and the Social Fund for Development. Enhancing micro and small enterprises (MSEs) access to finance is an important pillar of the Government's agenda. In particular, the second generation of the Financial Sector Reform Program (2009–2013) focuses on financial intermediation and improving access to finance.</p>	<ul style="list-style-type: none"> • Financial Development and Growth (ESW) • WBI – financial sector (TA) • Support to financial sector reform (TA) 	<p>DPLs were successful in providing timely and successful financial assistance in support of the overall objective of financial sector reform.</p> <p>An integrated approach to lending and AAA in the sector, where capacity building activities were undertaken in support of the Government policy reform efforts proved to be very successful.</p>

<ul style="list-style-type: none"> • Increase of annual mortgage loans extended by primary lenders– by end-CAS (CAS PR 1.1) • A developed NBF I regulator and a more sound Egyptian Financial Supervisory Authority (EFSA) • Issuance of the Corporate Governance Code for the banking sector, preventing potential conflict of interest, improving transparency, and establishing good governance. • Amendment of the Central Bank, Money and Banking Law, improving the governance of the Central Bank of Egypt (CBE) • Substantial reduction in state ownership of commercial banks and divestiture of public shares in joint venture banks- 	<p>In addition, the Social Fund for Development (SFD) has launched a Micro and Small Enterprise Development Strategy (2009–2013) aiming at improving the environment for MSEs. Significant activities have been undertaken by the World Bank to improve the business environment for MSMEs and enhance capacity building of financial regulators and Government agencies. These activities include: (i) support to the CBE in the development of a credit guarantee facility for MSME financing; (ii) capacity building of SFD and EFSA to set up the regulatory framework to support the Microfinance Law; (iii) capacity building of SFD and (iv) capacity building of the Egypt Post on product development, risk management and Islamic financial services. The World Bank is providing capacity building to SFD for major institutional and governance-related reforms.</p> <p>Substantial increase in access to finance: This result was partially achieved. Although the financial reforms led to a sound and stable system (as evident in the capital adequacy ratio, that increased from 14.7 in 2008 to 15.6 in 2011) improvements in financial intermediation to the private sector were not maintained, due to the developments associated with the January 25th revolution, which led to increased crowding-out of the private sector by the Government’s budget deficit and sell-off of Government bonds by non-financial sector holders. In addition, private borrowers were not interested in borrowing due to the overall macroeconomic environment and the uncertain security situation. Credit of the banking sector to the Government has continued to accelerate; increasing by 41.4 percent in December 2011 and 45.3 percent in January 2012. Credit in the private sector grew by 6.1 percent in</p>	<ul style="list-style-type: none"> • Stress-testing Institutional Reforms (TA) • Strengthening Corporate Governance of the Financial System (TA) • FY10: Affordable Mortgage Finance Development Policy Loan (SPN) • FY10: Financial Sector DPL III • FY08: Financial Sector DPL II • FY10: Enhancing Access to Finance for SMEs Project (SPN) • Investments in finance institutions (IFC): • FY06: privatization of remaining state owned stake in Commercial 	
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<p>by end CAS (CAS PR 1.1)</p> <ul style="list-style-type: none"> • 	<p>December 2011 and 5.4 percent in January 2012. The Government’s share in total credit increased to 53 percent in January 2012, up from 45.2 percent in January 2011. The share of the private sector shrank to 43 percent in January 2012, from 50.7 percent in January 2011, when it was starting to pick up right before the revolution.</p> <p>Increase in mortgage loans: This result was achieved. The reforms implemented by the Bank’s Mortgage Finance Project have yielded the following results. An increase in volume of market-based mortgage loans extended by primary lenders from LE 300 million in 2006 to LE 4.5 billion in 2011. More recently, the mortgage market experienced a modest increase during Q1 2013, with the overall size of the market reaching LE 4.765 billion by March 31, 2013.</p> <p>Achievements also include: (i) an increase in the length of term to maturity of a mortgage loan to 16 years in 2011 from seven years in 2006, exceeding the target of 15 years; (ii) an increase in mortgage finance companies from 2 in 2006 to 12 in 2011; and (iii) a rise in bank lending for mortgages from LE 12 million in 2006 to LE 2.6 billion in 2011.</p> <p>The World Bank is supporting the Egyptian authorities in the implementation of the Mortgage Subsidy Program through the Affordable Mortgage Finance Program Development Policy Loan (DPL) which supports fiscal reforms through reforming housing subsidies, ensuring efficiency, effective targeting of the poor, and transparency , as well as through advisory and technical assistance provided to the Egyptian authorities, supporting the Ministry of Housing and Urban Development, and the Guarantee and Subsidy Fund, during the transition</p>	<p>International Bank “CIB”). IFC participated with Ripplewood Holdings to purchase the entire remaining state owned stake in the largest private sector bank in Egypt.</p> <ul style="list-style-type: none"> • FY09: worked with Intesa Sanpaolo (“ISP”) for the privatization of one the main four public sector banks in Egypt (“Bank of Alexandria” or “BoA”). ISP and IFC acquired the majority (80%) of the state owned stake in the bank and privatized its management 	
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	<p>period.</p> <p>The Mortgage Subsidy Program has been making good progress, and the key policy measures the DPL has been supporting, have been achieved. All reforms are on track and all the triggers have been met, namely (i) strengthening the legal, regulatory and institutional framework for the Mortgage Finance Subsidy Program; (ii) developing an effective and efficient mortgage finance subsidy mechanism; and (iii) improving the institutional framework to enhance transparency and targeting of housing subsidies</p> <p>In 2007, IFC joined forces with 27 local banks and MFCs to establish the first mortgage refinance vehicle, Egypt Mortgage Refinance Company (“EMRC”). EMRC started playing an instrumental role in providing long term funding to housing finance originators.</p> <p>Progress in strengthening NBFIs: This result was achieved. Progress achieved towards the strengthening of the regulatory and supervisory framework of NBFIs was reflected in the issuance of the Non-Bank Financial Sector Law No. 10 of 2009, which was enacted, establishing EFSA as the single regulator for NBFIs. The EFSA merger was completed and in January 2011 the then- Chairman was able to issue a comprehensive report covering background, establishment, internal restructuring</p>	<ul style="list-style-type: none"> • FY 07: IFC worked with a regional champion, Ahli United Bank to acquire and successfully restructure a banking asset in Egypt with a challenged asset quality profile and an inadequate capitalization base (Delta International Bank). • Microfinance institutions (IFC TA) • Credit Bureau (IFC TA) • Corporate Governance (IFC TA) • SME banking (IFC TA) <p>Joint WB-IFC MSME</p>	
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	<p>plans and achievements to date.⁵</p> <p>EFSA has undertaken several reforms, as follows: (i) the first organizational chart of EFSA has been approved in 2011, where EFSA was able to fully integrate its departments based on functions; (ii) the supervision department has undergone restructuring; (iii) the salary scheme of all EFSA employees has been restructured to guarantee leveled and fair compensation for all employees; (iv) EFSA has succeeded in unifying the regulations and disclosures throughout the nonbanking financial sector; and (v) EFSA has contributed substantially to reducing any systemic risk after the revolution and the reopening of the Egyptian Stock Market.</p> <p>Issuance of Corporate Governance code: The Central Bank of Egypt (CBE) has strengthened corporate governance in the banking system by issuing Corporate Governance Regulations on July 5, 2011. The World Bank is working closely with the CBE on strengthening CBE’s macro prudential supervision by conducting annual stress testing for the banking sector, and by preparing quarterly consolidated banking sector reports that will serve as the basis for the CBE’s Financial Stability Report.</p> <p>The World Bank and IFC have been providing capacity building to banks to ensure compliance, strengthen the governance and enhance the transparency of the banking sector.</p> <p>Amendment to CBE Law: CBE has amended the Central Bank, Banking System, and Money Law No.</p>	<p>Technical Assistance Facility</p> <ul style="list-style-type: none"> • IFC Advisory Support for Corporate Governance 	
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⁵ Highlights include: (i) EFSA has decision making, budgeting and organizational autonomy; (ii) a cadre of new younger graduates not tied to past structures and approaches has been recruited after an exhaustive selection process and trained (including time with the Monetary Authority of Singapore). New cadres of such individuals will be recruited on an annual basis; and (iii) an Institute for Non-banking Financial Services has been established to enable local personnel to attain international qualifications (e.g. through sitting the CII insurance exams in Cairo).

	<p>88 of 2003 in October 8, 2011, introducing changes regarding improving CBE’s own governance, reconstituting its own board of directors to remove conflicts of interest, and tightening supervisory capacity and processes. The CBE is conducting periodic stress testing of the aggregate balance sheet of the banking sector and individual banks annually since 2008 (A main trigger in the third Financial Sector DPL), and stress testing has become an integral part of the CBE’s systemic surveillance of the banking sector. Currently, CBE is involved in an intensive technical assistance project with the World Bank to strengthen its stress testing framework through the integration of the Financial Projection Model (FPM) into its supervision.</p> <p>Reduction in state ownership of banking sector: The banking sector is now majority-owned by the private sector, and open to competition—through the privatization of the fourth largest state-owned bank, Bank of Alexandria, and divestiture of state-owned banks’ shares in joint venture banks, eliminating conflict of interest, and indirect state-ownership and intervention. This succeeded in attracting foreign and regional strategic investments and inviting banking know-how. This resulted in the reduction of state control of the banking sector as indicated by the direct and indirect share of state-owned banks of banking system deposits, which declined from over 70 percent in 2004 to 45.5 percent in 2009.</p> <p>In 2009, IFC worked closely with a global bank, Intesa Sanpaolo (“ISP”) to acquire the majority (80%) state-owned stake in one of the main four public sector banks at the time, BoA. the project also fully privatized the management of the bank and contributed to enhancing its competitiveness and</p>		
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	<p>efficiency.</p> <p>In 2006, IFC participated in divesting the entire remaining state-owned shareholding (19%) in CIB and fully privatizing the Bank. IFC's involvement in this project was critical in providing comfort to a group of foreign investors led by New York based Ripplewood Holdings, tapping the Egyptian market for the first time.</p>		
<p>2.3. Expand and improve power and transport infrastructure: Mostly Achieved</p>			
<p><u>Energy</u></p> <ul style="list-style-type: none"> • Expansion of power generation capacity by 27,000 MW – by end-CAS; increasing share of renewables in generation mix (CAS PR 2.2) • Conversion from highly-subsidized LPG to natural gas consumption for 300,000 households – by end-CAS (CAS PR 2.2) • Reform of energy pricing and subsidies, to reduce the fiscal impact of global price increases by end- 	<p>Energy: Mostly Achieved</p> <p>Expansion of power generation capacity: Although the goal of expansion of power generation capacity by 27,000 MW was not achieved, the fast track power generation program (2,600MW) was one of the main drivers for bringing installed capacity to over 27, 000 MW in total. The Bank financed projects included: Construction of 700 MW El Tebbin in 2010; construction of 140 MW Kureimat Solar-Thermal Power in 2011. In addition, IFC is advising the Government on a 2250 MW gas-fired power plant in Dairut, which is currently in the tendering phase but is facing delays due to the Government being unable to resolve some fundamental bankability issues e.g. sovereign guarantee and fuel supply.</p> <p>LPG Conversion: Some reforms on natural gas, diesel, and gasoline were implemented, and there has been conversion to natural gas consumption for over 300,000 households so this is achieved. In addition,</p>	<ul style="list-style-type: none"> • FY06: El Tebbin Power Project • FY08: Kureimat Solar-Thermal Project • FY08: Natural Gas Connections Project • FY09: Ain Sokhna Power Project • FY10: Wind Power Development Project • FY10: Dairut Power Plant (ongoing) • FY10: North Giza Power 	<p>Each intervention has its own level of contribution and thus measuring the success of their contribution to our sector goals could be insufficient. However, when it comes to enhancing our dialogue, the engagement in power convention and renewable power generation has strengthened our dialogue in improving sector sustainability and energy subsidies. The approach of less conditionality associated with these projects has strengthened the Bank's position as a partner for sector reform rather.</p> <p>Sector reform, including energy pricing, needs time and persistence. Our previous engagement was diversified and timely for Egypt. However, a proactive approach can be taken to design our energy sector in a way with clear pillars/programs (e.g. power generation, energy pricing, energy efficiency, privatization etc.) and framework instead of project/AAA based program. This could help in having more effective monitoring and shorten the approval process.</p>

<p>CAS – by end-CAS (CAS PR 2.2)</p> <ul style="list-style-type: none"> • <u>Transport</u> • Increase of capacity of key international airports (Cairo and Sharm El Sheikh) and delegation of airports management to the private sector (CAS PR 2.2) • Increase of financial viability and safety of Egypt National Railways (CASA PR 2.2) • Increase of financing for and regularity of road maintenance (CAS PR 2.2) • Improve public urban transport in Greater Cairo area <p><u>Telecommunications</u></p> <ul style="list-style-type: none"> • Reduction in the cost of telecommunications services – by end-CAS (CAS PR 2.2) 	<p>construction of 3,550 MW in gas-fired power plants under way. A Wind power project for construction of high-voltage transmission lines and a 250-MW wind power plant under implementation.</p> <p>Energy Pricing Reforms: On energy pricing reforms, the result is partially achieved. There was a substantial increase in electricity tariffs for a group of energy intensive industries. Tariff reforms for residential and commercial consumers were also implemented. Substantial policy advice (options, simulations, and recommendations) was provided to the Government on energy pricing and subsidies; development of renewable energy; energy planning; energy efficiency; sector governance; and private investment</p>	<p>Project (SPN)</p> <ul style="list-style-type: none"> • FY13: Helwan South Power Project 	
	<p>Transport: Mostly Achieved</p> <p>Increase of capacity of international Airports: Capacity of the airport has been increased so the result is achieved. Construction of a new airport terminal has been completed in Cairo airport (T3) and Sharm El Sheikh airport; airports management has been strengthened with the assistance of the private sector; The rehabilitation/extension of the terminal 2 in Cairo airport (T2) is underway to expand further the overall capacity.</p> <p>Railways: This result of increasing the financial viability and safety of Egypt National Railways is partially achieved. The Government has approved a restructuring plan of Egyptian National Railways (ENR), inspired by Bank-recommended priorities, and focusing on increasing the safety, quality and reliability of services and financial viability of railways services; the financing of a modernization program of signaling systems between Alexandria</p>	<ul style="list-style-type: none"> • FY10: Cairo Airport Project II • FY09: Railways Restructuring Project • FY10: Cairo Airport Project II • FY07: Road asset management AAA • FY12: Transport regulations TA 	

	<p>and Assiut is in place. The financial viability was improving but is now fully jeopardized by the ongoing political and economic situation. The overall safety of the railways is still an issue and will take more years to be overcome.</p> <p>Financing for road maintenance and transport: This result is achieved. Government has adopted a road asset management strategy aiming, among others, to improve road maintenance; a pilot PPP road project has been experimented but the PPP experience was terminated as prices offered were way above the estimate. The Government is implementing the Bank recommendations on Transport regulation and has secured EU funding to carry out detailed studies for the establishment of a regulatory agency (study almost completed).</p> <p>Increase of financing for Urban Transport: This is not achieved. An urban transport authority for Greater Cairo has been established but is not yet operational.</p>		
<ul style="list-style-type: none"> • Reduction in the cost of telecommunications services – by end-CAS (CASPR 2.2) • 	<p>Telecoms: Partially achieved:</p> <p>On the telecom sector, our engagement was framed under a RAS program that did not pertain specifically to costs decrease, but rather-to capacity building on statistics, legal and broadband policy. Some cost reduction may have happened but there is no evidence that it can be attributed to our RAS program.</p>	<ul style="list-style-type: none"> • FY08-11 several RAS with the National Telecom Regulatory Authority, the Ministry of ICT, the Information Technology Industry 	<p>This period has been an unusually unpredictable one in terms of sector dialogue: on the one hand, the investors’ interest in the sector has been quite versatile worldwide, in addition to which the country revolution has disrupted the Government’s focus on sector policy. We have tried to keep a line of dialogue with our technical counterparts, so as to be able to reengage formally as soon as the opportunity occurs; a request was recently sent by MCIT to help review the new draft of their national broadband policy which may lead to a more formal and sizable activity; in addition, MCIT is launching the action plan of the Green ICT strategy that we helped formulate in a 2011 RAS.</p>

		Development Agency, and the Egypt National Postal Organization.	
2.4. Increase relevance of education for labor market			
<ul style="list-style-type: none"> • Successful testing (for an eventual scaling-up) of pilot schemes for improving quality/relevance of: (i) higher education, (ii) skills development, and (iii) early childhood development – by end-CAS (CAS PR 2.4) • Improved curriculum especially with regard to the transition from secondary to post-secondary education and to the labor market – by end-CAS (CAS PR 2.4) 	<p>Mostly Achieved</p> <p>Pilot testing schemes: This was achieved several ways. In the case of higher education and skills upgrading, quality assurance and accreditation mechanisms, the development of universities’ IT infrastructure and library networks and the modernization and upgrading of mid-level technical education were established. In the case of early childhood education (ECE) the main achievement has been the expansion of access by supporting NGOs schemes; the preparation and design of new standard and curriculum for ECE; and the development of new learning materials to support the implementation of the new standards.</p> <p>Improved Curriculum: Achievements in relation to the improvement of the curriculum for secondary education have been mixed. On the one hand the Ministry of Education recently approved the new curriculum framework for secondary education, but on the other it has not been able to translate the ideas of the new framework into a well-developed new curriculum document.</p>	<ul style="list-style-type: none"> • Early Childhood Education Enhancement Project (SPN) • Secondary Education Enhancement Project (SPN) • TA for the Skills Development Fund • TA to expand use of a benchmarking tool for universities • TA to strengthen planning and monitoring in education 	<p>The main reason why the efforts to improve quality and relevance of skills development was not fully successful is due to lack of cooperation between education institutions and the business community.</p> <p>The key lessons learn are: (i) getting buy into from top level education authorities and renewing that involvement and commitment is essential to the success of critical modernization initiatives; (ii) the World Bank team should have flexibility in order to be able to reallocate resources that are critical for successful implementation support of projects; and (iii) collaboration with donors is a must in order to not duplicate efforts but also to guide the donor support in the same direction.</p>

2.5. Increase trade with regional and global partners			
<ul style="list-style-type: none"> • Successful development of schemes for improving the linkages between suppliers and external markets in (i) services, (ii) agriculture in Upper Egypt – by end-CAS (CAS PR 1.2) 	<p>Partially Achieved</p> <p>This goal was not achieved. However, during the period, IFC committed US\$428.2 million into 13 South-South projects with Sponsors from India, Turkey, Saudi Arabia, Lebanon and other nationalities. Furthermore, to promote trade finance, IFC committed US\$95.2 million during the period through its GTFP program.</p> <p>IFC helped improve linkages across value chains through (i) the development of a supply chain management tool for an agribusiness lead firm, (ii) the development of a contract farming model in the poultry sector, and (iii) capacity building of suppliers and distributors in the value chains of lead firms, focusing on improving management skills through the IFC Business Edge program. In total, 1,721 persons from 130 different SMEs, part of the value chain of four large lead firms in the ICT, FMCG, Pharmaceutical and Telecommunications sector, were trained.</p>		
Strategic Objective 3: Inclusion			
3.1. Improve management of water, sanitation and irrigation systems			
<ul style="list-style-type: none"> • Successful testing (for an eventual scaling-up) of pilot schemes for (i) expanding networked sanitation infrastructure into 	<p>Partially achieved</p> <p>Some progress is ongoing.</p> <ul style="list-style-type: none"> • Launch of rural networked sanitation program in 7 needy governorates. • First waste water PPP in Egypt successfully completed (IFC). The project sponsors have started operations and the Government is 	<ul style="list-style-type: none"> • FY08: Integrated Sewerage and Sanitation Infrastructure Project • FY11: Integrated 	<p>There should be only one lead implementing agency to avoid implementation confusions and bureaucratic delay in procurement process and flow of funds.</p> <p>Design consultants must be selected competitively. Selection of consultants by the Government agency using its own fund is very weak and will lead to poor outputs.</p>

<p>rural areas; and (ii) increasing efficiency and beneficiary participation in irrigation management; and (iii) developing PPPs – by end-ISN (CAS PR 2.2)</p>	<p>leveraging the experience they acquired on the New Cairo Wastewater project to tender out several others including Abu Rawash Plant.</p> <ul style="list-style-type: none"> • Improved irrigation and drainage services to 40,000 farmers • 1,420 water user associations have been established, of which 765 have been registered. • 14 integrated irrigation water districts have been established. • A pilot scheme for PPP in irrigation has been launched but the procurement aborted due to lack of sufficient qualified bids. <p>Expansion of networked sanitation infrastructure into rural area" is going on under the Bank's ISSIP1 and ISSIP2 projects. The result of Phase I ISSIP1 is not promising because of high investment costs due to poor engineering designs done by local consultants and poor implementation by local small contractors. Designs of Phase II of ISSIP1 and Phase I of ISSIP2 have been improved significantly by rectifying the designs and are ready for bidding to larger qualified contractors.</p>	<p>Sewerage and Sanitation Infrastructure Project II</p> <ul style="list-style-type: none"> • FY08: Integrated Irrigation Improvement Management Project 	<p>Also, project construction supervision consultants (Engineer in the contract) must be selected competitively. Construction supervision consultants selected by Government agency using its own fund is very poorly qualified since they were selected by the lowest bid, not by their qualification.</p> <p>With weak Government implementing agencies, the project needs to recruit a program management consultant who supervises the project construction supervision consultants in place of the Government agencies.</p> <p>Government's land acquisition procedures must be streamlined and an appropriate compensation mechanism needs to be established independently from the respective implementing agencies.</p>
<p>3.2. Improve air and water quality</p>			
<ul style="list-style-type: none"> • Successful testing (for an eventual scaling-up) of pilot schemes for: (i) reduction of industrial air 	<p>Achieved</p> <p>Successful testing (for an eventual scaling-up) of pilot schemes for: (i) reduction of industrial air pollution As to pilot schemes for reduction of industrial air pollution, the pilot phase (Egyptian</p>	<ul style="list-style-type: none"> • FY06: Pollution Abatement Project II (SPN) • FY05: 	<p>The Bank needs to stay engaged and keep an ongoing dialogue with the stakeholders in the sector.</p>

<p style="color: red;">pollution; and (ii) waste management – by end-CAS (CASPR 2.3)</p> <ul style="list-style-type: none"> • Improvement of environmental standards regulations – by end-CAS (CASPR 2.3) 	<p>Pollution Abatement Project (EPAP): 1999-2005) was successful and was scaled up by the Second Pollution Abatement Project (EPAP II): 2006-2014. Despite the unstable situation in Egypt after the Arab Spring, the EPAP pipeline remains strong with increasing number of companies showing interest to participate. EPAP stimulated similar projects such as the Private Public Sector Industry Project (PPSI) financed by KfW.</p> <p>The EPAP II contributed to the improvements of emissions notably from cement sector and brick factories, one of the most polluting sectors. Recent Cairo Air ESW observed improvements in the air quality. The finding shows that concentrations of PM10 and PM2.5 were lower in fall 2010 than in fall 1999. This decline may be attributed to several factors, namely, the expansion of the road and highway network, improved car efficiency, industrial pollution control, and efforts to contain open burning.</p> <p>Improvement of environmental standards regulations: There has been progress in adopting legal and institutional measures for improving air quality such as amendment of the environmental protection Law #4 of 1994 by Law #9 of 2009 which prohibits waste burning by imposing heavy fines on offenders. The air quality standards set forth in the executive regulations of 1995 were revised in 2005 and further revised as a result of the enactment of Law 9 of 2009, although these executive regulations have not yet been issued by the Council of Ministers.</p>	<p>Country Environment Analysis</p> <ul style="list-style-type: none"> • FY13: Cairo Air Quality ESW 	
<p>3.3. Expand access to healthcare</p>			

<ul style="list-style-type: none"> • Expand coverage of health insurance systems in a fiscally sustainable manner Adoption of a health insurance reform reflecting international best practice – by end-CAS (CAS PR3.3) 	<p>Not Achieved</p> <p>The adoption of health insurance reform, has not taken place. The Bank’s main intervention is the Health Insurance Systems Development Project, which has been recently restructured with a more flexible design to expand health coverage to the poor using a fast disbursing design to pay premiums for enrollment in social health insurance. When a new Government was appointed after June 30, the Government showed concerns about the financial sustainability of their social health insurance and requested our technical assistance to conduct a number of studies that will help in looking into ways to make the project financially sustainable with a possibility of revisiting the project design once more to fit the current Government. IFC has successfully advised the PPP Central Unit of the Ministry of Finance and Ministry of Higher Education in the implementation of the Alexandria Hospitals PPP Project.</p>	<ul style="list-style-type: none"> • Health sector reform project (SPN-closed) • FY10: Health Insurance Systems Development Project • Ongoing: Dialogue on Universal Health Insurance (TA) • Alexandria Hospitals PPP Project: the PPP Contract was signed in April 2012 and the project is currently undergoing financial closure (IFC) 	<p>The adoption of a more flexible design in the project should lead to better outcomes going forward since it will better respond to Government concerns.</p>
<p>3.4. Develop targeted and sustainable safety nets</p>			
<ul style="list-style-type: none"> • Definition and implementation of a sound plan to move towards a more transparent and sustainable system 	<p>Partially Achieved</p> <p>While the Bank has maintained sustained dialogue to consolidate and strengthen Egypt’s social protection system, including through (i) SSN TA, (ii) Inequality of opportunity ESW, (iii) a potential DPL, (iv) TA on subsidy reform and SSN, and (v)</p>	<ul style="list-style-type: none"> • FY12: Emergency Labor-Intensive Works • Pension 	<p>On AAA, it is important to engage the client fully and to focus on emerging policy priorities of the client to enhance the value of our interventions. However, we need to be mindful of the prevailing country environment. Despite our best intentions and efforts, success is not guaranteed as there are factors beyond our control. This has been particularly true in Egypt.</p>

<p>(CAS PR 3.1)</p> <ul style="list-style-type: none"> • Definition and implementation of new pension regulations reflecting international best practice (CAS PR 3.1) 	<p>Transition Fund project on energy and SSN reform, the revised CAS outcomes have not been accomplished. Due to the prevailing conditions in Egypt, despite Bank’s sustained effort we were not able to transition away from the subsidy system to a more efficient and poverty targeted SSN system although a sustained dialogue on this issue was ongoing. However, the Bank has some instruments, including the transition fund project and the ongoing SSN TA to continue to push for SSN reform.</p>	<p>reform (RTA)</p> <ul style="list-style-type: none"> • FY13: Inequality of Opportunity Study • Ongoing: Social Protection Strategy Note (TA) 	
<p>3.5. Reduce interregional disparities</p>			
<ul style="list-style-type: none"> • Strong pro-poor targeting of public investment in Upper Egypt by end CAS (CAS PR 3.2) 	<p>Partially Achieved</p> <p>The Labor Intensive Investment Project is focused on upper Egypt and should produce further results. 70% of disbursements are allotted for upper Egypt, much of which have been disbursed. Due to the prevailing political environment, the Bank was unable to establish a sustained a dialogue in this area and the second goal was not achieved. The Bank did release a study on youth and women in upper Egypt which enabled a continued dialogue in this area.</p> <p>IFC investment in Fawry to facilitate mobile payments systems, including in Upper Egypt.</p>	<ul style="list-style-type: none"> • FY12: Reclaiming their Voice: New Perspectives from Young Women and Men in Upper Egypt” • FY:12: Emergency Labor Intensive Investment Program 	
<p>3.6. Reduce gender disparities</p>			
<ul style="list-style-type: none"> • Effective contribution to 	<p>Achieved</p>	<ul style="list-style-type: none"> • FY11: Gender Assessment 	<p>Our sustained dialogue and cross sectoral engagement with a mix of AAA and lending activities was</p>

<p>informed advocacy and policy making on gender issues – by end-CAS (CAS PR 3.4)</p> <ul style="list-style-type: none"> • Specialized windows for women to improve their access to finance 	<p>Effective contribution to informed advocacy and policymaking on gender issues: This result was achieved. During the ISN period the Bank released and widely disseminated a number of important reports on gender issues, including: (i) World Development Report 2012 on Gender and Development; (ii) Opening Doors: Gender Equality and Development in the Middle East and North Africa (2013) - a regional companion report to the WDR 2012; and (iii) Gender Assessment “Narrowing the Gap: Improving Labor Market Opportunities for Women in Egypt (2011); (iv) “Reclaiming their Voice: New Perspectives From Young Women and Men in Upper Egypt” (2012).</p> <p>The strong emphasis on policy dialogue on gender has also been accompanied with a renewed corporate, regional and sectoral commitment on mainstreaming gender into Bank operations. In the last couple of years, regions, networks and sectors have developed gender action plans. Specifically, the MENA Regional Gender Action Plan (2012) adopted a two-pronged approach, supplementing support to country programs with an explicit focus on informing dialogue and providing a platform for debate.</p> <p>Specialized Window for women: The intense policy dialogue on gender has resulted in a number of gender operations in Egypt, focused on increasing female employment through business development training and access to finance (CAS outcome #2), including:</p> <p>In June 2013, the Egypt Development Marketplace program (DM) awarded grants of \$1.25 million to 45</p>	<ul style="list-style-type: none"> • FY12: Reclaiming their Voice: New Perspectives from Young Women and Men in Upper Egypt” • FY12: MSME Project • 2012: Support for Egypt Development Marketplace • FY13: TA on Enhancing Microfinance among Women in MNA 	<p>generally successful.</p>
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	<p>organizations, to contribute to job creation in agribusiness and handicrafts projects across Egypt, with special focus on Upper (Southern) Egypt. Upper Egypt predominantly thrives on the agriculture and handicrafts sectors as a primary source of income, and it is where women tend to earn their living. The program offers women the opportunity to network with counterparts in the field as well as with local and international development organizations, to explore opportunities during and after the grant period. In November 2012, outreach events were held in Assyut, Qena, Aswan, and Minya to raise awareness for the DM and to encourage organizations operating in the targeted locations to apply. In April 2013, two 4-day capacity building workshops for the finalists were organized in Aswan and Minya, to provide in-depth, interactive training on proposal writing, budgeting, social impact monitoring and evaluation, and communication skills. Through the Egypt DM initiative, projects with the highest potential for scale, replication, and financial sustainability have been identified for support. The DM provided a platform to support high performing enterprises and inclusive business models, mainly led by women, to scale up and increase their capacity to reach disenfranchised communities with basic and essential goods and services.</p> <p>TA Middle East and North Africa: Enhancing Microfinance Amongst Women and Youth in MENA (P144655) (approved June 2013) that seeks to enhance microfinance access and usage amongst women and youth in Morocco, Tunisia, and Egypt through demand-side analysis of access to finance</p>		
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	<p>constraints amongst women and youth; developing financial literacy modules targeted to women and youth; and South-South learning and training of key</p> <p>Enhancing Access to Finance for Micro and Small Enterprises Project (P116011) (approved in April 2012). To date, a total of 77, 818 loans have been disbursed to MSEs leading to the creation of over 111 thousand job opportunities. Youth, a severely underserved segment suffering from disproportionately high unemployment rates, have been effectively targeted, with beneficiaries between the age of 21 to 35 and representing 60 percent of all microfinance lending during the period of January 2011 and June 2013. The strong impact the operation has had on gender mainstreaming is evident in the increase in the number of female-owned MSEs from 4,573 to 20,536 from June 2012 to June 2013, which represents 25 percent of all financed projects.</p>		
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Annex II: Proposed CAS/ISN Activities for FY06-FY11

Those delivered (*)

Lending

FY06

West Delta Irrigation Infrastructure *

El Tebbin Power *

Mortgage Finance *

Ports Sector Development

FY07

Urban/Alexandria Growth Pole*

Integrated Governorates Development

Social Funds IV

Education Enhancement II

Pollution Abatement II*

Solar Thermal

Financial Sector Restructuring Loan*

FY08

Transport/Road Asset Management

Integrated Governorates II

Railways *

Delta Integrated Sanitation and Sewerage Infr *

Financial Sector Loan II*

FY09

Additional Financing for Mortgage*

Low Income Social Housing

Ain Sokhna Power Project *

Railways Restructuring *

National Drainage (AF)*

FY10

Facilitating Access to Finance *

Gas Infrastructure*

Airports II *

Roads Assets Management

Post-Basic Education Reform

Social Protection DPL

Health Insurance System Development*

Upper Egypt Integrated Development

FY11

Power III *

Clean Technology for Energy *

Urban Transport Infrastructure

Solid Waste

Agriculture/Poultry Industry Recovery*

FY12

Giza North (AF)*

Emergency Labor Intensive *

FY13

Helwan South Power Project*

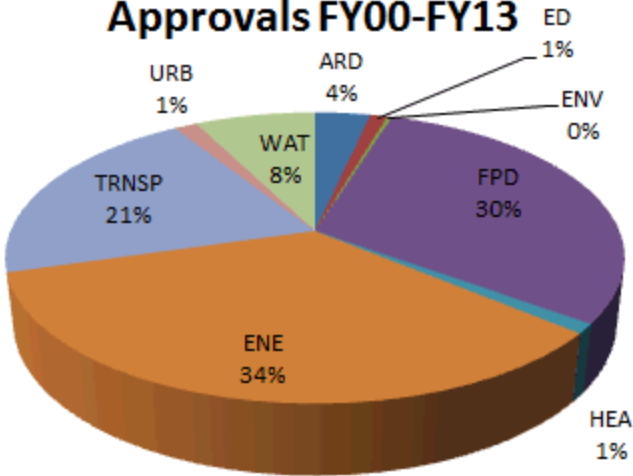
Kom Ombo Solar

Urban Transport Infrastructure Project

Annex III: Bank Approvals FY06-FY13

Year	Proj ID	Commit Amt
FY06	EG- FINANCIAL SECTOR REFORM DPL	500.0
FY06	EG-Second Pollution Abatement	20.0
FY06	EG-EI Tebbin Power	259.6
FY07	West Delta Water Conserv. & Irrig. Rehab	145.0
FY07	EG-MORTGAGE FINANCE	37.1
FY08	EG-ALEXANDRIA DEVELOPMENT	100.0
FY08	EG INTEGRATED SANITATION & SEWERAGE INFR	120.0
FY08	EG-FINANCIAL SECTOR DPL II	500.0
FY08	EG-Natural Gas Connections Project	75.0
FY08	EG-AIRPORTS DEV ADDITIONAL FINANCING	40.0
FY09	EG-Ain Sokhna Power	600.0
FY09	EGYPT-Railways Restructuring	270.0
FY10	EG-Health Insurance Systems Development	75.0
FY10	EG-Cairo Airport Development Project-TB2	280.0
FY10	EG-National Drainage II Add. Financing	30.0
FY10	EG-Affordable Mortgage Finance DPL	300.0
FY10	EG-Wind Power Development	70.0
FY10	EG-Enhancing Access to Finance for SMEs	300.0
FY10	EG-Giza North Power Project	600.0
FY10	Financial Sector DPL III	500.0
FY11	EG-Farm-level Irrigation Modernization	100.0
FY11	EG-Integrated Sanitation & Sew. Infra. 2	200.0
FY11	EG-Egypt National Railways Restructuring	330.0
FY12	EG-Giza North Additional Financing	240.0
FY12	EG Emergency Labor Intensive Investment	200.0
FY13	EG - Helwan South Power Project	585.4
	Overall Result	6,477.1

Approvals FY00-FY13



Annex IV: Issues Raised in ISN Consultations

Area 1: Economic management and transparency

Suggestions for Bank involvement:

- Focus on social protection (e.g., conditional cash transfers for education, nutrition, and targeted energy subsidies);
- Promote institutional development to guarantee public access to information to inform the policy debate and assess the impact of public policy;
- Support increased use of natural gas in Egyptian economy, including transport (CNG); and
- Support to governance, accountability, monitoring and evaluation, and transparency.

Area 2: Jobs

Suggestions for Bank involvement:

- Support technical education and vocational training;
- Support improvement of business environment and doing business, especially for SMEs development, including through capacity building;
- Support lending for SMEs development, for employment generation; and
- Reach out to the parliament and media;

Area 3: Inclusion: access to finance, water and sanitation, social services, transport, reliable energy, and safety nets

Suggestions for Bank involvement:

- Working further on access to education in poor areas to improve equity (medium-term);
- Early childhood development;
- Engage in benchmarking, capacity building, monitoring and evaluation (education);
- Cooperation on eradication of illiteracy (medium-term);
- Dialogue on designing the transition to universal health coverage for the poor;
- Health sector governance;
- Results-based financing and pay for performance
- Support temporary employment (such as waste collection, canals cleaning, and other poor self-selective labor intensive works) and be involved in social protection programs;
- Support rural road improvements; and
- Support agriculture to eradicate poverty.