

Egypt : Inclusive Growth for Sustainable Recovery DPF Program

1. Project Information

Project ID:	P000487	Instrument ID:	L0487A
Member:	Egypt	Region:	Northern Africa
Sector:	CRF-Economic Resilience/PBF	Sub-sector:	N/A
Instrument type:	<input checked="" type="checkbox"/> Loan:360.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	World Bank
ES category:	C	Borrowing Entity:	Ministry of International Cooperation, Egypt
Implementing Entity:			
Project Team Leader:	Guoping Zhang		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Christopher Damandl, Project Counsel; Bernardita Saez, Alternate Counsel; Shodi Nazarov, OSD - Financial Management Specialist; Gerardo Pio Parco, OSD - Social Development Specialist; Gerardo Pio Parco, OSD - Environment Specialist; Rabindra Shah, OSD - Procurement Specialist; Yanyang Shi, Project admin		
Completed Site Visits by AIIB:			
Planned Site Visits by AIIB:			
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:			
Previous Red Flags Assigned Date:			

2. Project Summary and Objectives

The Inclusive Growth for Sustainable Recovery DPF Program (the Program) is a sovereign-backed policy-based loan (PBL), in the amount of USD360 million, approved in 2021 and it was operated under the AIIB's COVID-19 Crisis Recovery Facility (CRF). The Program was co-financed by the World Bank (WB) through the International Bank for Reconstruction and Development under the WB's Development Policy Financing policy (WB's DPF Policy). The WB's financing, in the amount of USD360 million, is a single tranche DPF financing operation to assist the Government of Egypt (GOE) to expedite structural reforms and mitigate the socioeconomic challenges of the crisis for sustainable recovery through and beyond the COVID-19 pandemic.

The Program's objective is to support inclusive economic growth for a sustainable recovery through: (a) enhancing macro-fiscal sustainability, (b) enabling private sector development and (c) fostering women's economic inclusion. The reforms under the Program will not only address long standing structural issues but also help in economic

resilience, inclusive growth, social protection and sustainable recovery to prevent long-term damage to the productive capacity of the economy.

The Program addresses both the 'restructuring stage' focusing on, among others, the recapitalization of firms and financial institutions, and the 'resilient recovery' stage which entails taking advantage of new opportunities to build a more sustainable, inclusive and resilient future in a world transformed by the COVID-19 pandemic. Improved debt management and sustainability, private sector development, as well as higher female labor force participation will enhance the recovery of the Egyptian economy over the medium term.

3. Key Dates

Approval:	Nov. 11, 2021	Signing:	Jan. 18, 2022
Effective:	Apr. 21, 2022	Restructured (if any):	
Orig. Closing:	Mar. 31, 2023	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	360.00	Most recent disbursement (amount/date):	360.00/May. 02, 2022
Undisbursed:	0.00	Disbursement Ratio (%) ¹ :	100.00

5. Project Implementation Update

The ten reform actions designed by this Program have been completed prior to the Loan approval. Implementation of the Program resides in the implementation of the reformed laws and regulations resulting from this Program to achieve the respective targets. The Ministry of International Cooperation (MOIC) is the main coordinating agency for monitoring and evaluation (M&E) among the ten other participating authorities. The actions agreed in this Program are the prime responsibility of eleven agencies*. The interministerial Economic Cabinet remains functional during the PDF framework where the MOIC will be the coordinator with other ministers to monitor the results indicators, which are based on routinely published sector indicators, custom reports and/or surveys developed and agreed with other incumbent authorities.

The Program outcomes have been monitored through the measurement of progress toward the achievement of results indicators included in the policy and results matrix (see details in Section 7). The recent mission carried out by the WB indicated that the targets for two reform actions, or prior actions (PAs), have been fully achieved while substantial progress have been made for the other eight PAs.

As in most complex PBL operations, coordination among the entities involved, M&E and reporting the progress of the actions, are the main challenges. WB has been leading on the implementation support for with technical assistance engaged through various operations. The Loan has been fully disturbed, and it is expected to be closed on March 31, 2023.

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

*Ministry of International Cooperation, Ministry of Finance, Ministry of Public Business Sector, Ministry of Planning and Economic Development, Ministry of Justice, Ministry of Transport, Ministry of Environment, Ministry of Manpower, the Egyptian Customs Authority, the National Council for Women, and the Financial Regulatory Authority.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Pillar (1) enhancing macro-fiscal sustainability	Prior Actions (reforms) Completed / Targets for the expected outcomes yet to be fully achieved. Details are presented in the results framework.	This program is co-financed with WB as lead co-financier, and the Program's environmental and social (ES) risks and impacts have been assessed in accordance with the provisions of WB's DPF policy applicable to policy-based lending.	N/A
Pillar (2) enabling private-sector development	Prior Actions (reforms) Completed / Targets for the expected outcomes yet to be fully achieved. Details are presented in the results framework.	This program is co-financed with WB as lead co-financier, and the Program's environmental and social (ES) risks and impacts have been assessed in accordance with the provisions of WB's DPF policy applicable to policy-based lending.	N/A
Pillar (3) fostering women's economic inclusion	Prior Actions (reforms) Completed / Targets for the expected outcomes yet to be fully achieved. Details are presented in the results framework.	This program is co-financed with WB as lead co-financier, and the Program's environmental and social (ES) risks and impacts have been assessed in accordance with the provisions of WB's DPF policy applicable to policy-based lending.	N/A

Financial Management:

The information about the compliance of actions as per Schedule 1 Section 2 D of the Loan Agreement related to the deposit account are not available yet; The project team will further pursue updates from the implementing agency in this regard.

6. Status of the Grievance Redress Mechanism (GRM)

The WB's DPF Policy applies to this operation in lieu of AIIB's Environment and Social Policy (ESP). Accordingly, AIIB's Policy on the Project-affected People's Mechanism (PPM), which addresses issues raised under AIIB's ESP as applicable to investment projects, does not apply to this operation. The WB's independent accountability mechanism addresses issues raised by persons adversely affected by a WB-financed operation and allows them to report alleged noncompliance with the WB's operational policies and procedures, including WB's DPF Policy.

Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a WB DPF operation may submit complaints to the responsible

country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns.

As of to date, no complaints have been reported through the above GRM channels.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

The Ministry of International Cooperation (MOIC) is the main coordinating agency for monitoring and evaluation (M&E) among the ten other participating authorities. The actions agreed in this operation are the prime responsibility of eleven agencies. The interministerial Economic Cabinet remains functional during the DPF framework where the MOIC will be the coordinator with other ministries to monitor the results indicators, which are based on routinely published sector indicators, custom reports and/or surveys developed and agreed with other incumbent authorities.

The Program outcomes have been monitored through the measurement of progress toward the achievement of results indicators included in the policy and results matrix. The recent mission carried out by the WB indicated that the targets for two prior actions (PAs, i.e. reforms), have been fully achieved while substantial progress have been made for the other eight PAs.

Details can be referred in the "Comments" of the Results Monitoring Framework below.

Remarks:

Project Indicators	Objective	Indicator level	Unit of Measure	Cumulative Target Values										Frequency	Responsibility	Comments	
				Baseline		2021		2022		2023		End Target					
				Year	Value	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual
Pillar 1-Percentage of SOEs under the MPBS whose boards were reconfigured in accordance with requirements in Law No. 185 of 2020	Project	Percentage	2021	0	0					75						The MPBS confirmed that more than 90 % of State-owned Enterprises (SOE) Boards under Law 185 of 2020 have been reconfigured while MPBS, with the coordination of Ministry of International Cooperation (MOIC), is preparing documents with data to substantiate the progress made.	
Pillar 1-Regular publication of annual debt reports and semi-annual debt bulletins	Project	Number	2021	0	0					2 and 2						<p>The Ministry of Finance (MoF) published one annual report in October 2022 [less than 6 months after the end of Fiscal Year (FY) 2022]. Due to differences in the reporting methodologies between MoF and the Central Bank of Egypt, The MoF Macro Fiscal Policy Unit (MFPU) and Debt Management Unit (DMU) established a “Unification of Concepts and Statistics of Public Debt” committee which is now working jointly on the concept’s unification to report coherently an updated version of the report.</p> <p>Note: Before March 2023, the government needs to (i) provide details on the progress that the “Unification of Concepts and Statistics of Public Debt” committee has achieved, (ii) publish the revised version of the debt report (published in October 2022) that the MoF team has updated based on the WB team’s comments, and (iii) the government should proceed with the regular publication of annual debt reports and semi-annual debt bulletins so that at least one annual report and two semi-annual reports are published by March 2024. The government might also consider regularly publishing quarterly debt data in the financial monthly bulletin in parallel.</p>	
Pillar 1-Percentage of green public investment projects out of total public investment projects to facilitate the transition to low carbon economy	Project	Percentage	2021	14	14					20						<p>The Adoption of the green financing framework enabled the GOE to issue the first-ever sovereign green bond in the Middle-east and North Africa (MENA) region. The orderbook peaked above USD 3.7 billion achieving 7 times more of subscription for the announced size of USD500 million and 5 times subscription for an upsized transaction of USD750 million. Remarkable investor demand enabled Egyptian authorities to reduce interest by 50 bps compared to the Initial Price Talks (IPTs, opening at 5.75% and closing at 5.25%). It achieved the lowest 5-year coupon for Egypt ever and second lowest US coupon for Egypt since 2016. The green bond issuance had witnessed 16 new first-time investors in Egypt’s US bond issuances, highlighting success in continuing to diversify investor base.</p> <p>In terms of identification of green public investments, the Green Financing Register was established by MoF and the Ministry of Planning and Economic Development (MoPED) in September 2020 with an approximate amount of USD 2 billion of green projects. In addition to planning to issue other green bonds in the future, the authority has upgraded the green financing</p>	

																many firms started allowing women to work in night shifts and restricted sector. Note: It is expected to be difficult to track the magnitude of hiring in the absence of a survey. As a second best, it is recommended that NCW showcases a few firms that started hiring of women in night shifts and hazardous sectors as part of the nationwide campaign.
Pillar 3-Development and implementation of GBV SOPs for the Code of Conduct based on global best practices and including grievance redress mechanism and evaluation mechanisms for reporting violations	Project	Yes/No	2021	No	No				Yes							Following the issuance of the Ministerial decree on the safe transport CoC, the Ministry of Transport (MOT) formed a steering committee to help the process of operationalizing the CoC. The Committee includes members from the Egyptian National Railways (ENR) and the National Authority for Tunnels (NAT). With technical support from a consultancy firm, MOT finalized the preparation of SOPs along with the associated Communication and Outreach Strategy for the public transport CoC. A deep dive assessment and policy recommendations were also conducted for the GRM. After several rounds of consultations, awareness raising for the staff of MOT, training and capacity building were also delivered by the consultancy firm. All of the prepared documents including the SOPs were translated into Arabic, reviewed and approved by MOT and are currently with NAT and ENR to develop a plan for the implementation of the SOPs and submit to MOT. To support further learning, a study tour is being planned by the WB to support collaboration among countries, as well as share lessons around implementation and best practices.
Pillar 3-Development and Implementation of GBV SOPs for One Stop Centers including clear referral path based on global best practices and including grievance redress mechanisms and evaluation framework	Project	Yes/No	2021	No	No				Yes							On the one-stop center for the survivors of GBV, the NCW announced that funds have been allocated for its operation. The Ministerial decree has been also distributed among different ministries to assign the concerned team. The appropriate location based on established criteria is yet to be chosen. The United Nations Population Fund (UNFPA) has been working closely with NCW to develop the one-stop center SOPs. The draft SOPs were shared with the WB with the target expected to be met in March 2023, and the selection of the location of the center is expected to be finalized shortly.
Pillar 3-Number of women benefiting from available NBFi financing	Project	Number	2021	2.07 million	2.07 million				2.2 million							The Financial Regulatory Authority (FRA) has already achieved the target required as the actual number of women benefiting from available NBFi financing is 2.3 million in November 2022 and the actual amount of loans available for women is 17.5 billion back in November 2022.
Pillar 3-Amount of loans available for women	Project	Number	2021	EGP 11.8 billion	EGP 11.8 billion				EGP 12.5 billion							Target fully achieved. The Financial Regulatory Authority (FRA) has already achieved the target required as the actual number of women benefiting from available NBFi financing is 2.3 million in November 2022 and the actual amount of loans available for women is 17.5 billion back in November 2022.

Project Indicators	Intermediate	Indicator Level	Unit of Measure	Cumulative Target Values										Frequency	Responsibility	Comments	
				Baseline		2021		2022		2023		End Target					
				Year	Value	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual