

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



ARAB REPUBLIC OF EGYPT

**COUNTRY PORTFOLIO PERFORMANCE REVIEW
REPORT**

**COUNTRY OPERATIONS DEPARTMENT – NORTH, EAST & SOUTH
ONCB**

JUNE 2005

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ACRONYMS AND ABBREVIATIONS

ADF	-	African Development Fund
ADB	-	African Development Bank
AIDS	-	Acquired Immunodeficiency Syndrome
APPR	-	Arab Bank for Economic Development in Africa
BD	-	Board Document
CIDA	-	Canadian International Development Agency
CSP	-	Country Strategy Paper
CPPR	-	Country Portfolio Performance Review
DAG	-	Development Assistance Group
DECODE	-	Development Cooperation Data base for Egypt
DO	-	Development Objective
EDBE	-	Export Development Bank of Egypt
EGCO	-	Egypt Country Office
EIB	-	European Investment Bank
EU	-	European Union
FATF	-	Financial Action Task Force
GALAE	-	General Authority for Literacy and Adult Education
GDP	-	Gross Domestic Product
GECL	-	Legal Department
GOE	-	Government of Egypt
HIV	-	Human Immunodeficiency Virus
HMP	-	Health master Plan
HSRP	-	Health Sector Reform Project
ICB	-	International Competitive Bidding
IMF	-	International Monetary Fund
IP	-	Implementation Performance
IPR	-	Intellectual Property Rights
LoC	-	Line of Credit
MIC	-	Ministry of International Cooperation
MIS	-	Management Information System
MOHP	-	Ministry of Health and Population
MOLAR	-	Ministry of Agriculture and Land Reclamation
MTR	-	Mid term Review
NBE	-	National Bank of Egypt
NGOs	-	Non Governmental Organizations
ODA	-	Official Development Assistance
OPSD	-	Operations Private Sector Department
PBDAC	-	Principal Bank for Development and Agricultural Credit
PHC	-	Public Health Care
PIU	-	Project Implementation Unit
PMU	-	Project Management Unit
PPP	-	Public Private Partnership
SMEs	-	Small and Medium Scale Enterprises
SFD	-	Technical Assistance Fund
TOR	-	Terms of reference
TOT	-	Training of Trainers
TSO	-	Technical Support Unit
UA	-	ADB Unit of Accounts
UNDP	-	United Nations Development Program
USAID	-	United States Agency for International Development
WEEP	-	Women Economic Empowerment Programme
WTO	-	World Trade Organization

CURRENCY EQUIVALENTS

(As at June, 2005)

US\$ 1	=	EGP 5.8120
UA 1	=	US\$1.47495
UA1	=	EGP8.74484

WEIGHTS AND MEASURES

Metric System

FISCAL YEAR

July 1-June 30

EXECUTIVE SUMMARY

1. Introduction

In order to improve portfolio performance, a portfolio review mission was undertaken in Egypt during the period 26 November-10 December 2004. This report is based on the findings of the above review mission, quarterly progress reports and various supervision missions undertaken during the period January 2001-June 2005. The report updates the CPPR (ADF/BD/WP/2000/159) of 4 October 2000 which identified delays in project effectiveness and start-up, bureaucracy, non compliance with the Bank's procurement rules of procedure and disbursement and reporting covenant, communication as well as language barrier as problems in the portfolio. Due to staff constraints, a portfolio review could not be conducted in 2002. The current report reviews the performance of project implementation of the Bank Group portfolio in Egypt, identifies the constraints impeding project implementation, and offers some remedial measures to improve portfolio performance. The report is divided into seven sections: introduction, review of ongoing portfolio, assessment of management/implementation capacity, coordination with other donors, loan repayment and arrears, proactive management of the portfolio, and conclusions and recommendations.

2. Context of Review

2.1 The review was conducted in the context of renewed efforts towards political and economic reforms in Egypt. In July 2004, a new Prime Minister was appointed and fourteen new appointees joined the 34-member cabinet. The next presidential elections will be held in September 2005. In this regard, the Parliament in March 2005 approved a constitutional amendment aimed at democratization in the country. The amendment to Article 76 of the constitution will allow for direct, multi-candidate presidential elections for the first time. A referendum undertaken on 26 May 2005, passed the constitutional changes that paved the way for multi-candidate presidential elections.

2.2 Since the last CSP was approved, the authorities have passed either new or revised legislations in quite a number of areas. These include: (i) Financial Leasing Law; (ii) Mortgage Law; (iii) Intellectual Property Rights Law (IPR); (iv) Anti-Money Laundering Law,; (v) Unified Labour law; (vi) Unified Banking Law, and (vii) a revised Investment Law. The passing of the Anti-Money Laundering Law in February 2004 led to the removal of Egypt from the list of countries that fail to adopt sufficient action to curb money laundering by the International Financial Action Task Force (FATF) while the IPR law brings Egypt closer in line with its obligations under the WTO. The Labour law makes important improvements in the flexibility of the labour market while the Banking Law, *inter alia*, strengthened banking supervision and clarifies the process of monetary policy formulation. The revised investment law provides tax reductions and exemptions for up to 20 years for investors in priority sectors such as infrastructure, oil field services, tourism, manufacturing and all export-oriented activities. Effective implementation of these laws will go a long way in improving the business environment and ensuring the effectiveness of the legal system. The economic reforms pursued by the Government since July 2004 also continue to boost business confidence.

2.3 As far as recent economic performance is concerned, real GDP growth for 2003/04 was estimated at 4.1%, higher than the growth rates of recent years. Inflation, which had risen rapidly since the beginning of 2004 reaching 11.4% in December 2004 as a result of the depreciation of the exchange rate and loose monetary policy, is now declining. In March 2005, annual average inflation fell to 5.6% compared to 9.5% in January 2005. The drop in the inflation rate suggests that the exchange rate pass-through is working itself out. Liquidity

conditions were also tightened in 2004. Broad money (M2) growth rate declined from 16.9% in 2002/03 to 13.2% in 2003/04 and the Central Bank is moving towards a policy of inflation targeting. The fiscal balance widened from 1.2% of GDP in 1999/2000 to 2.5% in 2003/04. To reinforce fiscal discipline, the Government will continue with fiscal reform and enforce tighter budget control. The official and parallel foreign exchange rates have been unified following the launch of the inter-bank foreign exchange market in December 2004. The exchange rate of the Egyptian Pound has thus stabilized. Domestic and foreign indebtedness remain manageable but there are concerns about fiscal sustainability as domestic debt continues to increase at a rapid pace. Domestic debt reached 62% of GDP in 2003/04 while external debt was only 39.2% of GDP. Total debt service ratio was 9.2% in 2003/2004. The current account recorded a surplus of 4.4% of GDP in 2003/04 owing to strong growth in invisible receipts and merchandise exports. Reflecting the improved balance of payments position, Egypt's foreign reserves strengthened to US\$16.6 million in February 2005 equivalent to 9.3 months of import cover.

3 Overall Portfolio

3.1 The Bank Group began its lending operations in Egypt in 1974 and has so far approved 44 operations comprising 32 projects, 3 studies, 1 policy based loan, 2 institutional support projects, and 6 lines of credit. As at 30 June 2005, the Bank Group's total loan approvals to Egypt amounted to UA1,419.74 million, comprising UA1,227.14 million from ADB resources, UA179.68 million from ADF resources, and UA12.92 million from TAF resources. In addition, a multinational grant of UA3.04 million for a study of power interconnection between Egypt and the Democratic Republic of Congo was provided. Of the total amount of UA1419.74 million approved, an amount of UA277.06 million has been cancelled. This consisted of UA269.88 million from ADB resources for completed and ongoing operations, UA6.87 million from ADF resources and 0.31 from TAF resources. Of the 44 operations, 35 have been completed, 7 are ongoing while 2 were cancelled. These operations exclude multinational operations and emergency assistance.

3.2 In terms of sectoral allocation of resources, the public utilities (power) sector constitutes 53.3% of net commitments, financial sector 19.9%, social sector 10.8%, agriculture and rural development sector 9.8%, multi sector 4.6%, industry 1.5%, and transport 0.001%.

4. Ongoing Portfolio

As at 30 June 2005, there were 7 ongoing operations in Egypt, comprising 2 operations in the agricultural sector, 2 in finance and 3 in the social sector. These 7 operations amount to a total commitment of UA225.10 million comprising UA177.38 million of ADB resources, UA44.52 million of ADF resources and UA3.2 million of TAF resources.

5. Disbursements

5.1 As at 30 June 2005, the disbursement/commitment ratio for the cumulative portfolio stood at 96.85% compared to 88.45% during the 2000 portfolio review. The highest rate of disbursement was registered by the multi sector (99.9%) followed by the power and industrial sectors each recording 99.8%, transport sector (99.3%), financial sector (94.8%), agriculture (91.54%) and social sector (89.06%).

5.2 Regarding the seven ongoing projects, the disbursement/commitment ratio as at 30 June 2005 stood at 84.6% compared to 76.6% during the last portfolio review of 2000. The financial sector registered the highest disbursement (93%) followed by the agricultural sector

(69%), and the social sector (59%). Of the two LoCs in the financial sector, one has been fully disbursed while 80% of the other one has been disbursed. The projects in the agricultural and social sectors experienced long delays in loan ratification and effectiveness which explains the relatively low levels of disbursements in these sectors.

6. Portfolio Performance

The Implementation Performance (IP) and the Development Objective (DO) in this review are 2.0 and 2.1 respectively, which makes overall performance in portfolio management satisfactory. The IP is the same as in the 2000 CPPR while the DO in 2000 was 2.5 indicating that, in terms of DO, the portfolio has deteriorated. The difference in the DO ratings between the two reviews could possibly be explained by the fact that there was no project at risk during 2000 while during 2005 two projects are rated at risk. There are also generic problems relating to reporting, billing, and delays in disbursement, procurement and communication

7. Assessment of Supervision Frequency and Quality

Since 2001, Egypt achieved a supervision ratio of 1.25 per project per annum which is not satisfactory. The supervision ratio of 1.25 does not compare favourably with 2.0 of the previous portfolio review of 2000, and less than the benchmark of 1.5. In the current portfolio of seven projects, only NBE and EDBE recorded an average supervision rate of 2.5 per year. The supervision ratings of the other projects ranged from 0.5 to 1.0. There is thus a need to increase the frequency of supervision.

8. Aging, Potentially Problematic and Problem Projects

8.1 Aging projects refer to those projects that have not been completed after 8 years from the date of approval. On the basis of this definition, none of the projects in the portfolio have aged. The average life of ongoing projects is about 6 years. The oldest projects are El Beheira, Social Fund and WEEP (7 years 7 months each), followed by the Health Sector Reform Project (6 years 8 months), PBDAC (6 years 3 months) and NBE and EDBE (2 years 8 months each). The first six projects are, however, approaching the benchmark for aging projects indicating that further extensions of closing dates is not advisable.

8.2 Two of the seven projects in the portfolio, including the Women Economic Empowerment and Health Sector Reform projects are rated as projects at risk. These two projects are unlikely to achieve their development objectives. This is, however, an improvement over the four projects at risk identified in the preliminary findings of the Bank-wide Annual Portfolio Performance Review (APPR) for 2004. The four problematic projects in APPR 2004 are the Institutional Support to the Ministry of International Cooperation, PBDAC, Social Fund II and Health Sector Reform. The Institutional Support to Ministry of International Cooperation has been fully disbursed and completed and is no longer in the portfolio. PBDAC has been declared potentially problematic because it took 16 months from signature in December 2000 for the LoC to become effective on 22 April 2002. A project is declared potentially problematic if it has not been declared effective 12 months after signature. Though the delay remains a fact, PBDAC has overcome this teething problem. This portfolio review has revealed that as at 30 June 2005, it has disbursed about 80% of the LoC and has improved the number of activities undertaken, including credit delivery to farmers, training, institutional strengthening as well as preparation of a credit manual. It is, therefore, no longer at risk.

8.3 The Social Fund II was also declared potentially problematic for the same reasons as PBDAC. It took 33 months from signature in March 1998 for the Fund to become effective in December 2000. However, this project has experienced a turn around in implementation. It has made massive strides in health, functional literacy and capacity building and continues to play an important and dominant role in poverty reduction and job creation in Egypt. This was confirmed in two recently completed studies carried out on the Fund. These studies are the second multi-donor review of the Fund in which the Bank participated; and the impact assessment of the social infrastructure and micro finance activities of the Fund commissioned by the European Commission. About 95% of the loan has also been disbursed. It was as a result of this success that a third phase is currently being considered. It is therefore no longer a potentially problematic project.

8.4 The Health Sector Reform project remains a project at risk. This is because it took 37 months from approval on 28 October 1998 to become effective on 14 November 2001 and it has made very little progress in terms of procurement and financial performance.

8.5 Unlike the Bank wide portfolio review (APPR) of 2004 which does not consider WEEP as a project at risk, this review considers it so. This is because WEEP has recently experienced some problems due to the sudden change in project management which has reversed the gains made in the second half of 2004. Project implementation is now virtually at a standstill. It is worth mentioning that the analysis of the Bank wide portfolio review of 2004 (APPR) ends in December 2004 while this review extends to June 2005, thus making it possible to capture emerging problems.

9. Cross cutting Issues

The most important cross cutting issues addressed by the ongoing projects include poverty reduction, gender, environment, governance and capacity building. Capacity building is an essential component in all the projects.

10. Generic Problems

The portfolio is beset with generic problems including delays in loan ratification, disbursements, reporting, procurement, billing, pricing and communication. The delays in loan ratification range from 24-36 months which in turn makes it difficult to adhere to the implementation schedule adopted at appraisal. Apart from the financial sector projects, which did not have to be presented to parliament for ratification, all the projects experienced delays in loan effectiveness as a result of the long ratification process. The weaknesses and delays in reporting also result in low disbursement rates. More specifically, in most cases audit and quarterly progress reports were not submitted on time, resulting in delays in the disbursement of funds. The delay was also often compounded by the submission of inadequate documentation or incomplete supporting documents for disbursement requests. Lack of requisite capacity and poor understanding of the Bank's rules regarding procurement have also been identified as a problem affecting the pace of implementation. Delays in responses to communications by the Bank, especially those relating to procurement and disbursement issues have also been cited by Executing Agencies as problems derailing project implementation. Regarding billing, the Executing Agencies requested that the system be modified to capture all the information that was available in the past. For instance, essential information such as exchange rate and interest rates are missing in the new bills. In addition, the Executing Agencies requested the Bank to specify whether interest rate is fixed, floating or variable. The Ministry of International Cooperation requested the Bank to provide exchange rates and interest rates on a monthly basis. In terms of pricing, the executing

agencies often complain that Bank loans are expensive on account of commitment fees. It is gratifying to note that the Bank has addressed this issue.

11. Proactive Management of Portfolio

11.1 The GOE's aid policy may pose problems in mobilizing resources for the social and agricultural sectors in future because of the decision by the Government not to borrow on non concessional terms to finance interventions in these sectors. This is particularly important in view of the declining trend in ODA. The solution lies in exploring opportunities for co-financing and deepening the ongoing reforms to generate more domestic resources to finance interventions in these sectors which are very crucial in meeting the country's development objectives.

11.2 The frequent changes in project management teams may also pose problems in project implementation in future. The Executing Agencies must be sensitized of the need for ensuring continuity in project management, and the negative implications of frequent changes in project implementation teams for implementation performance and development effectiveness.

11.3 The long ratification process can cause delays in the implementation of future projects. Five of the projects in the portfolio have suffered from inordinate delays in loan effectiveness and project start-up as a result of the long ratification process by the Egyptian Government. The Ministry of International Cooperation has, however, given an assurance that Government has improved on its performance in this area, and will no longer pose a problem for future projects, judging from the recent shorter ratification period of projects of other donors.

12. Lessons Learnt for Future Country Strategy Papers and Portfolio Management

12.1 During the review, the executing agencies expressed the need for technical assistance to enhance capacities in IT, business and human resource development, among others. The Bank may, therefore, wish to consider including TA as a component of future projects/programmes in Egypt.

12.2 As an ADB country, the amount of Bank resources for concessional lending to Egypt is limited. The Bank therefore needs to explore opportunities for co-financing of projects, particularly with donors with softer terms. In this way, it will leverage its years of experience in financing projects in Egypt. A particular case in point may be the proposed Social Fund III. The MIC Trust Fund will also enhance the ability of the Bank to provide some grant resources to MICs.

12.3 Discussions with executing agencies revealed that where the management of multi donor funded projects is concerned, reports (quarterly and audit) are prepared for several donors which is time consuming and often expensive. Executing Agencies have proposed that the Bank simplifies and harmonizes its reporting requirements with other development partners in projects or programmes which are multi donor funded. Examples of multi donor funded projects include the Health Sector Reform Programme and the Social Fund II. The advantage of this is that it will save time and resources while simultaneously expediting the process of project implementation. It is worth noting that the Bank is a major partner in the harmonization process. However, for effective harmonization, the capacity of the Executing Agencies will need to be strengthened to meet this new demand.

12.4 Given the frequent changes in project management team, there is need for the Bank to train a core group of trainers who will in turn train executing agencies in loan administration. This approach will also address the problems associated with the changes in project management as it will cater for the needs of both new and old project managers. This, however, does not diminish the earlier recommendation on the need for retaining project management teams for the duration of projects to enhance development effectiveness.

12.5 During the portfolio review, the size of sub projects for LoCs and commitment fees featured prominently in the discussions. The executing agencies called for revising the ceilings on sub projects and the need to revisit the issue of commitment fees as it increases the cost of borrowing and renders the Bank's loan products uncompetitive. In response to client's request, including Egypt, the issue of commitment fees has been addressed within the context of the MIC initiative. The issue of higher ceilings for sub-projects will be addressed in the context of the second phase of the LoCs

13. Conclusions and Recommendations

13.1 The Implementation Progress (IP) and the Development Objective (DO) in this review are 2.0 and 2.1 respectively, which makes overall performance in portfolio management satisfactory. The IP is the same as in the 2000 CPPR while the DO is 2.5 in 2005 indicating that in terms of DO, the portfolio has deteriorated. The difference in the DO ratings between the two reviews could be due to the fact that the 2000 CPPR found no projects at risk while two projects in this review are rated at risk. Regarding disbursements, an average disbursement ratio of 85% for the seven ongoing projects as at 30 June 2005 compares favourably with the 76.6% of the last portfolio review conducted in 2000. However, there are still generic problems relating to reporting, billing, delays in disbursement, procurement and communication.

On account of the aforementioned findings, the following recommendations are being made with a view to improving portfolio performance.

For the Government

(i) Some of the Project Implementation Units are advanced while others are quite new. It is, therefore, necessary that regular consultative meetings be held among PIUs with a view to facilitating the flow of information and sharing of experiences and best practices;

(ii) In order to expedite procurement and disbursement of funds, the Ministry of International Cooperation needs to hold regular consultative meetings with Executing Agencies to ensure that they submit complete documentation in support of procurement and disbursement requests and bring to the attention of Egypt Country Office (EGCO) any problems or difficulties encountered. This will accelerate the pace of implementation of projects so as to maximize development effectiveness.

(iii) By the same token, the ministry should impress upon the executing agencies the need to comply with the Bank's reporting requirements (audit and quarterly reports) and to adhere to the prescribed formats. They should be aware that non-compliance with such requirements could result in imposition of sanctions in the form of suspension of disbursements.

(iv) The PIUs should desist from changing project personnel without prior approval from the Bank. Experience has shown that frequent changes in project personnel have derailed project implementation and minimized development effectiveness.

(v) The Ministry of International Cooperation should encourage the PIUs to use the services of the Translation Unit and avoid sending documents to the Bank in Arabic. This will save time and expedite the disbursement process. However, for purposes of sustainability of the unit, the PIUs may need to pay for the services of the Translation Unit which is now fully operational in terms of staffing and equipment.

For the Bank

(vi) In order to enhance capacity for project implementation, it will be useful to organize seminars and workshops on loan administration, disbursement, procurement and log frame for a core group of trainers, who will in turn train project personnel. This will facilitate the internalization of ADB procedures and also ensure sustainability in terms of capacity building;

(vii) The Bank should respond immediately to all communications from PIUs, particularly those relating to requests for procurement and disbursement. Such requests should be processed immediately and any problems should be brought to the attention of the Executing Agency and EGCO for immediate rectification.

(viii) In order to improve the quality and development impact of lending, the Bank should include capacity building as a component in all future project interventions.

(ix) On account of the huge demand for reports by various donors from some executing agencies, it is important that the Bank simplifies and harmonizes its reporting requirements with those of the other development partners in projects or programmes which are multi donor funded. The advantage of this is that it will save time and resources and at the same time expedite the process of project implementation. However, in order to ensure effective harmonization, the issue of strengthening of country systems should be given greater consideration.

(x) It is advisable for the Bank to revisit the issue of the size of sub projects for future LoCs on account of the changing circumstances in Egypt, particularly the devaluation of the Egyptian Pound.

(xi) There is need for the Bank to improve the supervision of projects as well as the skills mix. To this end, more resources should be provided to supervise each project at least 1.5 times during the year. The Country Office in Egypt (EGCO) should take a proactive role in supervision. A supervision ratio of 1.25 is below the Bank's benchmark of 1.5

(xii) Egypt's portfolio is small relative to its size. In order to expand the size of its portfolio, the Bank should intensify the building of a pipeline of projects in the context of the CSP selected pillars.

(xiii) On account of the competition with other development partners in Egypt, the Bank should exercise flexibility in conditions precedent to loan effectiveness. Of the seven projects in the portfolio, five have experienced delays in disbursement effectiveness as a result of stringent loan conditions and loan ratification process. Similarly, it will be worthwhile for the Bank to be equally flexible in procurement and disbursement procedures, but without compromising on standards.

13.2 There are bright prospects for strengthening cooperation between the Bank Group and the Arab Republic of Egypt. The main areas of future intervention will be infrastructural development and the financial sector. These proposals are in line with the priority areas in

the Bank's draft assistance strategy for Egypt, which is under preparation. In the context of the discussion of future operations, it is important that the recommendations emanating from the MIC study be fully implemented to help enhance the competitiveness of Bank loan products and service delivery in MICs. Generally, the government is appreciative of the assistance and quality of products and services being offered by the Bank, which augurs well for fruitful cooperation in future.

13.3 In terms of the way forward, the Bank should develop strategic partnerships and alliances with other development partners, civil society organizations and UN agencies in Egypt. This will enhance opportunities for co-financing and enable the Bank to identify a wide variety of services and clients, including municipalities.

1. INTRODUCTION

1.1 Objectives, structure and coverage of the report

In order to improve portfolio performance, a portfolio review mission was undertaken in Egypt during the period 26 November-10 December 2004. This report is based on the findings of the review mission, quarterly progress reports and various supervision missions undertaken during the period January 2001-June 2005. The report updates the CPPR (ADF/BD/WP/2000/159) of 4 October 2000. Due to staff constraints, a portfolio review could not be conducted in 2002. This report reviews the performance of project implementation of the Bank Group portfolio in Egypt, identifies the constraints impeding project implementation, and offers some remedial measures to improve portfolio performance. The report is divided into seven sections: introduction, review of the ongoing portfolio, assessment of management/implementation capacity, coordination with other donors, loan repayment and arrears, proactive management of the portfolio, and conclusions and recommendations.

1.2 Context of Review:

1.2.1 The review was conducted in the context of the ongoing political and economic reforms in Egypt. In July 2004, a new Prime Minister was appointed and fourteen new appointees joined the 34-member cabinet. The next presidential elections will be held in September 2005. In this regard, the Parliament in March 2005 approved a constitutional amendment that would usher in democratization in the country. The amendment to Article 76 of the constitution would allow for direct, multi-candidate presidential elections for the first time. A referendum undertaken on 26 May 2005 passed the constitutional changes, thus paving the way for multi-candidate presidential elections.

1.2.2 Since the last CSP was approved, the authorities have also passed either new or revised legislations in quite a number of areas. These areas include: (i) Financial Leasing Law; (ii) Mortgage Law; (iii) Intellectual Property Rights Law (IPR); (iv) Anti-Money Laundering Law, (v) Unified Labour law; (vi) Unified Banking Law, and (vii) a revised Investment Law. The passing of the Anti-Money Laundering Law in February 2004, led to the removal of Egypt from the list of countries that fail to adopt sufficient action to curb money laundering by the international Financial Action Task Force (FATF) while the IPR law brings Egypt closer in line with its obligations under the WTO. The Labour law makes important improvements in the flexibility of the labour market while the Banking Law, *inter alia*, strengthened banking supervision and clarifies the process of monetary policy formulation. The revised investment law provides tax reductions and exemptions for up to 20 years for investors in priority sectors such as infrastructure, oil field services, tourism, manufacturing and all export-oriented activities. Effective implementation of these laws will go a long way in improving the business environment and ensuring the effectiveness of the legal system. The economic reforms pursued by the Government since July 2004 continue to boost business confidence, and hold promise for future Bank Group interventions in the country.

1.2.3 As far as recent economic performance is concerned, real GDP growth for 2003/04 was estimated at 4.1%, higher than the growth rates of recent years. Inflation, which had risen rapidly since the beginning of 2004 reaching 11.4% in December 2004 as a result of the depreciation of the exchange rate and loose monetary policy, is now declining. In March 2005, annual average inflation rate fell to 5.6% compared to 9.5% in January 2005. The drop in the inflation rate suggests that the exchange rate pass-through is working itself out. Liquidity conditions were also tightened in 2004. Broad money (M2) growth rate declined from 16.9% in 2002/03 to 13.2% in 2003/04 and the Central Bank is moving towards a

policy of inflation targeting. The fiscal balance widened from 1.2% of GDP in 1999/2000 to 2.5% in of GDP in 2003/04. To reinforce fiscal discipline, the Government has continued with fiscal reforms and is enforcing tighter budget control.

1.2.4 The foreign exchange market has been unified following the launch of the inter-bank foreign exchange market in December 2004. The exchange rate of the Egyptian Pound has thus stabilized and the official and parallel market rates unified.

1.2.5 Domestic and foreign indebtedness remains manageable but there are concerns about fiscal sustainability as domestic debt continues to increase at a rapid pace. Domestic debt reached 62% of GDP in 2003/04 while external debt was only 39.2% of GDP. Total debt service ratio was 9.2% in 2003/2004.

1.2.6 The current account recorded a surplus of 4.4% of GDP in 2003/04 owing to strong growth in invisible receipts and merchandise exports. Reflecting the improved balance of payments position, Egypt's foreign reserves strengthened to US\$16.6 million in February 2005, equivalent to 9.3 months of import cover.

1.3 Size and Composition of the Cumulative Portfolio

1.3.1 The Bank Group began its lending operations in Egypt in 1974 and has so far approved 44 operations comprising 32 projects, 3 studies, 1 policy based loan, 2 institutional support projects, and 6 lines of credit. As at 30 June 2005, the Bank Group's total loan approvals to Egypt amounted to UA 1,419.74 million, comprising UA 1,227.14 million from ADB resources, UA 179.68 million from ADF resources, and UA 12.92 million from TAF resources. In addition, a multinational grant of UA 3.04 million for a study of power interconnection between Egypt and the Democratic Republic of Congo was provided. Of the total amount of UA1419.74 million approved, an amount of UA 277.06 million has been cancelled. This comprised UA 269.88 million of ADB resources for completed and ongoing operations and UA 6.87 million of ADF resources and 0.31 TAF resources. Of the 44 operations, 35 have been completed, 7 are ongoing while 2 were cancelled. These operations exclude multinational operations emergency assistance, and private sector operations.

1.3.2 In terms of sectoral allocation of resources, the public utilities (power) sector constitutes 53.3%, financial sector 19.9%, social sector 10.8%, agriculture and rural development sector 9.8%, multi sector 4.6%, industry 1.5%, and transport 0.001%. The Table below summarises the sectoral allocation of the Bank Group cumulative public sector portfolio in Egypt.

Table 1.1
Egypt: The Structure of Bank Group Cumulative Portfolio
(as at 30 June, 2005)

Sector	No of Operations	Commitment UA million (net of cancellations)	Percentage Share
Public Utilities	14	609.17	53.3
Financial	6	226.98	19.9
Social	10	123.48	10.8
Agriculture and Rural Development	8	112.10	9.8
Multi sector	2	52.3	4.6
Industry	3	17.18	1.5
Transport	1	1.47	0.001
Total	44	1,142.68	100.00

2 REVIEW OF THE ONGOING PORTFOLIO

2.1.1 As at 30 June 2005, there were 7 ongoing public sector operations in Egypt, comprising 2 operations in the agricultural sector, 2 in finance, and 3 in the social sector. These 7 operations amount to a total commitment of UA 225.10 million comprising UA 177.38 million of ADB resources, UA 44.52 million of ADF resources and UA 3.20 million of TAF resources. (See Table 2.1)

Table 2.1
Egypt: The Sectoral Breakdown of Bank Group Ongoing Portfolio
(as at 30 June, 2005)

Sector	No of Operations	Commitment UA million	% Share
Finance	2	161.3	71.7
Social	3	33.2	4.7
Agriculture	2	30.6	0.6
Total	7	225.10	100.0

A. Agriculture Sector

2.1.2 **Overview:** The Bank has undertaken 8 operations in the agricultural sector in Egypt. These included 6 projects, 1 Line of Credit, and 1 study. The operations amounted to a total commitment of UA 112.1m and cover such activities as crop and livestock production, agro processing, drainage and irrigation. There are two ongoing operations in the agricultural sector amounting to UA 30.6m and constituting about 13.6% of total commitments of all ongoing operations. These resources comprised ADB (UA 16.08 million), ADF (UA 12.52 million) and TAF (UA 2 million). The two projects are the Lines of Credit (LoC) to the Principal Bank for Development and Agricultural Credit (PBDAC) and El Beheira Rural Development project. These two projects will be closing in December 2005 and 2006, respectively.

A.1 Line of Credit (LoC) to the Principal Bank for Development and Agricultural Credit

Basic Data and Project Objectives

<u>Approved Amount:</u> UA 17.69 million <u>Cancelled Amount:</u> None <u>Net Commitment:</u> UA17.69 million	<u>Source:</u> ADF and ADB	<u>Disbursed Amount/Percentage:</u> ADB loan: UA8.1m (75.7%) ADF loan: UA5.8m (96.6%) ADF grant: UA0.52m (52.0%)
<u>Date Approved:</u> 24/03/99 <u>Date signed:</u> 01/12/2000 <u>Entry into Force:</u> 22/04/2002	<u>Accounts Audit (years):</u> Up to date in the submission of audit reports. <u>Progress Reports:</u> Up to date in the submission of quarterly progress reports	<u>Last disbursement deadline:</u> 31/12/2004 but extended to 31 December 2005.
<u>Date of last supervision</u> //March 2005	<u>Implementing Agency:</u> PBDAC	
<u>Project Objectives/Components:</u> To assist small and medium scale farmers and women in gaining access to credit for the financing of inputs in support of sustainable crop production, agro-processing and related rural development activities. In this regard, the Line of Credit is expected to increase and stabilize farmers' incomes and improve general well being of the rural population. The Line of Credit is, therefore, in line with Bank Group policy of contributing to national food security and poverty reduction in regional member countries.		

2.1.3 **Compliance with Conditions:** Compliance with conditions precedent to loans and grant effectiveness was not satisfactory due to the lengthy ratification process. Thus it took 37 months from approval on March 24, 1999 for the LoC to become effective on April 22, 2002, which is supposed to be the expected date for project completion. The loan, therefore, became effective more than three years after its approval. However, with regard to the general loan conditions, the project has submitted outstanding audit reports for all the previous financial years by April 2005. Quarterly reports are also being submitted on a regular basis, although their analytical contents need to be improved. Fulfillment of “Other Conditions” is satisfactory. Annual work programmes with related budgets are being submitted to the Bank on a regular basis and field activities (credit delivery to farmers, training and institutional strengthening) are efficiently being implemented. Overall, this indicator is satisfactory.

2.1.4 **Procurement Performance:** Procurement of goods and services is satisfactory, but there are occasional problems, especially with recruitment of consultants where the Executing Agency needs to adhere to Bank Group procurement rules of procedures. Project management is, however, gradually acquiring appropriate experience in the Bank’s rules of procedures governing procurement of goods and services. The recent progress made in project implementation has enabled PBDAC to catch up with the delay experienced in project start-up. The Executing Agency has submitted a procurement plan for the remaining period of project implementation in order to ensure efficient acquisition of the rest of the goods and services.

2.1.5 **Financial Performance:** The Executing Agency initially encountered difficulties in understanding the Bank’s policy in respect of currencies used in disbursements and repayments. It recurrently complained of the Bank’s policy of using different currencies in disbursements and repayments. For example, the Bank has been disbursing in Euros and insists on payment in Euros while PBDAC has been requesting for disbursement in Dollars. This has resulted in a loss of 7 Million Egyptian Pounds (UA 771,555 UA). It is worth mentioning, however, that the Bank makes disbursements in the currency available at the time of the disbursement request. Of late, it has been disbursing in Euros (which is available) resulting in losses to the Government due to the appreciation of the Euro. Apart from this problem, overall financial performance is satisfactory. No particular problems arising from cost management and recovery have been encountered, and the performance of Government of Egypt (GOE) in contributing to project financing is deemed satisfactory. Disbursement stood at about 82% as at June 30, 2005. The project deadline for final disbursement has been extended from December 31, 2004 to December 31, 2005. This was the third extension and the Borrower has been informed that this will be the final extension of the disbursement deadline. Overall financial performance is deemed satisfactory.

2.1.6 **Activities and Work Programme:** Overall implementation of field activities, including credit delivery to farmers, training and institutional strengthening are being undertaken satisfactorily. The Executing Agency has delivered about 11,000 sub-loans to beneficiaries. Apart from the delay encountered in the fulfillment of the loan conditions precedent to entry into force, the adherence of the project to its implementation schedule is rated satisfactory. Consultants for training and audit are reported to perform acceptably well. Suppliers and contractors for the establishment of the Management Information System (MIS) of PBDAC are experienced and are currently undertaking their assignments satisfactorily. In addition, the executing agency has undertaken a number of other activities, including the purchase of computers and accessories, promotion of banking and marketing research and resource planning and management. The credit manual has also been prepared and found to be satisfactory. This indicator is, therefore, satisfactory.

2.1.7 **Impact on Development:** The provision of credit to farmers has helped increase their levels of production, incomes and contributed to food security and general well being in the rural areas. The project is about to start a study on the socio-economic impact assessment to measure the project's development impact on the ground. This study which is expected to be completed by August 2005 will bring out tangible achievements of the project.

2.1.8 **Overall Assessment:** The overall performance of the project is considered satisfactory considering the number of activities undertaken.

Summary of Performance Rating

Indicators	Compliance with Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	2	2	2	2	2	2

Problems and Recommended Actions

Problems	Recommended Actions	Time frame
Occasional lapses in procurement	There is need for the executing agency to pay more attention to procurement rules of procedure	Immediately

A.2 El Beheira Second Rural Development Project

Basic Data and Project Objectives

<u>Approved Amount:</u> ADB: UA 5.39 million ADF: UA 6.52 million Grant: 1.00 million <u>Cancelled Amount:</u> None <u>Net Commitment:</u> ADB: UA 5.39 million ADF: UA 6.52 million Grant: 1.00 million	<u>Source:</u> ADF, ADB, and Grant	<u>Disbursed Amount/Percentage:</u> ADB loan: UA 3.22 million (59.7%) ADF UA 3.35 million (51.38%) Grant UA 0.22 million (22 %)
<u>Date Approved:</u> 27/11/97 <u>Date signed:</u> 07/03/98 <u>Entry into Force:</u> 19/12/2000	<u>Accounts Audit (years):</u> Up to date in the submission of audit reports though they are often submitted late. <u>Progress Reports:</u> mainly annual reports without adequate information	<u>Last disbursement deadline:</u> 31/12/2005
<u>Date of last supervision:</u> MTR, August 2004	<u>Implementing Agency:</u> Ministry of Agriculture and Land Reclamation	
<u>Project Objectives/Components:</u> The project's specific objective is to assist farmers in El-Beheira Governorate to increase crop and livestock production so as to raise their incomes and improve their nutritional standards, while promoting community health and well-being through the development of clinics and environmental awareness campaigns.		

2.1.9 **Compliance with Conditions:** Fulfillment of conditions precedent to entry into force and the first disbursement were cleared by the Bank on 20 December 2000, almost 37 months after loan approval. This delay was as a result of the ratification process required by the Government of Egypt's legal procedures. The Executing Agency has submitted its first audit report covering the period January 2001 to June 2003 after a delay of one year while the second audit report was submitted in July 2005 after a delay of seven months. Instead of submitting quarterly progress reports, the Executing Agency has been submitting progress reports covering the whole year, half year and three-quarter year periods. These reports are also difficult to analyze because of poor presentation. In addition, information provided is not usually adequate, especially the cumulative implementation achievements despite several

discussions with the Project Implementation Unit (PIU) during supervision missions. In addition, no work plans with related budgets are being submitted. This indicator is not satisfactory.

2.1.10 **Procurement Performance**: At the commencement of project implementation in 2001, the executing agency procured land improvement equipment and awarded the contract before receiving the Bank's no objection. The Executing Agency went through the procurement procedure correctly but at the time of the award of tender, it failed to request for the Bank's no objection. The Bank declared the expenses as ineligible under the loan agreement. The Executing Agency then agreed to pay for the items and requested for the Bank's no objection to reallocate funds amounting to about UA 3.30 million earmarked for the procurement of equipment, from the Land Improvement Component to the Agriculture Production Improvement component, to implement small production projects through credit. The Bank granted the request. Following this experience, the Executing Agency improved its procurement performance by seeking the Bank's "no objection". It was not until 2003 that the Executing Agency went through another procurement procedure to recruit an external auditor. It has also successfully recruited a training institution to provide overseas training in Britain. Procurement of office equipment has also begun in earnest. Overall procurement performance is considered satisfactory.

2.1.11 **Financial Performance**: No financial constraints have been experienced whether in local or foreign currency. However, disbursement is still relatively low at 59.7% of the ADB loan, 51.3% of the ADF loan, and 22% of the TAF grant. The overall disbursement stood at 52% as at 30 June 2005. This slow disbursement level initially experienced has been as a result of slow implementation of Bank Group financed activities. The Project Management Unit (PMU) has also experienced difficulties utilizing the special account. This has mainly been caused by the institutional arrangements agreed during negotiations which required that the funds for the three components, namely Land Improvement, Agricultural Production Improvement and Support to Extension Services be channeled through PBDAC, the bearer of the exchange risk arising from the loan. As a result, PBDAC tends to retain funds disbursed to the special account in its own account without releasing it to the project. For example, while the first special account under the ADF loan was disbursed on 25 July 2001, the funds were retained by PBDAC and the project did not have access to them until 16 June 2003 when 25% of the funds were transferred to the project. The remaining funds were transferred on 17 July 2003 and 30 March 2004. To address this constraint, the PMU has opened a new special account under its name. Financial performance is not satisfactory regarding this indicator.

2.1.12 **Activities and Works**: Overall, progress of the project is more than satisfactory at about 112% of physical implementation. This estimate includes activities which were planned to be implemented with ADB and ADF loan resources but have instead been implemented with government resources. It includes procurement of land improvement equipment, construction of a fish training center, and improvement of rural roads. The rate of implementation will further improve following the restructuring process of the project as the unutilized loan amounts have been reallocated to the credit component given that 95% of the land reclamation, 92.2% of the support to extension, 40% of the improvement of rural infrastructure and 55% of the project management and coordination components have been completed. However, the project has concentrated on the implementation of activities for which the Borrower and the beneficiaries have the highest share of contribution i.e. Land Improvement and Agricultural Production Improvement components, both of which account for 60% and 83% of the total project cost respectively and both of which have been implemented. In addition, the Government has implemented some of the activities which were planned to be financed with ADB and ADF resources, with either its own resources or grants from other donors. These include procurement of land improvement equipment, equipment for artificial insemination centres, and construction of animal production and

human health centres, initially planned to be financed with ADB resources, and construction of artificial insemination centres, a fisheries training centre and construction of 60% of the rural road improvement initially planned to be financed with ADF resources. The work done has been satisfactory. On account of the above mentioned activities, this indicator is satisfactory.

2.1.13 **Impact on Development:** The main aim of the project is to assist farmers in the rural areas of the El-Beheira Governorate to increase crop and livestock production so as to raise their incomes and improve their nutritional standards, while promoting community health and well-being through the development of health clinics and environmental awareness campaigns. The first objective has largely been achieved as production of major crops and livestock products such as vegetables, maize, meat, milk, fish and honey have increased by more than 100%. Maize, wheat, rice, broad beans and fruits which were not selected at appraisal have also been produced. These activities are being implemented through credit and it is one of the Bank-financed activities which has been very well implemented. The farmers pay for land improvement, cleaning, drainage and veterinary services. The health clinics have been constructed and environmental campaigns are well advanced which would achieve the second part of the project objective. This indicator is, therefore, satisfactory.

2.1.14 **Overall Assessment:** Given the above achievements, the overall performance of the project is rated satisfactory.

Summary of Performance Rating

Indicators	Compliance with Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	1	2.0	1.75	2.7	2.3	2

Problems and Recommended Actions

Problems	Recommended Actions	Timeframe
Late submission of audit reports	The executing agency should submit audit reports on time	To be submitted annually; six months after the end of the financial year.
Poor quality of quarterly reports	The executing agency should improve the quality of quarterly progress reports with assistance from the Egypt Country Office (EGCO)	Every quarter

B. Social Sector

2.1.15 **Overview:** The Bank undertook 10 operations in the social sector amounting to a total commitment of UA123.48m. These operations cover such activities as disease control and prevention, upgrading and rehabilitation of schools, vocational training, provision of credit and women empowerment, among others. There are three ongoing operations in the social sector amounting to UA33.2m and constituting about 14.7% of total commitments on all ongoing operations. These resources comprise ADF (UA 32 million) and TAF (UA 1.2 million). The three projects are the Social Fund II, Women Economic Empowerment and Health Sector Reform. The first two were approved in 1997 while the third one was approved in 1998.

B1. Social Fund for Development II

Basic Data and Project Objectives

<u>Approved Amount:</u> ADF: UA 15.0 million <u>Cancelled Amount:</u> None <u>Net Commitment:</u> ADF: UA 15.0 million	<u>Source:</u> ADF	<u>Disbursed Amount/Percentage:</u> ADF UA14.29 million (95%)
<u>Date Approved:</u> 27/11/97 <u>Date signed:</u> 07/03/98 <u>Entry into Force:</u> 19/12/2000	<u>Accounts Audit (years):</u> Up to date <u>Progress Reports:</u> Mainly half-yearly	<u>Last disbursement deadline:</u> 31/12/2005
<u>Date of last supervision</u> November - December 2004	<u>Implementing Agency:</u> Social Fund for Development	
<p><i><u>Project Objectives:</u> The objectives of the Second Phase of SFD are to: (a) create jobs through support to small enterprises and labor-intensive enterprises and, (b) support to community infrastructure and services in partnership with NGOs and local groups. The specific objective of the ADF-support to SFD Phase II, is to contribute to community development through support to income generating activities and basic social services.</i></p>		

2.1.16 **Compliance with Conditions:** All conditions precedent to entry into force and first disbursement were fulfilled and first disbursement was made on the 27 June 2001. This was six months after the loan was declared effective in December 2000 and 39 months after the loan signature in March 1998. This slow progress is attributable to the delay in the ratification process required by the Government of Egypt's legal procedures. However, in terms of general conditions, the project has been up to date in the submission of annual audit and progress reports. Regarding other conditions, it has been submitting work plans and related budgets on a regular basis. This indicator is, therefore, satisfactory.

2.1.17 **Procurement Performance :** All procurement activities of the project are carried out using either the National Competitive Bidding or "Other" procurement modes. All contracts for the civil works, literacy and micro finance activities of the project have been finalised and awarded. The SFD has a special procurement department which assists with all the procurement activities of the Fund, including those of this project. In this regard, the Bank's involvement in the procurement activities of the project is limited to the post-procurement review carried out during supervision missions and also by the Egypt Country Office (EGCO). Performance in the area of procurement of goods and services is considered highly satisfactory.

2.1.18 **Financial Performance:** Disbursement currently stands at 95%. With this disbursement rate, it is envisaged that the implementation of all project activities will be completed by the end of December 2005. The project has not experienced any local or foreign currency problems in undertaking its activities nor has there been any problems arising from cost management or recovery. In addition, the provision of local counterpart funding is regular. Therefore, financial performance is highly satisfactory.

2.1.19 **Activities and Works:** There is a steady and significant progress in project implementation. Both components of the project are progressing satisfactorily. Under the health sub-component, 12 health facilities have been completed, 20 are near completion and contracts have been signed and contractors already mobilized for an additional 18. Procurement

of equipment for these health facilities is well underway and a new health management system is now being implemented. Under the education sub-component, the SFD has signed a contract with the regional General Authority for Literacy and Adult Education (GALAE), which has also established partnership agreements with 180 NGOs. Under this tripartite arrangement, the SFD provides the funds, GALAE provides the curriculum; examination and teacher training services and the NGOs are responsible for community mobilization and the provision of literacy classes. Funds have been disbursed to both GALAE and the NGOs and literacy classes are now being conducted. The productive activities of the project are also progressing satisfactorily and PBDAC and the contracted NGOs continue to provide micro finance funds to the poor and vulnerable groups. Given the number of activities undertaken in all the sub components, this indicator is satisfactory.

2.1.20 Impact on Development: Under the health sub component, the 12 integrated health units whose construction began at the commencement of the project in the Governorates of Beni Suif, Assuit and Menia have been completed. Final disbursement of funds has been effected and the required equipment provided. The rehabilitation and renovation work being carried out for 20 units in the Governorates of Qena and Aswan have also been successfully completed and handed over. The Blood Diseases Clinic being constructed in the Governorate of Beni Suif is also completed and in use. Training has been provided to various cadres of health personnel (medical and administrative). A new health management system based on the family health care model is now developed with a lot of emphasis on community engagement in health care delivery. Under the education sub component, a total of 34,459 learners are attending functional literacy classes. This consists of 22,868 women and 11, 591 men representing 66% of women. The tripartite arrangement between GALAE, NGOs and SFD enables a bottom-up approach fostering public-private partnership between government and civil society agencies. Funds have been disbursed to both GALAE and the NGOs and 1,834 literacy classes are currently being conducted. Capacity building assistance in the form of equipment and training has been provided by the project to the intermediary NGOs engaged. Under the productive activities component, 8,954 clients received loans, 5202 and 3752 of whom are women and men respectively. The above demonstrates that SFD continues to play an important and dominant role in poverty reduction and job creation in Egypt. This was confirmed in two recently completed studies carried out on the Fund. These studies are the second multi-donor review of the Fund in which the Bank participated; and the impact assessment of the social infrastructure and micro finance activities of the Fund commissioned by the European Commission.

2.1.21 Overall Assessment: The overall performance of the project has been satisfactory. Discussions with both the European Union and World Bank pointed to a need for a third phase of the Social Fund. It is generally agreed that the Social Fund will be used as a model and replicated in other regional member countries. As a matter of fact, the Government of Egypt has made a formal request to the Bank for a third phase which is being considered.

Summary of Performance Rating

Indicators	Compliance with Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	2.3	3	3	2.7	3	2.8

Recommended Actions

Problem	Recommended Actions	Time frame
None	Given the outstanding success of this project, it should be replicated in other countries by sharing experiences and lessons learnt as best practices. The Bank should favourably consider a third phase for which the Government has submitted an official request.	Immediately

B2. Women's Economic Empowerment Project

Basic Data and Project Objectives

<u>Approved Amount:</u> ADF-UA 6m Grant-UA0.2m	<u>Source:</u> ADF and grant	<u>Disbursed Amount/Percentage:</u> ADF-UA1.693826m (28.23%) Grant-UA0.104889m (52.4%)
<u>Cancelled Amount:</u> None- <u>Net Commitment:</u> UA 6.200.00 million		
<u>Date Approved:</u> 27/11/97 <u>Date signed:</u> 07/03/98 <u>Entry into Force:</u> 19/12/2000	<u>Accounts Audit (years):</u> since the project became effective in 2000, it submitted only one audit report in June 2005 <u>Progress Reports:</u> Progress reports have not been submitted regularly.	<u>Last disbursement deadline at appraisal:</u> November 2002 <u>Planned disbursement deadline:</u> 31/12/2007.
<u>Date of last supervision:</u> 06/2005	<u>Implementing Agency:</u> MOLAR/PBDAC	
<u>Project Objectives/Components:</u> To support women's economic empowerment in the New Lands through the provision of credit as well as business, social and institutional development.		

2.1.22 **Compliance with Conditions:** It took about 37 months for the loans and grants to become effective due to the long ratification process. The project also experienced difficulties in recruiting project personnel and consultants for the PIU which in turn contributed to the late start of the credit component. The project submitted only one audit report in June 2005 since it became effective in 2000, while quarterly reports are not submitted on a regular basis. Work plans with related budgets have never been received. The project was extended from 2005-2007. This indicator is, therefore, unsatisfactory.

2.1.23 **Procurement Performance:** Procurement of goods and services is not being done in accordance with Bank rules. The project encountered problems in submitting the correct procurement documents. This has accounted for delays in hiring an audit firm, for example. The other problem has to do with the fact that tender documents were in Arabic and checking their accuracy was difficult. In addition, recently the GOE has appointed staff to the PIU without seeking the approval of the Bank prior to the decision. On two occasions, the government effected staff changes without prior approval from the Bank. This issue has not yet been resolved with GOE. This indicator is, therefore, not satisfactory.

2.1.24 **Financial Performance:** The project experienced disbursement delays largely due to staffing problems as well as delays in start up of the credit component, which accounts for over 80 percent of the loan. Following the disbursement of the first tranche of the credit component in December 2005, disbursement of loans to beneficiaries has still not started due largely to staff changes. Overall disbursement stood at 28% as at June 2005. This indicator is not satisfactory.

2.1.25 **Activities and Works:** The project has been subject to many delays, both between approval and signature of loan and in contracting a full staff complement for the PIU. Moreover, performance of the project has at times suffered from the manager being distracted

by many other tasks and a high turnover of managers. The engagement of three consultants particularly those relating to the implementation of the credit component helped accelerate project implementation. Implementation of the project activities progressed satisfactorily between 2003 and 2004. However, from December 2004 to date, project activities have been stalled, largely due to a change in management, and a decision not to renew the contracts of consultants crucial to project activities. An explanation for the non renewal of these contracts is yet to be given by the Ministry of Agriculture. This has reversed the gains made in the second half of 2004. All activities have now been halted due to staff changes and the lack of a suitable replacement for the training and gender consultant. These factors have reversed an earlier improvement in rating, which makes this indicator unsatisfactory.

2.1.26 Impact on Development: Though the project is part of a national programme, which may ensure sustainability, it is unlikely that it will achieve the development objectives that it set out to achieve given the current implementation problems. So far, no credit has been disbursed to the beneficiaries, which is likely to retard the achievement of the development objectives of the project.

2.1.27 Overall Assessment: The overall project performance, which was rated satisfactory in 2004 has again become unsatisfactory, where staff turnover and changes in management of the project have halted implementation. The project has also experienced serious delays in reporting and has contravened Bank rules, such as in the appointment of new PIU staff without prior consultation. This is evidently a project at risk and is approaching the Bank's age limit of 8 years.

Summary of Performance Rating

Indicators	Compliance with Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	1.0	1.0	1.75	1	1	1.15

Problems and Recommended Actions

Problem	Recommended Actions	Time frame
Frequent changes in project management staff	There is need for the Egyptian Government to maintain continuity in project management	Immediately
Late submission of audit and quarterly progress reports	The executing agency should submit these reports regularly	Immediately
Low disbursement	The problems relating to project management should be resolved so as to expedite disbursement and project management.	Immediately

B3. Health Sector Reform Project

Basic Data and Project Objectives

<u>Approved Amount:</u> UA12m ADB-UA11m ADF-UA1m <u>Cancelled Amount:</u> None <u>Net Commitment:</u> UA12m	<u>Source:</u> ADB, ADF	<u>Disbursed Amount:</u> ADB loan- UA2.7m (24.55%) ADF loan-UA0.93m (93:%)
<u>Date Approved:</u> 28/10/1998 <u>Date signed:</u> 11/07/2000 <u>Entry into Force:</u> 14/11/2001	<u>Accounts Audit (years):</u> No audit report has been submitted since the project became effective. <u>Progress Reports:</u> There are outstanding quarterly progress reports. Progress reports are not submitted regularly.	<u>Last disbursement deadline:</u> 13/12/2005
<u>Date of last supervision:</u> 17/07/2004	<u>Implementing Agency:</u> Ministry of Health and Population (MOHP)	
<u>Project Objectives/Components:</u> To introduce health sector reforms in selected pilot districts of QENA (2 Districts) and SUEZ (1 District) Governorates in order to ensure universal coverage of the population with a defined cost-effective package of quality primary health care and public health services.		

2.1.28 **Compliance with Conditions:** It took about 37 months for the project loan to become effective. In addition, the development of the Health Master Plan (HMP), which was one of the conditions for the release of the first tranche of the loan, took one year (the whole of 2003) to prepare. Consequently, there was substantial delay in the start-up of the planned activities. Subsequently, all conditions for disbursement of the first tranche were met. However, the executing agency is yet to fulfill the conditions for the release of the second tranche. Though the project has been submitting work plans with related budgets regularly, it has not submitted any audit report since it became effective in 2001 nor were quarterly progress reports submitted regularly. This indicator is not satisfactory.

2.1.29 **Procurement Performance:** The procurement management capacity of the Technical Support Office (TSO) is weak. This situation adversely affects the quality of the documents submitted to the Bank for review and causes a delay in the implementation of the planned activities. In addition, there is an unwillingness on the part of project management to comply with the Bank's procurement rules of procedure. A case in point is the project management's desire to use "Direct Purchase" in the procurement of vehicles instead of International Competitive Bidding (ICB). This indicator is unsatisfactory.

2.1.30 **Financial Performance:** The performance of co-financiers in providing resources is satisfactory and has enabled the implementation of a number of activities including family health care model, the new information system; the referral system; training; social health insurance system; rationalization of the availability and use of pharmaceuticals; and strengthening of public health system, and the governorate and district health administration. The foreign exchange cost is supported by ADB and other donors involved in the implementation of the project. No problems arising from cost management and availability of foreign exchange have been experienced. However, overall disbursement stood at 30% as at 30 June 2005 due to the non fulfillment of the conditions for the release of the second tranche. Overall this indicator is unsatisfactory.

2.1.31 **Activities and Works:** The long delay in the ratification process has stalled project activities, which is behind schedule. The failure of project management to fulfill the

conditions for the release of the second tranche has derailed the implementation of project activities by contractors and consultants. This indicator is, therefore, not satisfactory.

2.1.32 **Impact on Development:** The executing agency has not been able to justify the utilization of the first tranche resulting in the delay in the release of the second tranche which has certainly stalled project activities thus making the achievement of project objectives and development impact a remote possibility.

2.1.33 **Overall Assessment:** Overall, project performance is unsatisfactory and there is an urgent need to accelerate the pace of implementation. This is evidently a project at risk.

Summary of Performance Rating

Indicators	Compliance with Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	1	1	1.8	1	1	1.16

Problems and Recommended Actions

Problem	Recommended Actions	Time frame
Weak capacity in the area of procurement	There is need for the Government to improve the procurement capacity of the executing agency. EGCO should organize special procurement workshops for the project management	Immediately
Late submission of audit and quarterly progress reports	The executing agency should submit these reports regularly	Immediately
Low disbursement	The executing agency should urgently fulfill the conditions for the release of the second tranche to expedite the disbursement process.	Immediately

C. Financial Sector

2.1.34 **Overview:** The Bank undertook 6 operations in the financial sector all of which are Lines of Credit amounting to a total commitment of UA 226.98 million. These operations aimed at developing the export sector, small and medium scale enterprises and promoting overall investment. Four were completed and there are now only two ongoing operations in the financial sector amounting to UA 161.3m and constituting about 71.7% of total commitments of all ongoing operations. These resources comprise only ADB resources. The two projects which were approved in October 2002 are for the National Bank of Egypt (NBE) and Export Development Bank of Egypt (EDBE).

C1. LoC to National Bank of Egypt

Basic Data and Project Objectives

<u>Approved Amount:</u> UA 102.65 million <u>Cancelled Amount:</u> None <u>Net Commitment:</u> UA 102.65 million	<u>Source:</u> ADB	<u>Disbursed Amount:</u> ADB loan: UA 102.65m (100%) ADF loan: n/a ADF grant: n/a
<u>Date Approved:</u> October 2002 <u>Date signed:</u> March 2003 <u>Entry into Force:</u> 22 May 2003	<u>Accounts Audit (years):</u> No outstanding audit report <u>Progress Reports:</u> No outstanding progress reports.	<u>Last disbursement deadline:</u> 31 December 2006
<u>Date of last supervision:</u> 27 September 2004	<u>Implementing Agency:</u> National Bank of Egypt	
<u>Project Objectives/Components:</u> The objective of the LoC was to assist the development of the industrial and tourism sectors in Egypt by providing financial resources to NBE for on-lending as medium- and long-term loans to viable investment projects in these sectors, with special focus on SMEs.		

2.1.35 **Compliance with Conditions:** Following the signature of the loan in March 2003, the Executing Agency proceeded quickly to fulfill the conditions precedent to loan effectiveness and first disbursement, subsequent to which the loan was declared effective on 22 May 2003. It is worth mentioning that the loan agreement for this project was not required to be submitted to parliament for ratification, hence the loan became effective within a relatively short period of time. The first disbursement was effected on 25 May 2003. However, following the second disbursement of the loan on 27 August 2003, NBE was unable to submit satisfactory evidence of the utilization of the amounts disbursed for sub projects. This difficulty resulted in the delay in the disbursement of the final tranche of the LoC. The Bank worked closely with NBE to address the problem, which was eventually satisfactorily resolved through the provision of external auditor's report that confirmed appropriate use of the LoC. The final tranche of the LoC was disbursed on 31 December 2004. NBE satisfied the other conditions of the loan, particularly the financial covenants attached to the loan. NBE also submitted audit and progress reports regularly on the implementation of the LoC as required under the loan. Based on the quick fulfillment of loan conditions, the performance with respect to this indicator is satisfactory.

2.1.36 **Procurement Performance:** Procurement activities under the LoC were carried out by the sub-borrowers in accordance with established commercial practices in Egypt which were deemed acceptable to the Bank. NBE supervised the procurement activities and no difficulties were experienced during the processes. Therefore, performance with respect to this indicator is considered highly satisfactory.

2.1.37 **Financial Performance:** The financial performance of the LoC was highly satisfactory, despite the disbursement delay discussed under loan conditions above. The LoC is now fully disbursed 2 years after its approval and 18 months after its effectiveness, which is a highly satisfactory performance.

2.1.38 **Activities and Works:** The activities under the LoC relate to the implementation of the sub-projects financed under it. The activities were carried out by the sub-borrowers under the supervision of NBE and the Bank's oversight. No difficulties were experienced in carrying out the different activities. This indicator is considered highly satisfactory. The third tranche release is still being utilized for the implementation of sub projects.

2.1.39 **Impact on Development:** The objective of the LoC was to assist the development of the industrial and tourism sectors in Egypt by making medium and long-term loans available to viable investment projects. The LoC adequately met this objective. About 62 SME investments were financed under the LoC to enterprises in the tourism, textile, manufacturing and real estate industries, generating over 1,000 new jobs. The implementation of the LoC assisted in bringing

over US\$ 500 million in additional resources to the industrial sector in Egypt. Given the number of jobs created as a result of the extension of the sub loans, the LoC is having a significant impact on development of micro and medium scale enterprises and on poverty reduction, which is a satisfactory performance. This project has achieved outstanding results. Lessons and experiences learnt should be shared with other financial institutions as best practice. As a result of this success, a third LoC is being considered.

2.1.40 **Overall Assessment:** The overall performance of the LoC is highly satisfactory.

Summary of Performance Rating

Indicators	Compliance with Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	2.6	3	3	3	3	2.92

Recommended Actions

Problem	Recommended Actions	Time frame
None	None	

C2 LoC to Export Development Bank of Egypt

Basic Data and Project Objectives

<u>Approved Amount:</u> UA 58.65 million <u>Cancelled Amount:</u> None- <u>Net Commitment:</u> UA 58.65 million	<u>Source:</u> ADB	<u>Disbursed Amount:</u> ADB loan: UA 46.92m (80%)
<u>Date Approved:</u> October 2002 <u>Date signed:</u> March 2003 <u>Entry into Force:</u> 22 May 2003	<u>Accounts Audit (years):</u> Audit report July 2003- June 2004 submitted <u>Progress Reports:</u> up to date	<u>Last disbursement deadline:</u> 31 December 2006
<u>Date of last supervision:</u> 15 December 2004	<u>Implementing Agency:</u> Export Development Bank of Egypt	
<u>Project Objectives/Components:</u> The objective of the LoC is to develop the export sector by providing financial resources to EDBE for on-lending to export oriented small and medium scale enterprises.		

2.1.41 **Compliance with Conditions:** Following the signature of the loan in March 2003, the Executing Agency proceeded quickly to fulfill the conditions precedent to loan effectiveness and first disbursement, subsequent to which the loan was declared effective on 22 May 2003. Like the LoC to NBE, this loan did not go to parliament for ratification, hence it became effective within a relatively short period of time. The first disbursement for US\$ 32 million was effected on 25 May 2003, while the second disbursement, also for US\$ 32 million, was effected in August, 2003. Since the second disbursement, EDBE had difficulties submitting satisfactory evidence of utilization of the amounts disbursed for sub projects. The Bank worked closely with EDBE and the audit report and justification for the utilization of the second tranche were submitted in June 2005. It is hoped that this will expedite the process of disbursing the third and final tranche. EDBE satisfied the other conditions of the loan, particularly the financial covenants attached to the loan by submitting quarterly progress and audit reports on the implementation of the LoC as required under the loan. This indicator is, therefore, considered satisfactory.

2.1.42 **Procurement Performance:** Procurement activities under the LoC were carried out by the sub-borrowers in accordance with established commercial practices in Egypt which were deemed acceptable to the Bank. EDBE supervised the procurement activities and no difficulties were experienced during the processes. This indicator is highly satisfactory.

2.1.43 **Financial Performance:** Though 80% of the LoC has been disbursed, the disbursement delay for the final tranche discussed under loan conditions above needs to be monitored closely, as the non-resolution on time of the problem delaying further disbursement of the LoC could undermine the financial performance of the LoC. Overall, financial performance is satisfactory.

2.1.44 **Activities and Works:** The activities under the LoC relate to the implementation of the subprojects financed under it. For the first tranche, EDBE has extended about 31 sub-loans to enterprises in the electrical industry, home appliances, tourism, textile industry and dairy farming in support of both export promotion and import substitution industries resulting in the creation of at least 525 jobs. For the second tranche, it has extended about 33 sub loans to enterprises in agriculture, food industry and engineering resulting in the creation of at least 550 jobs. Performance of activities and works is satisfactory.

2.1.45 **Impact on Development:** Analysis of 35 subprojects financed from the LoC proceeds indicates that the subprojects are export-oriented and about 46% of them are based on local raw materials. This means that, apart from creating jobs, the subprojects financed have helped to create/sustain direct and indirect employment while at the same time contributing to foreign exchange generation for the country. So far, about 64 SMEs have been established under the first two tranches creating employment for about 1050 people. The likelihood of the project achieving its development objective after completion is, therefore, high.

2.1.46 **Overall Assessment:** The overall assessment of the LoC is satisfactory, despite the delay in releasing the third tranche.

Summary of Performance Rating

Indicators	Compliance with Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	2.3	3	2	2	2.7	2.4

Problems and Recommended Actions

Problem	Recommended Actions	Time frame
Delay in the disbursement	The executing agency should work closely with the Bank to facilitate the disbursement of the third tranche.	Immediately.

2.2 Aging, Potentially Problematic and Problem Projects

2.2.1 Aging projects refer to those projects that have not been completed after 8 years from the date of approval. On the basis of this definition, none of the projects in the portfolio have aged. The average life of ongoing projects is about six years. The oldest projects are El Beheira, Social Fund and WEEP (7 years 7 months each), followed by the Health Sector Reform Project (6 years 8 months), PBDAC (6 years 3 months) and NBE and EDBE (2 years 8 months each). However, the first three are approaching the benchmark for aging projects and need to be closely monitored.

2.2.2 Two of the seven projects in the portfolio, namely the Women Economic Empowerment and Health Sector Reform projects are considered as projects at risk. These two projects are also unlikely to achieve their development objectives. This is, however, an improvement over the four projects at risk identified in the preliminary findings of the Bank-wide Annual Portfolio Performance Review (APPR) for 2004. The four problematic projects

are the Institutional Support to the Ministry of International Cooperation, PBDAC, Social Fund II and Health Sector Reform.

2.2.3 The Institutional Support to Ministry of International Cooperation has been fully disbursed and completed and is no longer in the portfolio.

2.2.4 PBDAC has been declared potentially problematic because it took 16 months from signature in December 2000 for the LoC to become effective on 22 April 2002. A project is declared potentially problematic if it has not been declared effective 12 months after signature. Though the delay remains a fact, PBDAC has overcome this teething problem. This portfolio review has revealed that as at June 2005, it has disbursed about 80% of the LoC. Given the number of activities undertaken, including credit delivery to farmers, training, institutional strengthening as well as preparation of a credit manual, it is no longer at risk.

2.2.5 The Social Fund II was also declared a project at risk for the same reasons as PBDAC. It took 33 months from signature in March 1998 for the Fund to become effective in December 2000. However, this project has experienced a turn around in implementation. It has made massive strides in health, functional literacy and capacity building and continues to play an important and dominant role in poverty reduction and job creation in Egypt. This was confirmed in two recently completed studies carried out on the Fund. These studies are the second multi-donor review of the Fund in which the Bank participated; and the impact assessment of the social infrastructure and micro finance activities of the Fund commissioned by the European Commission. About 95% of the loan has now been disbursed. It was as a result of this success that a third phase is currently being considered. It is, therefore, no longer a project at risk.

2.2.6 The Health Sector Reform project remains a project at risk. This is because it took 37 months from approval on 28 October 1998 to become effective on 14 November 2001 and it has made very little progress in terms of procurement, financial and activities performance.

2.2.7 Unlike the Bank wide portfolio review (APPR) of 2004 which does not consider WEEP as a potentially problematic project, this review rates it as such in view of recent adverse developments. This is because WEEP has recently been experiencing some problems due to the sudden change in project management which has reversed the gains made in the second half of 2004. Project implementation is now virtually at a standstill. It is worth mentioning that the analysis of the Bank wide portfolio was up to December 2004 while this review extends to June 2005.

2.3 Assessment of Supervision Frequency and Quality

2.3.1 Since 2001, Egypt has achieved a supervision ratio of 1.25 per project per annum which is not satisfactory. This does not compare favourably with 2.0 of the previous portfolio review of 2000 and the benchmark of 1.5. Of the seven projects, only NBE and EDBE were adequately supervised having achieved a supervision rating of 2.5 per year.

2.3.2 The El Beheira Rural Development Project achieved a supervision rating of 1.0. It has been supervised once in 2001, 2002 and 2003 by EGCO. In 2001 and 2002, it was supervised exclusively by a Power Engineer (EGCO) and in 2003 it was supervised by a Power Engineer and an Economist (EGCO). It was also supervised in January 2004 while in August 2004, a mid term review was undertaken. The skills mix for the 2004 supervision included an agronomist and an agricultural economist reflecting an improvement in the skills mix. The mid term review was conducted by an agricultural economist, an agronomist and a

financial analyst.

2.3.3 PBDAC achieved a supervision rating of 0.5. It has only been supervised once in 2003 since it became effective in April 2002. The supervision was conducted by a financial analyst. It was not supervised in 2002 and 2004 but was supervised in March 2005 by an agricultural economist and a financial analyst.

2.3.4 The Social Fund achieved a supervision rating of 1.0. It was supervised in October 2002, December 2003 and December 2004 by a poverty specialist, financial analyst and a socio-economist respectively.

2.3.5 The Health Sector Reform Project achieved a supervision rating of 0.66. It was not supervised in 2002. However, it was supervised in November 2003 while a mid-term review was conducted in July 2004.

2.3.6 The LoC to NBE achieved a supervision rating of 2.5. In 2003, the LoC was supervised three times by a Financial Analyst and an Auditor and two times by a Financial Analyst and a Disbursement Officer in 2004.

2.3.7 The LoC to EDBE also achieved a supervision rating of 2.5. The EDBE was supervised three times by a Financial Analyst and an Auditor in 2003, and in 2004 it was supervised two times by a Financial Analyst and a Disbursement Officer.

2.3.8 WEEP achieved a supervision rating of 0.6. It was not supervised in 2001 and 2002. However, it was supervised in April 2003, November 2004 and June 2005 by a population specialist and a socio economist.

2.3.9 The above indicates that except for NBE and EDBE, the portfolio has not been adequately supervised. However, it is expected that with the strengthening of EGCO, which involved the recruitment of a socio economist, infrastructure expert and private sector specialist, the frequency of supervision will increase.

2.3.10 In terms of supervision quality, the supervision missions to NBE and EDBE managed to resolve problems relating to disbursement. NBE's final tranche was disbursed with the technical advice given by the supervision missions, while EDBE has completed the collection of information for the disbursement of the final tranche. Thus these supervision missions have helped improve the understanding of the ADB procedures at both EDBE and NBE. Similarly, PBDAC's supervision mission of 2003 was able to satisfactorily resolve issues relating to project closing date, submission of audit reports and procurement of equipment. The quality of supervision extended to the SFD was satisfactory. Issues relating to the extension of the disbursement deadline to 31st December 2005 and the use of surplus funds realised by the project as a result of the depreciation of the Egyptian Pound for the construction of additional 12 integrated health care facilities in three Governorates were resolved during the December 2003 Supervision Mission. In the most recent supervision mission in December 2004, issues pertaining to the sustainability of the project interventions and the institutionalisation of a participatory monitoring and evaluation system were discussed and are now being implemented, which will help in consolidating the achievements of the project in job creation and the provision of social safety nets for the poor and the vulnerable groups. WEEP has also been able to resolve the delay in the start-up of the credit component of the project as well as the delay in disbursement during the last supervision mission. However, there is need to improve the frequency of supervision, to achieve 1.5 ratio for the portfolio and 2.0 for the problem projects.

2.4 Cross-Cutting Issues

2.4.1 The Bank portfolio in Egypt is addressing issues related to poverty reduction, environment, gender and governance. All the projects also have capacity building components.

2.4.2 **Poverty Reduction:** According to the Government/World Bank poverty report, Poverty and Economic Growth in Egypt of June 2003, 16.7% of Egyptians live below the poverty line defined as a product of a household's caloric requirements and the cost to that household of a 100 calories. The Social Fund for Development (SFD) is a good example of a project addressing poverty reduction and it has been designated as the main focal point for SME development in Egypt. A Presidential Decree to this effect was signed on 10 February, 2004. The Fund is now involved in about 215 sub-projects and has provided infrastructural facilities in remote areas in order to facilitate access to markets, as well as health and educational facilities for the poor. Under the health sub-component, 12 health facilities targeting mostly the poor have been completed, 20 are near completion while contractors were already mobilized for an additional 18. The El Beheira Rural Development project has also contributed immensely towards poverty reduction. It has reclaimed 95% of the land of poor farmers, while 40% of the improvement of rural infrastructure has been achieved. The incomes of the farmers have been greatly enhanced through early weaning and fattening of calves as well as fish, poultry, rabbit, and honey production.

2.4.3 **Environment:** Some of the major environmental problems in Egypt include water, air, and land pollution; human settlement encroachment on agricultural land, soil degradation, contamination and erosion, population pressure on land; environmental pressure on Egypt's cultural heritage and antiquity; desertification; management of the marine environment; solid waste management; and, degradation of biodiversity and natural environment hazards such as earthquakes, flash floods and dust and sand storms. Some of the Bank's project interventions in Egypt are addressing some of these issues. The Health Sector Reform Project, for example, is undertaking a study on waste management while the WEEP project creates environmental awareness among women. Under the extension component of the El Beheira project, environmental campaigns are being launched to educate the farmers about appropriate farming methods devoid of adverse environmental effects. As a result of the environmental campaigns the Social Fund has embarked upon, the beneficiaries of the project have transformed a waste disposal site into a garden which is generating income for them.

2.4.4 **Gender and economic empowerment:** Egypt has made progress in addressing some aspects of gender disparity, for instance, in terms of lowering illiteracy and in reducing the fertility and maternal mortality ratios. The Bank's interventions in Egypt have gone a long way in promoting gender awareness and equality. Specifically, the WEEP project focuses on women and seeks to empower them through the provision of functional literacy classes and credit while simultaneously enhancing their entrepreneurial and leadership skills. So far, WEEP has trained 1,000 women in entrepreneurial skills development out of which 600 have prepared feasibility studies and proposals for business operations. WEEP plans to provide micro credit to those who have already been trained. About 800 women have learnt to select, plan and operate their enterprises in a professional manner and another 20,000 women have benefited from the business counseling centers of the project while more than 22,000 women have been exposed and trained in more than 40 new business ideas and technologies. More than 400 women have acquired the necessary skills to establish cooperatives and take over the productive units initiated by the National Programme. Gender training and development of the gender action plans for more than 400 staff members of organizations working in the new lands was also conducted. In addition, WEEP plans to hold gender awareness training for local and religious leaders. The Social Fund also gives priority to women as a vulnerable

group in terms of credit allocation, having access to 58% of micro finance funds. Under the education component of the Social Fund, 66% of candidates attending functional literacy classes are women. El Beheira also provides credit for rural women in support of farming and income generating activities as well as training in health and nutrition.

2.4.5 Governance: Though the current portfolio in Egypt does not have a governance programme or project as such, the Social Fund for Development uses governance principles in its interventions. For example, it uses the decentralized management and participatory approaches to ensure the sustainability of its operations. Through decentralized project management, it has strengthened its regional offices to facilitate and expedite project implementation and more importantly to increase the extent of community involvement in project management. In terms of participatory approaches, SFD has signed a contract with the General Authority for Literacy and Adult Education (GALAE), which has also established partnership agreements with NGOs. Under this tripartite arrangement, the SFD provides the funds, GALAE provides the curriculum; examination and teacher training services while the NGOs are responsible for community mobilization and the provision of literacy classes. In addition, the project is adopting bottom-up approach to encourage public-private partnerships between Government, private sector and civil society organizations with a view to enhancing the sustainability of its educational activities.

2.5 General Assessment of Portfolio Performance

2.5.1 The Implementation Progress (IP) and the Development Objective (DO) in this review are 2.0 and 2.1 respectively, which makes overall performance in portfolio management satisfactory. The IP is the same as in the 2000 CPPR while the DO is 2.5 in 2000 indicating that in terms of DO, the portfolio has deteriorated. The difference in the DO ratings between the two reviews is that the 2000 CPPR found no projects at risk while two in this review are considered as projects at risk.

2.5.2 This portfolio review revealed that two of the seven projects representing about 29% of the current portfolio are projects at risk. These are the Women Economic Empowerment and Health Sector Reform projects. These two projects are unlikely to achieve their development objectives. However, this represents an improvement over the four projects at risk identified in the preliminary findings of the Bank-wide Annual Portfolio Performance Review (APPR) for 2004. The four problematic projects are the Institutional Support to the Ministry of International Cooperation, PBDAC, Social Fund II and Health Sector Reform. The reasons for this improvement have been discussed in Section 2.2 above. The ratings for each component are discussed below.

2.5.3 Compliance with Conditions: Compliance with conditions is rated at an average of 1.74 and therefore considered unsatisfactory. Compliance with conditions is the worst performing indicator. The worst performing sectors are the social and agricultural sectors which are rated at 1.43 and 1.5 respectively, while the financial sector is rated at 2.45. The poor performance of the social and agricultural sectors is due to the fact that it took about three years for the loans in these sectors to become effective while it took only six months for the financial sector loans to become effective. It is, however, worth noting that the financial sector loans did not go to the Egyptian Parliament for ratification. Hence the relatively short period of effectiveness of these loans.

2.5.4 Procurement Performance: In terms of procurement performance, the portfolio is rated at an average of 2.14, which is satisfactory. The worst performing sector is the social sector with an average score of 1.7 while the averages for the agricultural and social sectors are 2 and 3 respectively. It is worth mentioning that the Social Fund, NBE and EDBE scored 3 due to their familiarity with Bank procedures governing procurement. All three institutions have

special procurement departments.

2.5.5 Financial Performance: The average score for this category is 2.18, which is satisfactory. The social and financial sectors performed satisfactorily with averages of 2.18 and 2.5 respectively while the performance of the agricultural sector is unsatisfactory with an average of 1.87. The best performers in this category are NBE and the Social Fund with a score of 3 each. These two projects have disbursements rates of 100% and 95% respectively.

2.5.6 Activities and Works: The average score in this category is 2 with all the sectors scoring at least an average of 2 except the social sector (1.56). The best performers are NBE (3), Social Fund (2.7) and El Beheira (2.7). These projects have performed well in this category as a result of the satisfactory performance of their consultants and contractors. It is worth mentioning that though the disbursement rate of El Beheira is low at 52%, it has utilized counterpart funds to undertake activities.

2.5.7 Impact on Development: The average rating of 2.1 for this category indicates that all the projects except the Health Sector Reform (1) and WEEP (1) are likely to attain their development objectives. The poor performance of these two projects has impaired the overall performance of the social sector with an average of 1.7. The best performing sector is the financial sector (2.85) followed by agriculture (2.15).

Overall Performance of Portfolio

2005 Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Implementation Progress	Development Objective
Ratings	1.74	2.14	2.18	2.0	2.0	2.1

2000 Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Implementation Progress	Development Objective
Ratings	1.5	2.1	2.5	1.9	2.0	2.5

	CPPR 2000	CPPR 2005
IP	2.0	2
DO	2.5	2.1
Average Age of portfolio	8 years	5 years 9 months
Projects at Risk	None	2
Cumulative Disbursements/Commitment ratio	88.45	96.85
Disbursements/Commitment ratio for ongoing projects	76.6	84.6
Supervision Rating	2.0	1.25

2.5.10 Generic Problems: The generic problems observed in the course of the portfolio review include delays in disbursements, reporting, procurement, billing and communication.

Delays in disbursements: Almost all the Executing Agencies expressed concern over the delay in the disbursement of funds by the Bank. However, it was noted that the delay in disbursement was also due to the Executing Agencies, who in some cases, submit incomplete documents or do not follow the right procedures.

Reporting: In many instances, disbursements were also delayed as a result of non compliance with reporting requirements. The Bank underscored the importance of

submitting annual audit and quarterly progress reports as well as the need to adhere to the prescribed formats for preparing these reports.

Procurement: A similar concern was expressed by the Executing Agencies over the delay in procurement, which in turn impedes project implementation. This is, however, also sometimes due to the fact that PIUs do not submit complete supporting documents to facilitate the “no objection” of the Bank on procurement.

Billing: Executing agencies complained that the current bills do not reflect all the information required by them as it was the case in the past. The PIUs requested that the system be modified to capture all the information that was available in the past. For instance, essential information such as exchange rate and interest rates are missing in bills. In addition, the executing agencies requested the Bank to specify whether interest rate is fixed, floating or variable. The Ministry of International Cooperation requested the Bank to provide the applicable exchange rates and interest rates on a monthly basis.

Communication: The executing agencies also complained of delays in responses to communications by the Bank, especially those relating to procurement and disbursement issues.

2.6 Disbursements

2.6.1 The portfolio review revealed that as at 30 June 2005, the cumulative disbursement/commitment ratio stood at 96.85% compared to 88.45% for the 2000 portfolio review. The highest rate of disbursement has been registered by the multi sector (99.9%) followed by the public utilities and industrial sectors each recording 99.8%, transport sector (99.3%), financial sector (94.8%), agriculture (91.54%) and social sector (89.06%).

Status of Cumulative Disbursement by Sector as at 30 June 2005

Sector	Commitment (UA million)	Disbursement (UA million)	Disbursement/Commitment Ratio
Multi sector	52.3	52.25	99.9
Industrial	17.18	17.15	99.81
Public Utilities	609.17	607.99	99.81
Transport	1.47	1.46	99.3
Financial	226.98	215.24	94.8
Agriculture	112.10	102.62	91.54
Social	123..48	109.98	89.06
Total	1142.68	1106.85	96.85

2.6.2 Regarding the seven ongoing projects, the disbursement/commitment ratio as at 30 June 2005 stood at 84.6% compared to 76.6% of the last portfolio review of 2000. The financial sector registered the highest disbursement (93%) followed by the agricultural sector (69%), and the social sector (59%). Of the two LoCs in the financial sector, one has been fully disbursed while 80% of the other one has been disbursed. The projects in the agricultural and social sectors experienced long delays in loan ratification and effectiveness which explains the relatively low levels of disbursements in these sectors.

Disbursement profile of ongoing projects by Sector as at 30 June 2005

Sector	Commitment (UA million)	Disbursement (UA million)	Disbursement/Commitment Ratio
Financial	161.3	149.57	93
Agriculture	30.6	21.19	69
Social	33.2	19.71	59
Total	225.10	190.47	85

3. ASSESSMENT OF MANGEMENT IMPLEMENTATION CAPACITY

3.1 Government's Performance

3.1.1 The government's performance has been satisfactory in terms of coordinating Bank Group operations in the country but the performance of PIUs has been mixed. Many of the projects in the portfolio still suffer from generic problems relating to procurement and disbursement, notwithstanding the various workshops held to enhance understanding of these issues. The available evidence suggests that submission of incomplete supporting documents in respect of disbursement requests has resulted in delays in disbursements. Similarly, lack of compliance with the Bank's rules of procedure by some Project Implementation Units (PIUs) has also resulted in delays in procurement and hence project implementation. These perennial problems have impeded project implementation. In addition, the long ratification process has caused considerable delays in project implementation. Of the seven projects in the current portfolio, five have experienced long delays in loan effectiveness and project start-up as a result of the long ratification process. The Ministry of International Cooperation has however assured that the situation has improved, judging by the shorter ratification period of the projects of other donors. The recently approved energy project (July 2005) will be a test case in this regard.

3.1.2 There is also the difficulty in adhering to the prescribed formats for preparing quarterly reports and disbursement requests as well as the delay in submitting audit reports as required by the general conditions of loan agreements and protocols of agreement governing the use of grants. The government's performance in this area has not been satisfactory either. Added to this is the language barrier. In some instances, documents relating to procurement and contracts have been submitted in Arabic, contrary to the general conditions of the loan agreements. Despite the establishment of the Translation Unit in 2003, there has not been any significant improvement in this area. The translation unit has been established in the Ministry of International Cooperation to translate documents with a view to facilitating the loan ratification process. However, it can be used by the PIUs for translating documents at a fee.

3.2 Bank's Performance

3.2.1 The Bank's performance in managing its portfolio in Egypt has been mixed. The Bank has taken a number of measures to improve the performance of the portfolio. This is evidenced by the various supervision missions, the various workshops on disbursement and procurement, the establishment of EGCO and a translation unit. The translation unit is now fully operational with a Director, 6 English translators, 1 French translator, 1 administrative supervisor and 1 data entry specialist. The requisite equipment and furniture have also been purchased.

3.2.2 As part of its decentralization process, the Bank has established a Country Office in Egypt (EGCO) so as to bring it closer to its clients. This office is currently being strengthened with the recruitment of procurement and disbursement assistants, private sector and infrastructure experts, a socio-economist, senior secretary and an IT specialist to enable EGCO to assist in improving portfolio performance. EGCO has been closely monitoring the reporting process and this has resulted in the submission of five audit reports in 2005.

Similarly, there is a reduction in the number of projects at risk from 4 as revealed in the 2004 APPR to two as revealed in this report. There is, however, need to increase the supervision ratio to 1.5 and the need to impose sanctions in cases where the reporting covenant is not respected.

4. COORDINATION WITH OTHER DONORS

4.1 Assessment of Government Capacity to Co-ordinate Donor Assistance

4.1.1 The International Cooperation Sector of the Ministry of International Cooperation is responsible for coordinating external assistance in Egypt. All the major donors are represented in Egypt and have a strong partnership for development under the umbrella of a donor coordination group known as the Donor Assistance Group (DAG). The Group, which comprises both bilateral and multilateral institutions represented in Egypt, has been established under a rotating chairmanship. Currently, the Group meets monthly under the chairmanship of UNDP. Also, a number of DAG sub-groups have been formed for specific issues, including the Social Fund for Development, Gender and Development, Environment and Energy and Food Security. These sub-groups also hold regular meetings under a rotating chairmanship among key donors. The presence of the ADB Country Office has made it possible for the Bank to participate effectively in the activities of DAG.

4.1.2 Through DAG, the donors coordinate their activities to ensure donor harmonization and effectiveness. Currently, UNDP is supporting the International Cooperation Sector of the Ministry of International Cooperation to set up a database on external assistance to Egypt. The Development Cooperation Database for Egypt (DECODE) has been serving as a key planning and management tool and is aimed at maximizing the benefits of donors' assistance to the country.

4.1.3 Egypt has a strong partnership for development with the Donor Assistance Group (DAG) and is one of the world's largest recipients of Official Development Assistance (ODA). However, ODA to Egypt declined from USD 1.98 billion in 1997 to USD 1.28 billion in 2002 and it is expected to continue to decline partly as a result of the agreement between the GOE and the United States of America to reduce assistance by 5% annually over a ten-year period (1998-2007). Government has also restricted external borrowing to projects that are capable of generating foreign exchange. To this effect, the Government has drawn a list of projects from key sectors and requested donors to limit their interventions to specific sectors. The list of the projects has been circulated to all donors. This policy of government seeks to coordinate the external resource flows into the country and to steer donors to specific sectors depending on the country's needs.

4.2 Assessment of ADB Coordination With Other Donors

ADB is involved in aid coordination through its Country Office in Cairo, (EGCO), which is a member of DAG. EGCO attends DAG's monthly meetings, and, DAG sub-group meetings, including the sub-group on Health and Population, Poverty/Social Fund for Development/Micro Enterprises and Natural Renewable Resources (Agriculture and Water). The African Development Bank is co-financing a health sector reform programme with the World Bank and the European Union. In agriculture, donors including ADB, USAID, Germany, Japan, World Bank, Islamic Development Bank and France supported activities such as the acquisition of agricultural inputs, agricultural water resources, agricultural policy, agricultural financial services and agricultural research. In the financial sector, ADB supported SME development through various LoCs along with a number of other partners, including USAID, Arab Fund, EU, Japan and CIDA. In general, its coordination with other donors in all these interventions has been effective. The Bank has also conducted joint

reviews with other donors. A case in point is the multi donor review of the Social Fund in 2005, which confirmed that the SFD continues to play an important and dominant role in poverty reduction.

4.3 Assessment of Co-financiers in Co-financed Projects

The performance of co-financiers in the co-financed projects has been very satisfactory. A number of development partners are currently co-financing some projects and programmes with the Bank. These projects include the Social Fund for Development, Phase II (with EU, World Bank, EU, KFW, UNDP, and Japan Bank of International Cooperation) and the Health Sector Reform Programme (EU, World Bank, Italy and USAID). For these two programmes, co-financiers have been able to provide technical expertise during pre-appraisal, monitoring and evaluation. The mid-term review and the impact assessment of the Social Fund, for example, was multi donor funded thus providing a pool of resources and technical expertise which facilitated and enriched the quality of the review. The Bank will continue to seek co-financing opportunities with other donors within the framework of Egypt's debt management policy and with donors with softer terms than the Bank. In this way, the Bank will leverage its years of experience in financing projects in Egypt.

5. LOAN REPAYMENT AND ARREARS

Egypt has been current in its loan repayment obligations to the Bank Group on its public sector loans. It is also current in its capital subscriptions thus facilitating the continuity of Bank Group operations in the country. However, with regards to private sector loans, the Red Sea company is in arrears with the Bank to the tune of UA5,440,870 as at 30 June 2005. In January 2005, the Bank was approached by a group of Tunisian investors willing to take over the project in Hurghada, complete the project and manage the hotel facility, subject to a formal agreement with the current owners and the lenders to the project. Upon submission of the formal offer from the Tunisian Group, OPSD with the assistance of GECL will review the proposed rescue plan, in consultation with the sponsors and the syndicate of Egyptian banks. Should the sponsors be unable to reach an agreement with the potential new investors, the Bank, in consultation with other lenders, will have no choice but to enforce its security.

6 PROACTIVE MANAGEMENT OF PORTFOLIO

6.1 Potential, Future Problems and Solutions

6.1.1 The GOE's aid policy may pose problems in mobilizing resources for the social and agricultural sectors in future because of its unwillingness to borrow on non concessional terms to finance interventions in these sectors. This is particularly important in view of the declining trend in ODA. One possible solution lies in exploring opportunities for co-financing and deepening the ongoing reforms to generate more domestic resources to finance interventions in these sectors which are very crucial in meeting the country's development objectives.

6.1.2 The frequent changes in project management teams may also pose problems in project implementation in future. The government must be sensitized about the need for ensuring continuity in project management and the implications of these changes for project implementation and development effectiveness.

6.1.3 The long ratification process can cause delays in the implementation of future projects. Five of the projects in the portfolio have suffered from long delays in loan effectiveness and project start-up as a result of the long ratification process by the Egyptian Government. The newly approved energy project in July 2005 will be a test case, in view of

government's assurance that it has improved the process.

6.2 Summary of CPIP/Action Plan

6.2.1 The Action Plan for resolving the problems identified is summarized in a matrix in Annex VII. It covers delays in fulfilling loan and grant conditions and project effectiveness, poor procurement performance, delays in disbursement, weak PIU performance, language barrier, poor communication between PIUs and between the Bank and PIUs, and problems relating to billings.

6.2.2 In terms of delays in project effectiveness and start-up for future projects requiring ratification by parliament, a timetable should be agreed upon by both the Bank and the executing agency setting out realistic targets for loan effectiveness. Poor procurement performance is being resolved through training in loan administration. The Ministry of International Cooperation will also hold regular consultative meetings with PIUs to ensure that Bank rules of procedure regarding procurement are followed. EGCO will also assist PIUs in verifying procurement documents given that EGCO now has in place a procurement expert. Tasks managers should process procurement requests immediately and any problems should be brought to the attention of the Executing Agency immediately. Weak communication will be addressed by the Bank responding immediately to communication from PIUs. EGCO is also facilitating communication between the Bank and PIUs. Regarding difficulties in adhering to reporting requirements, PIU should seek the assistance of EGCO to ensure that reports are correctly filled and on time. The Bank will also endeavour to simplify and harmonize its reporting requirements with other development partners in multi donor funded projects. Disbursement delays will be resolved by PIUs ensuring that documents in respect of disbursement requests are accurate and complete, while the Operations Officer in EGCO will verify the correctness of applications for disbursements and bring any problems to the attention of PIUs. Workshops on loan administration will also be held regularly to help in resolving disbursement delays as well as weak PIU performance. The language barrier will be addressed by PIUs making use of the translation unit or by PIUs engaging their own translators for each project. The Bank will ensure that the bills reflect essential information such as exchange rate and interest rates. The Bank will also provide this information to Executing Agencies on a monthly basis.

6.3 Lessons Learnt for Future Country Strategy Papers and Portfolio Management

6.3.1 During the review, the executing agencies expressed the need for technical assistance to enhance capacities in IT, business and human resource development, among others. The Bank may, therefore, wish to consider including TA as a component in future project interventions in Egypt.

6.3.2 As an ADB country, the amount of Bank resources for concessional lending to Egypt is limited. The Bank should, therefore, explore opportunities for co-financing of projects, particularly with donors with softer terms. In this way, it will leverage its years of experience in financing projects in Egypt. A particular case in point is the proposed Social Fund III. The MIC Trust Fund will also enhance the ability of the Bank to provide some grant resources to Egypt.

6.3.3 Discussions with executing agencies revealed that where the management of multi donor funded projects is concerned, reports (quarterly and audit) are prepared for several donors which is time consuming and often expensive. It is, therefore, important that the Bank simplifies and harmonizes its reporting requirements with other development partners in multi donor funded projects or programmes. Examples of multi donor funded projects include the Health Sector Reform Programme and the Social Fund II. The advantage of this is that it will save time and resources while simultaneously expediting the process of project

implementation. It is worth noting, however, that for effective harmonization, the capacity of the Executing Agencies will need to be strengthened to meet this new demand.

6.3.4 Given the frequent changes in project management team, there is need for the Bank to train a core group of trainers who will in turn train executing agencies in loan administration. This approach will also address the problems associated with the changes in project management as it will cater for the needs of both new and old project managers. It is, however, important for the government to avoid constant changes in project management teams to enable the training programme to add value to portfolio management.

6.3.5 During the portfolio review, the size of sub projects for LoCs and commitment fees featured prominently in the discussions. The Executing Agencies called for upward revision in the ceilings on sub projects in the light of the devaluation of the Egyptian Pound and the need to revisit the issue of commitment fees as they increase the cost of borrowing and renders the Bank's loan products uncompetitive. In response to client's request, including Egypt, the issue of commitment fees has been addressed within the context of the MIC initiative. The issue of higher ceilings for sub-projects will be addressed in the context of the new LoCs.

7. CONCLUSIONS AND RECOMMENDATIONS

7.1 The Implementation Progress (IP) and the Development Objective (DO) in this review are 2.0 and 2.1 respectively, which makes overall performance in portfolio management satisfactory. The IP is the same as in the 2000 CPPR while the DO is 2.5 in 2005 indicating that in terms of DO, the portfolio has deteriorated. The difference in the DO ratings between the two reviews could be due to the fact that the 2000 CPPR found no projects at risk while two projects in this review are rated at risk. Regarding disbursements, an average disbursement ratio of 85% for the seven ongoing projects as at 30 June 2005 compares favourably with the 76.6% of the last portfolio review conducted in 2000. However, there are still generic problems relating to reporting, billing, delays in disbursement, procurement and communication.

7.2 On account of the aforementioned findings, the following recommendations are being made with a view to improving portfolio performance.

For the Government

(i) Some of the Project Implementation Units are advanced while others are quite new. It is, therefore, necessary that regular consultative meetings be held among PIUs with a view to facilitating the flow of information and sharing of experiences and best practices;

(ii) In order to expedite procurement and disbursement of funds, the Ministry of International Cooperation needs to hold regular consultative meetings with Executing Agencies to ensure that they submit complete documentation in support of procurement and disbursement requests and bring to the attention of Egypt Country Office (EGCO) any problems or difficulties encountered. This will accelerate the pace of implementation of projects so as to maximize development effectiveness.

(iii) By the same token, the ministry should impress upon the executing agencies the need to comply with the Bank's reporting requirements (audit and quarterly reports) and to adhere to the prescribed formats. They should be aware that non-compliance with such requirements could result in imposition of sanctions in the form of suspension of disbursements.

(iv) The PIUs should desist from changing project personnel without prior approval from

the Bank. Experience has shown that frequent changes in project personnel have derailed project implementation and minimized development effectiveness.

(v) The Ministry of International Cooperation should encourage the PIUs to use the services of the Translation Unit and avoid sending documents to the Bank in Arabic. This will save time and expedite the disbursement process. However, for purposes of sustainability of the unit, the PIUs may need to pay for the services of the Translation Unit which is now fully operational in terms of staffing and equipment.

For the Bank

(vi) In order to enhance capacity for project implementation, it will be useful to organize seminars and workshops on loan administration, disbursement, procurement and log frame for a core group of trainers, who will in turn train project personnel. This will facilitate the internalization of ADB procedures and also ensure sustainability in terms of capacity building;

(vii) The Bank should respond immediately to all communications from PIUs, particularly those relating to requests for procurement and disbursement. Such requests should be processed immediately and any problems should be brought to the attention of the Executing Agency and EGCO for immediate rectification.

(viii) In order to improve the quality and development impact of lending, the Bank should include capacity building as a component in all future project interventions.

(ix) On account of the huge demand for reports by various donors from some executing agencies, it is important that the Bank simplifies and harmonizes its reporting requirements with those of the other development partners in projects or programmes which are multi donor funded. The advantage of this is that it will save time and resources and at the same time expedite the process of project implementation. However, in order to ensure effective harmonization, the issue of strengthening of country systems should be given greater consideration.

(x) It is advisable for the Bank to revisit the issue of the size of sub projects for future LoCs on account of the changing circumstances in Egypt, particularly the devaluation of the Egyptian Pound.

(xi) There is need for the Bank to improve the supervision of projects as well as the skills mix. To this end, more resources should be provided to supervise each project at least 1.5 times during the year. The Country Office in Egypt (EGCO) should take a proactive role in supervision. A supervision ratio of 1.25 is below the Bank's benchmark of 1.5

(xii) Egypt's portfolio is small relative to its size. In order to expand the size of its portfolio, the Bank should intensify the building of a pipeline of projects in the context of the CSP selected pillars.

(xiii) On account of the competition with other development partners in Egypt, the Bank should exercise flexibility in conditions precedent to loan effectiveness. Of the seven projects in the portfolio, five have experienced delays in disbursement effectiveness as a result of stringent loan conditions and loan ratification process. Similarly, it will be worthwhile for the Bank to be equally flexible in procurement and disbursement procedures, but without compromising on standards.

7.3 There are bright prospects for strengthening cooperation between the Bank Group and the Arab Republic of Egypt. The main areas of future intervention will be infrastructural development and the financial sector. These proposals are in line with the priority areas in the Bank's draft assistance strategy for Egypt, which is under preparation. In the context of the discussion of future operations, it is important that the recommendations emanating from the MIC study be fully implemented to help enhance the competitiveness of Bank loan products and service delivery in MICs. Generally, the government is appreciative of the assistance and quality of products and services being offered by the Bank, which augurs well for fruitful cooperation in future.

7.4 In terms of the way forward, the Bank should develop strategic partnerships and alliances with other development partners, civil society organizations and UN agencies in Egypt. This will enhance opportunities for co-financing and enable the Bank to identify a wide variety of services and clients, including municipalities.

7.5 The Boards of Directors are invited to consider and endorse this Country Portfolio Performance Review Report on Egypt.

Annex I-EGYPT
SUMMARY OF BANK GROUP OPERATIONS
as at 30 June, 2005

	APPROVALS			Cancelled				Net Commitm.	DATE APPROVED	DATE SIGNED	DATE ENTRY INTO FORCE	AMOUNT DISB. (UA MIL)	% DISB. Net Comm.	DEAD LINE FINAL DISB.	STATUS
	AMOUNT (Mill.)			ADB	ADF	TAF	Total								
	ADB	ADF	TAF												
<u>AGRICULTURE (8)</u>															
El-Beheira Rural Dev.	10.00			0.23			0.23	9.77	12-Dec-81	26-Jan-82	28-Dec-84	9.77	100%	30-June-97	Completed.
		7.37					0.00	7.37	12-Dec-81	26-Jan-82	09-Jun-85	7.37	100%	30-June-97	Completed
Drainage v	18.62			1.40			1.40	17.22	20-Nov-85	04-Apr-86	06-May-88	17.22	100%	31-Dec-98	Completed.
		9.21			0.50		0.50	8.71	20-Nov-85	04-Apr-86	06-May-88	8.16	94%	31-Dec-98	Completed
2nd Agric. Dev	31.15			22.08			22.08	9.07	20-Nov-85	04-Apr-86	08-Dec-88	9.07	100%	31-Dec-98	Completed.
		9.21			1.05		1.05	8.16	20-Nov-85	04-Apr-86	14-Dec-88	8.77	100%	30-Jan-98	Completed
Drainage Water Study			2.03			0.16	0.16	1.87	01-Dec-92	12-May-93	10-Feb-94	1.86	100%	30-Jan-98	Completed
Reh. of Agric. Drainage Systems.		19.34					0.00	19.34	15-Dec-92	13-May-93	27-Apr-94	19.19	91%	31-Dec-02	Completed
LOC to PBDAC	10.69	0.00					0.00	10.69	24-Mar-99	01-Dec-00	22-Apr-02	8.10	75.70%	31-Dec-05	Ongoing
		6.00					0.00	6.00	24-Mar-99	01-Dec-00	22-Apr-02	5.80	96.70%	31-Dec-05	Ongoing
			1.00				0.00	1.00	24-Mar-99	01-Dec-00	22-Apr-02	0.52	52.00%	31-Dec-05	Ongoing
El_Beheira II	5.39	0.00					0.00	5.39	26-Nov-97	07-Mar-98	19-Dec-00	3.22	59.70%	31-Dec-05	Ongoing
		6.52					0.00	6.52	26-Nov-97	07-Mar-98	19-Dec-00	3.35	51.30%	31-Dec-05	Ongoing
			1.00				0.00	1.00	26-Nov-97	07-Mar-98	19-Dec-00	0.22	22.00%	31-Dec-05	Ongoing
The Buhiyah Canal Irrigation Improvement	9.86			9.86			9.86	0.00	28-Nov-01	30-Sep-02	n.a.	0.00	0.00	30-Dec-08	Cancelled
Sub-Total	85.71	57.65	4.03	33.57	1.55	0.16	35.28	112.10				102.62	91.54		
<u>TRANSPORT (1)</u>															
Two Canals Study			1.57			0.10	0.10	1.47	06-Jan-93	12-May-93	18-Jan-94	1.46	99.32%	12-Oct-95	Completed
Sub-Total	0.00	0.00	1.57	0.00	0.00	0.10	0.10	1.47				1.46	99.32		
<u>POWER (14)</u>															
Power I	5.00						0.00	5.00	22-Nov-74	08-Dec-74	09-Jun-75	5.00	100%	09-Jun-77	Completed.
Power II	5.00			0.03			0.03	4.97	14-Oct-75	26-Feb-76	30-Jun-77	4.97	100%	20-Jan-86	Completed.
Power III	5.00			0.00			0.00	5.00	31-Dec-77	30-Mar-78	25-Aug-78	5.00	100%	22-Dec-82	Completed.
Rural Elect. I		7.37					0.00	7.37	26-Sep-79	01-fev-80	24-May-81	7.37	100%	30-Dec-85	Completed.
Shoubrah El-Kheima	10.00						0.00	10.00	23-Sep-80	19-Dec-80	18-Nov-81	10.00	100%	31-Dec-86	Completed.
Rural Elect. II		7.37				2.87	2.87	4.50	25-Jun-81	09-Jul-81	30-Mar-82	4.50	100%	31-Dec-95	Completed.

Shoubrah El-Kheima Interc.	21.39			0.21			0.21	21.18	26-May-83	16-Oct-83	26-Apr-84	21.18	100%	02-Jan-90	Completed.
Shoubrah El-Kheima (Unit 4)	43.50			7.46			7.46	36.04	28-Aug-85	10-Mar-86	16-Feb-87	36.04	100%	31-Dec-89	Completed.
Damietta Power	103.00			2.74			2.74	100.26	19-Dec-86	30-Oct-87	07-Jun-88	100.26	100%	31-Dec-97	Completed.
Cairo West	210.00			0.01			0.01	210.00	23-Aug-88	19-Dec-88	21-Dec-89	208.83	99.45%	30-Jun-99	Completed.
Cairo West Supplementary	42.10			10.85			10.85	31.25	27-Jan-92	01-Sep-92	12-Jul-93	31.25	100%	30-Jun-99	Completed.
El-Arish Power	53.53			3.52			3.52	50.01	18-Dec-89	07-Mar-90	10-Mar-91	50.01	100%	31-Jan-98	Completed.
El-Kureimat Power	250.00			127.92			127.92	122.08	17-Dec-90	30-May-91	03-Mar-92	122.07	99.99%	31-Dec-00	Completed.
Solar Thermal Energy Power Study			1.57			0.05	0.05	1.52	06-Jan-93	12-May-93	14-Feb-95	1.51	99.47%	30-Jun-03	Completed.
Sub-Total	748.52	14.74	1.57	152.74	2.87	0.05	155.67	609.17				607.99	99.81		
INDUSTRY (9)															
Polyester Filament	8.00			1.49			1.49	6.51	20-Aug-79	04-Oct-79	28-Jul-81	6.51	100%	31-Dec-81	Completed.
Polyester Filament II	10.45			1.35			1.35	9.10	29-Dec-86	14-Mar-88	10-May-89	9.10	100%		Completed.
Inst. Sup. to NIS & EOS			1.57				0.00	1.57	25-May-92	01-Sep-92	15-Mar-93	1.54	98%	30-Jun-00	Completed.
Sub-Total	18.45	0.00	1.57	2.84	0.00	0.00	2.84	17.18				17.15	99.81		
SOCIAL (10)															
Ind. Voc. Training		7.37					0.00	7.37	22-Nov-78	31-Jan-79	11-Jun-81	7.37	100%	31-Dec-84	Completed.
Bilharzia Control I		7.37			0.00		0.00	7.37	18-Dec-80	18-Mar-81	15-Feb-82	7.36	99.88%	30-Jun-94	Completed.
Bilharzia Control II		7.37			0.01		0.01	7.37	10-Jun-82	07-Jan-83	26-Aug-83	7.36	99.97%	30-Jun-00	Completed.
Bilharzia Control III		6.20		0.29			0.29	5.91	23-Mar-89	01-Dec-89	10-Jul-90	5.91	100%	30-Jun-00	Completed.
Upgrading Industrial Sec. School	17.33			0.28			0.28	17.05	23-Mar-89	01-Dec-89	01-Dec-90	17.05	100%	30-Jun-00	Completed.
		22.11					0.00	22.11	23-Mar-89	01-Dec-89	01-Dec-90	22.11	100%	30-Jun-00	Completed.
			0.68				0.00	0.68	23-Mar-89	01-Dec-89	01-Dec-90	0.67	98.53%	30-Jun-00	Completed.
Emergency School Recon.		24.87			2.44		2.44	22.43	23-Jun-93	26-Nov-93	07-Oct-94	22.43	100%	30-Jun-02	Completed.
Social Fund II		15.00					0.00	15.00	26-Nov-97	07-Mar-98	19-Dec-00	14.29	95%	31-Dec-05	Ongoing.
Women Empowerment		6.00	0.00				0.00	6.00	26-Nov-97	07-Mar-98	19-Dec-00	1.69	28%	31-Dec-04	Ongoing.
			0.20				0.00	0.20	26-Nov-97	07-Mar-98	19-Dec-00	0.10	52%	31-Dec-04	Ongoing.
Health Sec Reform		11.00	0.00				0.00	11.00	29-Oct-98	11-Jul-00	14-Nov-01	2.70	24.55%	31-Dec-05	Ongoing.
			1.00				0.00	1.00	30-Oct-98	11-Jul-00	14-Nov-01	0.93	93%	31-Dec-05	Ongoing.
Upgrading Industrial Schools (Phase II)	10.83			10.83			10.83	0.00	28-Nov-01	30-Sep-02	n.a.	0.00	0.00	31-Dec-08	Cancelled.
Sub-Total	28.16	107.29	1.88	11.40	2.45	0.00	13.85	123.48				109.98	89.06		
Financial Sector															
1st Line of Credit to DIB	5.00			0.01			0.01	4.99	18-Aug-77	04-Oct-77	15-Apr-78	4.99	100%	30-Jun-82	Completed.
2nd Line of Credit to DIB	10.00			0.12			0.12	9.88	25-Apr-80	20-Jun-80	30-Dec-80	9.88	100%	30-Jun-94	Completed.
3rd Line of Credit to DIB	10.00			0.00			0.00	10.00	12-Dec-81	26-Jan-82	02-Aug-82	10.00	100%	30-Jun-94	Completed.
4th Line of Credit to DIB	60.00			19.20			19.20	40.80	12-Dec-84	11-Feb-85	20-Aug-85	40.80	100%	31-Dec-90	Completed.

Line of Credit to NBE	102.65							102.65	23-Oct-02	27-Mar-03	22-May-03	102.65	100%	31-Dec-06	On-going
Line of Credit to EDBE	58.65							58.65	23-Oct-02	27-Mar-03	22-May-03	46.92	80%	31-Dec-06	On-going
Sub-Total	246.30	0.00	0.00	19.32	0.00	0.00	19.32	226.98				215.24	94.83		
MULTI-SECTOR (2)															
SAL	100.00			50.00			50.00	50.00	24-Sep-91	21-Apr-92	30-Nov-92	50.00	100%	30-Jun-94	Comp. with 50% loan cancelled.
Inst. Sup. to MIC			2.30					2.30	27-Jan-92	21-Apr-92	14-Oct-93	2.25	97.65%	31-Dec-02	Completed
Sub-Total	100.00	0.00	2.30	50.00	0.00	0.00	50.00	52.30				52.25	99.90		
GRAND TOTAL	1227.14	179.68	12.92	269.88	6.87	0.31	277.06	1142.68				1106.68	96.85		
EMERGENCY ASST.	0.40							0.40	26-Nov-92	N/A	N/A	0.40	100.00	N/A	Completed.
MULTINATIONAL															
DRC/Egypt Power			3.04					3.04	12-Jun-90	10-Jul-90	16-Mar-93	2.20	72.37	31-Dec-95	
NET COMMITMENTS: ADB =		957.26				84%				DISB.	=	939.89	98.19		
NET COMMITMENTS: ADF =		172.81				15%				DISB.	=	155.73	90.12		
NET COMMITMENTS: TAF =		12.60				1%				DISB.	=	11.06	87.75		
NET COM.: GRAND TOTAL =		1142.68				100%				DISB.	=	1106.68	96.85		
NOTE:		1419.74													

Annex II - EGYPT - COUNTRY PORTFOLIO PERFORMANCE REVIEW REPORT
ONGOING BANK GROUP OPERATIONS AS AT 30 JUNE 2005

(UA MILLION)

	APPROVALS AMOUNT (Mill.)			DATE APPROVED	DATE SIGNED	DATE ENTRY INTO FORCE	AMOUNT DISB. (UA MIL)	% DISB.	DEAD LINE FINAL DISB.	STATUS
	ADB	ADF	TAF							
AGRICULTURE (1)										
LOC to PBDAC	10.69	0.00		24-Mar-99	01-Dec-00	22-Apr-02	8.10	76%	31-Dec-05	Ongoing
		6.00		24-Mar-99	01-Dec-00	22-Apr-02	5.80	97%	31-Dec-05	Ongoing
			1.00	24-Mar-99	01-Dec-00	22-Apr-02	0.50	50%	31-Dec-05	Ongoing
EI_Beheira II	5.39	0.00		26-Nov-97	07-Mar-98	19-Dec-00	3.22	60%	31-Dec-05	Ongoing
		6.52		26-Nov-97	07-Mar-98	19-Dec-00	3.35	51%	31-Dec-05	Ongoing
			1.00	26-Nov-97	07-Mar-98	19-Dec-00	0.22	22%	31-Dec-05	Ongoing
Sub-Total	16.08	12.52	2.00				21.19	69%		
FINANCE (2)										
Line of Credit to NBE	102.65			23-Oct-02	27-Mar-03	22-May-03	102.65	100%		Ongoing
Line of Credit to EDBE	58.65			23-Oct-02	27-Mar-03	22-May-03	46.92	80%		Ongoing
Sub-Total	161.30	0.00	0.00				149.57	93%		
SOCIAL (3)										
Social Fund II		15.00		26-Nov-97	07-Mar-98	19-Dec-00	14.29	95%	31-Dec-03	Ongoing
Women Empowerment		6.00	0.00	26-Nov-97	07-Mar-98	19-Dec-00	1.69	28%	31-Dec-03	Ongoing
			0.20	26-Nov-97	07-Mar-98	19-Dec-00	0.10	52%	31-Dec-03	Ongoing
Health Sec Reform		11.00	0.00	29-Oct-98	11-Jul-00	14-Nov-01	2.70	25%	31-Dec-03	Ongoing
			1.00	30-Oct-98	11-Jul-00	14-Nov-01	0.93	93%	31-Dec-03	Ongoing
Sub-Total	0.00	32.00	1.20				19.71	59%		
									31.00	
GRAND TOTAL	177.38	44.52	3.20				190.47	85%		

Average age of on-going projects

NET COMMITMENTS: ADB =	177.38	DISB.	=	91%
NET COMMITMENTS: ADF =	44.52	DISB.	=	63%
NET COMMITMENTS: TAF =	3.20	DISB.	=	55%
NET COM.: GRAND TOTAL =	225.10	DISB.	=	85%

NOTE: **225.10**

- Amounts indicated as sub totals for Amount disbursed and Percentage disbursed represent a combination of ADB, ADF and TAF approvals.

Annex III-Summary of Performance Rating by Sector and Projects

Projects	Compliance with Conditions	Procurement Performance	Financial Performance	Activities and Works	Implementation Progress	Development Objective
Agriculture Sector						
PBDAC	2	2	2	2	2	2
El Beheira	1	2	1.75	2.7	1.8	2.3
Average	1.5	2	1.87	2.3	1.9	2.15
Social Sector						
Social Fund II	2.3	3	3	2.7	2.7	3
WEEP	1	1	1.75	1	1.18	1
Health Sector Reform	1	1	1.8	1	1.2	1
Average	1.43	1.7	2.18	1.56	1.72	1.7
Financial Sector						
LoC to NBE	2.6	3	3	3	2.9	3
LoC to EDBE	2.3	3	2	2	2.3	2.7
Average	2.45	3	2.5	2.5	2.6	2.85
Overall Average	1.74	2.14	2.18	2.0	2.0	2.1
Code						
3=Highly Satisfactory						
2=Satisfactory						
1=Unsatisfactory: Problems-Bank should monitor closely but no immediate action is required						
0=Highly Unsatisfactory: Serious problems-Bank action required						

Annex IV
Second Line of Credit to the Principal Bank for Agricultural Development and Credit
(PBDAC)

Project Performance Indicators	Previous Report	Current Report
<u>A. Project Progress</u>		
1. Compliance with loan conditions precedent to entry into force	1	1
2. Compliance with general conditions	1	2
3. Compliance with other conditions	1	3
<u>B. Procurement Performance</u>		
1. Procurement of consultancy services	1	2
2. Procurement of goods and services	1	2
<u>C. Financial Performance</u>		
1. Availability of foreign exchange		2
2. Availability of local currency		2
3. Disbursement flows	1	2
4. Cost management	1	2
5. Performance of co-financiers (where applicable)	NA	NA
<u>D. Activities and Works</u>		
1. Adherence to implementation schedule	1	2
2. Performance of consultants or technical assistance	NA	NA
3. Performance of contractors	2	2
4. Performance of project management	1	2
<u>E. Impact on Development</u>		
1. Likelihood of achieving project objectives	1	2
2. Likelihood that benefits will be realized and sustained beyond the investment stage of the project	1	2
3. Likely contribution of the project towards an increase in institutional capacity	1	2
4. Expected rate of return	NA	NA
<u>F. Overall Assessment</u>		
1. At Present	1	2
2. Trend Over Time	1	2
Code: 3 = Highly Satisfactory 2 = Satisfactory: Occasional Problems: Bank should monitor 1 = Unsatisfactory: Problems: Bank should monitor closely but no immediate action required 0 = Highly unsatisfactory: serious problems: Bank action required		

El Beheira Second Rural Development Project

Project Performance Indicators	Previous Report	Current Report
<u>A. Project Progress</u>		
1. Compliance with loan conditions precedent to entry into force	1	1
2. Compliance with general conditions	1	1
3. Compliance with other conditions	1	1
<u>B. Procurement Performance</u>		
1. Procurement of consultancy services	1	2
2. Procurement of goods and services	1	2
<u>C. Financial Performance</u>		
1. Availability of foreign exchange	2	2
2. Availability of local currency	2	2
3. Disbursement flows	1	1
4. Cost management	1	2
5. Performance of co-financiers (where applicable)	NA	NA
<u>D. Activities and Works</u>		
1. Adherence to implementation schedule	1	2
2. Performance of consultants or technical assistance	NA	NA
3. Performance of contractors	2	3
4. Performance of project management	1	3
<u>E. Impact on Development</u>		
1. Likelihood of achieving project objectives	1	2
2. Likelihood that benefits will be realized and sustained beyond the investment stage of the project	1	2
3. Likely contribution of the project towards an increase in institutional capacity	1	3
4. Expected rate of return	NA	NA
<u>F. Overall Assessment</u>		
1. At Present	1	2
2. Trend Over Time	1	2
Code: 3 = Highly Satisfactory 2 = Satisfactory: Occasional Problems: Bank should monitor 1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required 0 = Highly unsatisfactory: serious problems: Bank action required		

Social Fund for Development Phase II Project

Project Performance Indicators	Previous Report	Current Report
<u>A. Project Progress</u>		
1. Compliance with loan conditions precedent to entry into force	1	1
2. Compliance with general conditions	1	3
3. Compliance with other conditions	2	3
<u>B. Procurement Performance</u>		
1. Procurement of consultancy services	3	3
2. Procurement of goods and services	N/A	3
<u>C. Financial Performance</u>		
1. Availability of foreign exchange	3	3
2. Availability of local currency	2	3
3. Disbursement flows	2	3
4. Cost management	3	3
5. Performance of co-financiers (where applicable)	3	3
<u>D. Activities and Works</u>		
1. Adherence to implementation schedule	2	2
2. Performance of consultants or technical assistance	N/A	3
3. Performance of contractors	N/A	3
4. Performance of project management	3	3
<u>E. Impact on Development</u>		
1. Likelihood of achieving project objectives	3	3
2. Likelihood that benefits will be realized and sustained beyond the investment stage of the project	2	3
3. Likely contribution of the project towards an increase in institutional capacity	2	3
4. Expected rate of return	-	-
<u>F. Overall Assessment</u>		
1. At Present	2.36	2.8
2. Trend Over Time	2.23	2.7
Code: 3 = Highly Satisfactory 2 = Satisfactory: Occasional Problems: Bank should monitor 1 = Unsatisfactory: Problems: Bank should monitor closely but no immediate action required 0 = Highly unsatisfactory: serious problems: Bank action required		

Women Economic Empowerment Project (WEEP)

Project Performance Indicators	Previous Report	Current Report
<u>A. Project Progress</u>		
1. Compliance with loan conditions precedent to entry into force	2	1
2. Compliance with general conditions	2	1
3. Compliance with other conditions	2	1
<u>B. Procurement Performance</u>		
1. Procurement of consultancy services	1	1
2. Procurement of goods and services	1	1
<u>C. Financial Performance</u>		
1. Availability of foreign exchange	2	2
2. Availability of local currency	2	2
3. Disbursement flows	1	1
4. Cost management	2	2
5. Performance of co-financiers (where applicable)	N/A	N/A
<u>D. Activities and Works</u>		
1. Adherence to implementation schedule	1	1
2. Performance of consultants or technical assistance	-	2
3. Performance of contractors	-	2
4. Performance of project management	2	1
<u>E. Impact on Development</u>		
1. Likelihood of achieving project objectives	2	1
2. Likelihood that benefits will be realized and sustained beyond the investment stage of the project	2	1
3. Likely contribution of the project towards an increase in institutional capacity	2	1
4. Expected rate of return	-	-
<u>F. Overall Assessment</u>		
1. At Present	1.79	1.15
2. Trend Over Time	1.75	1.35
Code: 3 = Highly Satisfactory		
2 = Satisfactory: Occasional Problems: Bank should monitor		
1 = Unsatisfactory: Problems: Bank should monitor closely but no immediate action required		
0 = Highly unsatisfactory: serious problems: Bank action required		

Health Sector Reform Project

Project Performance Indicators	Previous Report	Current Report
A. <u>Project Progress</u>		
1. Compliance with loan conditions precedent to entry into force	3	1
2. Compliance with general conditions	2	1
3. Compliance with other conditions	-	1
B. <u>Procurement performance</u>		
1. Procurement of consultancy services	2	1
2. Procurement of goods and services	1	1
C. <u>Financial Performance</u>		
1. Availability of foreign exchange	2	2
2. Availability of local currency	2	2
3. Disbursement flows	1	1
4. cost management	2	2
5. Performance of co-financiers (where applicable)	2	2
D. <u>Activities and Works</u>		
1. Adherence to implementation schedule	1	1
2. Performance of consultants or technical assistance	2	1
3. Performance of contractors	-	1
4. Performance of project management	2	1
E. <u>Impact on Development</u>		
1. Likelihood of achieving project objectives	2	1
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	2	1
3. Likely contribution of the project towards an increase in institutional capacity	-	1
4. Expected rate of return		
F. <u>Overall Assessment</u>		
1. At Present	2	1.16
2. Trend Over Time		
Code: 3 = Highly Satisfactory 2 = Satisfactory: Occasional Problems: Bank should monitor 1 = Unsatisfactory: Problems: Bank should monitor closely but no immediate action required 0 = Highly unsatisfactory: serious problems: Bank action required		

LoC to the National Bank of Egypt (NBE)

Project Performance Indicators	Previous Report	Current Report
A. <u>Project Progress</u>		
1. Compliance with loan conditions precedent to entry into force	2	2
2. Compliance with general conditions	2	3
3. Compliance with other conditions	2	3
B. <u>Procurement performance</u>		
1. Procurement of consultancy services	-	-
2. Procurement of goods and services	2	3
C. <u>Financial Performance</u>		
1. Availability of foreign exchange	3	3
2. Availability of local currency	3	3
3. Disbursement flows	3	3
4. Cost management	-	-
5. Performance of co-financiers (where applicable)	-	-
D. <u>Activities and Works</u>		
1. Adherence to implementation schedule	2	3
2. Performance of consultants or technical assistance	-	-
3. Performance of contractors	-	-
4. Performance of project management	2	3
E. <u>Impact on Development</u>		
1. Likelihood of achieving project objectives	2	3
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	2	3
3. Likely contribution of the project towards an increase in institutional capacity	2	3
4. Expected rate of return	-	-
F. <u>Overall Assessment</u>		
1. At Present	2.27	2.92
2. Trend Over Time	2.2	2.4
<p>Code: 3 = Highly Satisfactory 2 = Satisfactory: Occasional Problems: Bank should monitor 1 = Unsatisfactory: Problems: Bank should monitor closely but no immediate action required 0 = Highly unsatisfactory: serious problems: Bank action required</p>		

Name of Project: LoC to EDDB

Project Performance Indicators	Previous Report	Current Report
A. <u>Project Progress</u>		
1. Compliance with loan conditions precedent to entry into force	2	2
2. Compliance with general conditions	2	2
3. Compliance with other conditions	2	3
B. <u>Procurement performance</u>		
1. Procurement of consultancy services	-	-
2. Procurement of goods and services	2	3
C. <u>Financial Performance</u>		
1. Availability of foreign exchange	3	2
2. Availability of local currency	3	2
3. Disbursement flows	2	2
4. cost management	-	
5. Performance of co-financiers (where applicable)	-	
D. <u>Activities and Works</u>		
1. Adherence to implementation schedule	2	2
2. Performance of consultants or technical assistance	-	-
3. Performance of contractors	-	-
4. Performance of project management	1	2
E. <u>Impact on Development</u>		
1. Likelihood of achieving project objectives	2	3
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	2	3
3. Likely contribution of the project towards an increase in institutional capacity	2	2
4. Expected rate of return	-	-
F. <u>Overall Assessment</u>	2.	2.4
1. At Present	2	2.2
2. Trend Over Time		
<p>Code: 3 = Highly Satisfactory 2 = Satisfactory: Occasional Problems: Bank should monitor 1 = Unsatisfactory: Problems: Bank should monitor closely but no immediate action required 0 = Highly unsatisfactory: serious problems: Bank action required</p>		

Annex VI-Egypt: Portfolio Review –Matrix of Cross Cutting Issues

	PBDAC	El Beheira	Social Fund II	WEEP	Health Sector Project	LoC to NBE	LoC to EDDBE	Frequency
<u>Cross Cutting Issues</u>								
Poverty reduction	X	X	X	X	X	X	X	7
Environmental and Social Protection	X	X	X	X	X	X	X	7
Gender mainstreaming	X	X	X	X	X			5
Capacity Building	X	X	X	X	X	X	X	7
HIV/AIDS								
Core labour Standards (child labour)								
Regional Integration								
Governance			X					1

Annex VII-Country Portfolio Improvement Plan

Issues/Problems	Actions by the Government	Actions by the Bank	Time frame
Delays in project effectiveness and start-up	The Government of Egypt should expedite the ratification process of loans and grants.	A timetable should be agreed upon by both the Bank and the executing agency, setting out realistic targets for loan effectiveness of newly approved projects.	Immediately
Poor procurement performance	The Ministry of International cooperation should hold regular consultative meetings with PIUs to ensure that Bank rules of procedure regarding procurement are followed and seek the assistance of EGCO, if necessary.	<p>There is need for the Bank to train a core group of trainers who will in turn train executing agencies in loan administration, including procurement. This will ensure sustainability of capacity.</p> <p>EGCO to assist PIUs in verifying procurement documents.</p> <p>Tasks managers to process procurement requests immediately and any problems brought to the attention of the executing agency immediately.</p>	<p>Immediately</p> <p>Immediately</p> <p>Immediately</p>
Weak communication between Bank and PIUs and between PIUs	PIUs should share experiences and best practices among themselves. They should also hold regular consultative meetings.	<p>The Bank should respond immediately to communication from PIUs.</p> <p>EGCO to facilitate communication between Bank and PIUs.</p>	<p>Immediately</p> <p>Immediately</p>
Difficulties in adhering to reporting requirements	PIUs should seek the assistance of EGCO to ensure that reports are correctly filled and on time.	<p>The Bank should simplify and harmonize its reporting requirements with other development partners in projects or programmes which are multi donor funded. This will facilitate reporting and save time and resources.</p> <p>Any mistakes in the prescribed forms for reporting should be brought to the attention of the PIUs immediately. EGCO should assist in this area.</p>	<p>January 2006</p> <p>Immediately</p>
Disbursement delays	PIUs should ensure that documents in respect of disbursement are accurate and complete.	<p>Workshops on loan administration, including disbursements to be conducted by the Bank for PIUs.</p> <p>The Operations Officer in EGCO to assist PIUs in verifying documents in respect of disbursement.</p>	<p>To begin in October 2005 and to be held every six months.</p> <p>Immediately</p>

Weak PIU Performance	PIUs to consult among themselves regularly, with EGCO and the Bank to share experiences and gain knowledge of Bank procedures regarding loan administration.	Training for PIU staff should be conducted regularly.	To begin in October 2005 and To be held Every six Months.
Language barrier	Executing agencies should make use of the services of the translation unit to translate documents from Arabic or French into English. Alternatively, they should explore the possibility of engaging a translator for each project		October 2005
Billing		The Bank should reflect essential information such as exchange rates and interest rates in the bills. It should also send this information to the executing agencies on a monthly basis. In addition, it should indicate whether exchange rate is fixed or floating.	Immediately