

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**

EGYPT

2007-2011 COUNTRY STRATEGY PAPER MID-TERM REVIEW

PROGRESS REPORT

COUNTRY REGIONAL DEPARTMENT NORTH I (ORNA)

APRIL 2009

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LIST OF ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank (hereinafter “the Bank”)
ADF	African Development Fund
AFD	Agence française de développement
BD	Board of Directors
CBE	Central Bank of Egypt
CIB	Commercial International Bank of Egypt
CMA	Capital Market Authority
CPPR	Country Performance Portfolio Review
CPSP	Country Private Sector Profile
CSP	Country Strategy Paper
CTF	Clean Technology Fund
DPG	Development Partners Group
EC	Economic Commission
EGP	Egyptian Pounds
EGFO	Egypt Field Office
ELF	Emergency Liquidity Facility
ERC	Egypt Refinery Company
ESW	Economic and Sector Work
FDI	Foreign Direct Investment
FSRP	Financial Sector Reform Program
FSSP	Franchising Sector Support Project
FY	Fiscal Year
GCC	Gulf Country Council
GDP	Gross Domestic Product
GoE	Government of Egypt
HIECS	Household Income, Expenditure and Consumption Survey
IFAD	International Fund for Agricultural Development
KfW	Kreditanstalt für Wiederaufbau, meaning Reconstruction Credit Institute.
LoC	Line of Credit
MALR	Ministry of Agriculture and Land Reclamation
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MIC	Ministry of International Cooperation of Egypt
MICs	Middle Income Countries
MoF	Ministry of Finance
MP	Member of Parliament
MSE	Micro and Small Enterprise
MTEF	Medium Term Expenditure Framework
MW	Megawatt
MWRI	Ministry of Water Resources and Irrigation
NBE	National Bank of Egypt
NDP	National Development Plan
OECD	Organisation of Economic Co-operation and Development
PCR	Project Completion Report
PIU	Project Implementation Unit
PPP	Public-Private Partnership

RBCSP	Result-Based Country Strategy Paper
RBCSMTPR	Result-Based Country Strategy Mid-Term Progress Report
RMC	Regional Member Country
SFD	Social Fund for Development
SME	Small and Medium Enterprise
SOEs	State-Owned Enterprises
TFI	Trade Finance Initiative
ToR	Terms of Reference
UA	Unit of Account
UNDP	United Nations Development Program
UPS	United Power System
USAID	United States Agency for International Development
WB	World Bank
WP	Working Paper

CURRENCY EQUIVALENTS
(As of 31 March 2009)

UA1 =US\$ 1.4951
UA1 =EGP 8.3623
US\$1 =EGP 5.6427

FISCAL YEAR

1 July to 30 June

WEIGHTS AND MEASURES

Metric System

I. INTRODUCTION

1.1 Approved by the Board of Directors on 4th April 2007, the 2007-2011 Country Strategy Paper (CSP) for Egypt (ADB/BD/WP/2007/10) was developed in full alignment with the Government of Egypt's Vision 2022 and its development agenda as set out in the Fifth Five-Year National Development Plan (NDP5) covering the period 2002-2007 (see Annex I)¹. Consistent with the development agenda, the CSP supports the Government's principal aim of fostering private sector-led growth combined with the modernization of the Egyptian economy and its integration into the global economy.

1.2 During the Board discussion of the CSP, the Egyptian authorities were commended for the bold economic and financial reforms they had embarked upon and for the strong fundamentals of the Egyptian economy at the time. Nevertheless, the Board also expressed concerns in a number of areas, notably with regard to the country's high unemployment rate, the then rising inflation and the status and performance of the Bank's loan portfolio in Egypt². Since the discussion of the CSP and as presented further below, the Government of Egypt and the Bank respectively have taken actions on several fronts to address these concerns.

1.3 The objectives of this mid-term review progress report are three-fold: (i) to assess the status of implementation of the CSP and its contribution to the NDP5 and NDP6 targets; (ii) to draw forward-looking lessons based on experiences from the programme's implementation over the past few years; and (iii) to ascertain the strategy's continued relevance and establish the focus and support program for the CSP's remaining period. The assessment of the continued relevance of the strategy takes place against the backdrop of a number of important developments that have occurred since the CSP was discussed by the Board in 2007, notably the Government's adoption in July 2007 of its Sixth Five-Year Plan (NDP6) covering the fiscal year (FY) 2008 to 2012³, the adoption last December of the Bank's Medium-Term Strategy (for the period 2008-2012), and the onset in 2008 of the international financial crisis and the global economic downturn (preceded by the sharp rise in food prices).

1.4 This report is based on the findings of the CSP Mid-Term Review and Pipeline Identification mission undertaken in March 2009, the Country Portfolio Performance Review (CPPR) which was finalized in 2008 and various Bank supervision and other missions' reports pertaining to new and continuing operations.

1.5 The remainder of this report is organized in five chapters: (i) country context, in which the political, economic and social developments are discussed; (ii) assessment of implementation of the Bank Group strategy and the results achieved; (iii) lessons learned at mid-term; (iv) Bank Group strategy for the remaining CSP period; and (v) conclusion and recommendation.

¹ Given that the CSP was approved barely two months before the end of the period covered by NDP5 (July 2007), the CSP actually covers the entire period of the Government's Sixth-Five Year Development Plan. The key elements of both the NDP5 and the NDP6 are discussed in Annex I; the objectives and thrust of the two development plans are broadly the same.

² Concerns expressed during the Board discussion and related to the Bank's loan portfolio and approach in Egypt include: (i) the lack of an appropriate link between the proposed strategy and the lessons learned from the implementation of the previous strategy, (ii) harmonization issues, (iii) the lack of sufficient Bank non-lending activities in the Middle Income Countries (MICs), (iv) the cost of undisbursed funds, and (v) the ambitious and overly optimistic nature of the ongoing strategy.

³ Egypt's fiscal year (FY) runs from July 1 to June 30.

II. COUNTRY CONTEXT

2.1 Political Developments

2.1.1 Egypt has made advances in the political process since the adoption of the CSP with the approval of amendments to 34 articles of the constitution in a referendum on March 26th, 2007⁴. According to the Government, the aim of the constitutional amendments is to give the Egyptian parliament more authority to monitor its own performance and, thereby, promote democracy. Meanwhile, the government has continued to press ahead with economic reforms, based on the notion that strong and sustainable economic growth by raising living standards is the best way to ensure social peace.

2.1.2 The annual conference of the ruling National Democratic Party (NDP), held in early November 2008, focused on domestic economic and social issues in an attempt to address the potential adverse effects of the global financial crisis. The conference also discussed the possibility of discontinuing the judicial supervision of the professional syndicates and ways to raise women's participation in government

2.1.3 During the remainder of the CSP period, the Government is likely to be focused on consolidating power and preparing for the 2010 presidential election—the outcome of which will be a crucial harbinger to the direction of Egyptian policy over the next decade.

2.2 Economic and Social Developments

2.2.1 *Macroeconomic Performance:* Underpinned by favourable external conditions and a broad array of structural reforms that included liberalization of foreign trade and investments, privatization of public entities and measures to strengthen the domestic banking sector, Egypt's economic performance during FY 2005/06-2007/08 has been robust (see Annex II on Egypt's reform agenda). Driven primarily by private consumption and large-scale foreign and domestic investments, broad-based real GDP growth during this period averaged over 7% per year, more than double the average over the previous decade and significantly surpassing the expectations set out in the CSP (Annex III). Unemployment, however, remained stubbornly high at 8.8% in FY 2008/09 while reports of skilled labour shortages have been widespread.

2.2.2 Prior to the onset of the financial crisis, rising international commodity prices as well as changes in administered prices and pressures from robust domestic demand pushed inflation steadily to a peak of 24% in August 2008. Subsequent reversals in international prices and the pursuit of tight monetary policy by the Central Bank of Egypt (CBE) have reduced inflation, now expected to average about 14.0% in FY 2008/09 and conceivably fall to single-digit levels in FY 2009/10, and, thus, below levels anticipated at the time of the CSP.

2.2.3 Despite pressures from sharply increased subsidies, the central Government deficit decreased from 7.3% of GDP in FY 2006/07 to 6.8% in FY 2007/08. The FY 2008/09 budget left the central Government deficit broadly unchanged as higher revenues (due to a broadened income tax base) and increases in administered prices (on fuel and other products) were expected to be

⁴ Prominent among them are prohibitions on: (i) political parties based on religion; (ii) the use of party lists in parliamentary elections to prevent individuals from standing as independent candidates; and (iii) the circumvention of judicial oversight of elections.

matched by sharp rises in pensions, wages, and food subsidies to mitigate adverse social effects of high inflation and the global rise in food prices. However, supported by the strong GDP growth performance, total general Government debt (net) continued to decline and by July 2008 was barely 62% of GDP.

2.2.4 The near doubling of Egypt's trade deficit from 12% in FY 2005/06 to 23% in FY 2007/08 was matched by a significant improvement in services trade (including tourism and Suez Canal receipts) and remittance flows, resulting in an overall current account balance surplus of more than 1% on average. However, with the onset of the financial crisis and global economic downturn in the fall of 2008, Egypt's external balances have come under renewed pressure as sharp declines in remittances and receipts from tourism and the Suez Canal are reported, and compounded by sharp reversals in portfolio capital flows. The external current account balance is thus expected to swing into deficit in FY 2008/09 and FY 2009/10.

2.2.5 **Social Developments:** Social indicators have improved dramatically over the last decade and Egypt has made significant progress towards achieving some of the United Nation's Millennium Development Goals (MDGs) established in September 2000. While Egypt achieved the MDG of halving the proportion of the population living in extreme poverty in 2005, the recent high economic growth has enabled the country to make further gains as according to a panel Household Income, Expenditure and Consumption Survey (HIECS) conducted in February 2008 based on the same households interviewed in February 2005, showed a reduction in the prevalence of poverty from 22½ % in February 2005 to about 20 % in February 2008 (see Annex IV). Furthermore, gender disparities in education have been reduced somewhat, though still remaining high in the labour market where women account for only 22% of the labour force⁵. Progress in terms of reducing infant and under-five mortality rates has also been remarkable as between 1990 and 2006 these two measures declined by 50% and 56%, respectively. Nevertheless, significant disparities within regions, social class and gender persist. Moreover, the education-related MDGs have not yet been reached although recent trends suggest that they may be attained by 2015.

2.2.6. **Financial Crisis and Looking Ahead:** The onset of the international financial crisis and global economic downturn has significantly changed the challenges facing Egypt. While inflation pressures are abating with the sharp declines in commodity prices and weakening domestic demand, the urgent policy challenge facing the country now is to maintain growth, job creation and balance of payments stability in the context of the still unfolding global financial turmoil and a deteriorating international economic outlook. A significant slowdown in Egypt's economic growth is likely to have begun already—with real growth in FY 2008/09 currently expected at about 3% and even lower in FY 2009/10. In response to this downturn, the Government launched an economic stimulus package in October 2008 which is expected to be extended through FY 2009/10 (see Annex IV for further description of the impact of the financial crisis). The deterioration of the country's external balances coupled with the expected sharp declines in Foreign Direct Investments (FDIs) and portfolio flows is likely to accentuate Egypt's demand for financial resources from International Financial Institutions (IFIs) such as the ADB in coming years.

⁵ In Egyptian politics, women's representation is still limited to a mere 1.8% in the People's Assembly and 7% in the Shura Council. To improve this situation, the ruling party proposed at its 2008 Annual Conference the establishment of women-only constituencies to increase the number of women MPs. The National Assembly also has a requirement to have at least two women MPs from each of Egypt's 28 governorates

III. IMPLEMENTATION OF BANK GROUP STRATEGY AND THE RESULTS ACHIEVED AT MID-TERM

3.1 CSP Objectives and Results Framework

3.1.1 Closely aligned with Egypt's NDP5 and NDP6, and in support of the Government's development agenda aimed at fostering private sector-led growth and modernization of Egypt's economy and its integration into the global economy, the Bank's CSP for 2007-2011 groups a program of activities around two pillars of support. The first pillar aims to promote private sector development, with a focus on infrastructure (principally in the energy, water resources development and transport sectors), financial sector development, and direct support for private sector development. The second pillar is aimed at promoting social development and protection through support for increased access to social services and enhanced capacity of Egypt's Social Fund for Development (SFD) to plan and execute poverty-focused projects.

3.1.2 The CSP sets out a results framework that is mostly qualitative in nature and contains few quantifiable baseline and benchmark indicators. The quantitative targets include: (i) the achievement of a 750 MW increase in Egypt's Unified Power System (UPS) supply capacity by 2011 under Pillar I; and (ii) the building of the capacities of the SFD and local institutions to plan and implement poverty-focused projects at grassroots level to support 30,000 to 35,000 SMEs and, thereby, contribute to the creation of about 110,000 new jobs every year, under the second pillar (see Annex VI).

3.1.3 While the lack of quantitative-result indicators makes it difficult to determine precisely the specific contributions of the Bank's strategy to the attainment of the NDP5/NDP6 performance targets, the discussion below gives a general indication of the contributions of the Bank's program to the expected outcomes of the 2007-2011 CSP and the planned outcomes of the NDP5/NDP6 targets.

3.2 Progress Towards Expected Outcomes

3.2.1 *Infrastructure-Energy (Pillar I)*: since the adoption of the current CSP, the Bank has approved two new power plant projects in addition to one project under implementation since 2006. Collectively, these power plants will contribute 4,100 MW to Egypt's Unified Power System (UPS) to become available between 2009 and 2014. This additional power will account for 53% of the total additional capacity to be installed during NDP5 and about 18% of the total capacity. Another plant with 750 MW is expected to be approved in the fourth quarter of 2009. Performance of the projects in the ongoing portfolio has been satisfactory regarding effectiveness and timeliness of implementation. In view of the long-term nature of investments in this sector and to reduce transactions costs and uncertainties, the Egyptian authorities have expressed a strong desire that the Bank considers commitment to the sector through programmatic lending in future.

3.2.2 *Infrastructure-Water (Pillar I)*: The Bank's objective in this sector is to (i) increase the efficiency of water use and simultaneously reduce water loss through upgrading of water delivery and drainage systems; and (ii) improve drainage water reuse programs and sanitation. For the expected outcome in the **water sector (water for production, irrigation and sanitation)**, the Government has indicated that its priority in terms of rehabilitation of aging irrigation infrastructure and farmland development, will likely lead to several new projects during the remaining period of this CSP. Although only one study (Nubaria and Ismailia Canal) has been

undertaken two other studies (Zefta Barrage and Masterplan for Hydraulic Infrastructure rehabilitation) are on course to begin in 2009. All three studies are expected to lead to projects that would require the Bank's contribution in terms of financing.

3.2.3. *Infrastructure-Transport (Pillar I):* it is too early to assess the outcome of the Bank's investment as the first disbursement for the project supported in this sector by the Bank during the period under review has been delayed. Meanwhile, construction work on the project has been suspended in order to address issues of cost overrun and their implications for a revised pricing of the loan by lenders as well as the impact of the current financial crisis and economic downturn on the project. Notwithstanding these issues, the project when completed will have a significant developmental outcomes, which will include the creation of several permanent jobs, the transfer of technology in modern port practices to the Egyptian staff, the generation of significant revenues for the Government and the improvement of efficiency of businesses related to exports and imports.

3.2.4. *Financial Sector (Pillar I):* the Bank has supported the Government's Financial Sector Reform Programme (FSRP-I) since 2006, with the largest loan ever approved for an ADB-borrower of US\$500 million. This programme, co-financed with the World Bank and USAID and including privatization and divestiture of banks, has reduced concentration and improved performance of Egypt's banking sector and, thus, become more efficient and responsive to private sector needs. Furthermore, three state-owned insurance companies have been reorganized and merged into one holding company, and the regulatory environment for the industry has been strengthened. The reform program also strengthened the capacity of the Capital Market Authority (CMA) along with the regulatory framework. As a result, the non-cash segment of the market improved substantially, and the contribution of the equity market rose from 43% of GDP in 2004 to 130% by March 2008.

3.2.5. *Private Sector (Pillar I):* With four projects in the private sector portfolio, the Bank's investments are helping to achieve, among others, the following outcomes: (i) a conducive business and regulatory framework for SME growth and development; (ii) an improved institutional capacity of the Government's Social Fund for Development (SFD) and financial intermediaries for SME financing; and (iii) an increase in the number of SMEs with access to finance. Partly as a result of the Bank's investments in the sector, the private sector business environment in Egypt is improving. Thus, according to the World Bank's 2009 Doing Business Report, Egypt has made progress in improving the environment for the private sector, moving from a rank of 125th (out of 181 economies) in 2008 to 114th in 2009. The private share of total investments thus increased from 50% in FY2005/06 to more than 67% in FY 2007/08. Nevertheless, and as described in Annex II, Egypt still needs to deepen its reforms to increase the private sector's contribution to GDP, barely at 60% in 2008⁶.

3.2.6. *Social Protection (Pillar II):* although limited, the Bank's investments in the social sectors have registered positive effects on the Egyptian economy. The operation in the health sector has been instrumental in piloting the reform of the Egyptian health system based on the introduction of the Family Health Model, which is now being rolled out country-wide. A number of key achievements under this programme have been recorded, of which the main direct outcome is the greater accessibility to health services by the Egyptian population at large. Meanwhile, the Franchising Sector Support Project envisages the creation of nearly 40,000 jobs—a significant achievement, not least under current circumstances.

⁶ Critical areas where improvement would be needed in the next round of reforms include dealing with construction permits, employing workers, paying taxes, enforcing contracts and closing business.

3.3 Progress towards CSP Outputs

3.3.1 The envisaged CSP program includes lending activities and non-lending activities such as Economic and Sector Work (ESW). The lending activities have increased significantly during the first half of the CSP period. In all, the Bank's active portfolio consists of 11 projects with a total net commitment value of approximately UA 1.32 billion, of which about UA 603 million has been disbursed as of 1 April 2009, representing 45.7%. (See Annex VII (a, b, & c); VIII).

Lending under Pillar I

3.3.2 In the **energy sector**, three projects are ongoing: (i) the El Kureimat Combined Cycle Power Plant Project (Module III); (ii) the Abu Qir 1300 MW Steam Power Plant Project; (iii) and the Ain Sokhna 1300 MW Steam Power Plant Project., with a cumulative lending amount of UA 665.4 million, accounting for about 50.5% of the net commitment value of the active portfolio. In **water resources development**, the Bank's involvement has so far been limited to the provision of a grant for the study and preparation of the Nubaria and Ismailia Canal, which accounts for 0.13% of the total commitment value of the active portfolio. The low engagement in this sector partly reflects, among other factors, the widespread misperceptions of the Bank's pricing and products. In **transport**, the Bank has invested in one project, the Damietta Container Terminal (a private sector operation), which accounts for 6.2% of the total commitment value of the active portfolio. The main reason for the Bank's lack of strong presence in this sector is due to the absence of adequate lending instruments such as the availability of local currency. This has prevented the Bank from participating in financing transport projects through the Public Private Partnership arrangements. In **financial sector reform**, the Bank's investment is the contribution of UA 328.7 million (equivalent to US\$500 million) to the FSRP-I, which accounts for almost 25% of the total commitment value of the active portfolio.

3.3.3 The Bank's lending program in support of **private sector development** consists of the Small and Medium Enterprises Support Project--the Second Line of Credit (2nd LoC) to the National Bank of Egypt (NBE), and the Franchising Sector Support Programme (FSPP). This in addition to the Damietta Port Container Terminal, which has been discussed under the transport sector⁷. Together these two projects amount to UA 167.5 million, representing about 12.7% of the total value of the Bank's active portfolio. While the Bank's performance in the private sector is very good given the difficult private sector business environment in Egypt, the Bank's volume of investments in this sector could increase significantly if the private sector were able to lend in local currency, have presence at EGFO, and overcome staff capacity limitations⁸.

Lending under Pillar II

⁷ A fourth project in the private sector portfolio, the Windsor Turin City Hotel and Resorts (The Red Sea Project) approved in May 1997 has been excluded in this discussion since it is currently not under implementation. In fact, it is now subject to workout and probable liquidation. If this project is included in the private sector active portfolio, the cumulative value of the four projects is approximately UA 243 million (equivalent to about US\$ 365 million at the exchange rates prevailing on 31 March 2009).

⁸ In making efforts to increase the volume of its investments in Egypt, the Private Sector department is taking a number of steps, which include: (i) recruiting new staff at EGFO, thus making it possible to process additional transactions in Egypt; (ii) increasing the number of identification missions; (iii) augmenting efforts to create further awareness of private sector operations and opportunities through a private sector seminar in Egypt; (iv) preparation and adoption of a Private Sector Strategy to form a basis for subsequent portfolio development; and (v) preparation of a Country Private Sector Profile (CPSP).

3.3.4 Under this Pillar, the Bank has three active projects in the portfolio, two of which are in the process of being closed. These three projects are the Health Sector Reform Programme, the Women's Economic Empowerment Project and the Micro and Small Enterprises Development Project (SFD III). Cumulatively, they amount to UA 72.3 million and represent about 5.5% of the total value of the active portfolio. This relatively low level of involvement in the sector is due mainly to two constraints: (i) the Government's decision not to borrow at commercial rates for the social sector; and (ii) the lack of sufficient concessional (or grant) resources in the Bank for Middle Income Countries that could be used to blend loans at commercial rates to reduce the average cost of borrowing.

Non-Lending Activities

3.3.5 One Economic and Sector Work (ESW) has been undertaken, namely, a study on the competitiveness of the Egyptian economy, which is currently being processed for presentation to the Board later this year. A draft of the study was reviewed internally by the Country Team and later was presented to a workshop for the Development Partners Group (DPG) in Egypt during the mission of the CSP Mid-Term Review and Pipeline Identification in March 2009. Two other studies are planned to be undertaken during the remaining period of the CSP, namely, a labor market study and a Country Private Sector Profile (CPSP). The paucity of ESW carried out during the period under review is attributable to two main reasons: (i) staff constraints; (ii) and reliance on a small departmental budget, which makes it difficult to recruit top notch consultants to carry out extended periods of ESW (See Annex IX for a full list of ESW already undertaken and those to be undertaken by the Department).

3.4. Country Resources

3.4.1 Based on an analysis of the Bank's rating for Egypt, its very low risk profile, socio-economic and financial factors, the Bank's sustainable lending amount for Egypt has been estimated to be in the range of UA 500 million to UA700 million per year over the period 2009-2013. This translates into an amount in the range of UA 1.5 billion to UA 2.1 billion over the remaining period of the CSP (2009-2011). These amounts include any potential commitment under the Emergency Liquidity Facility (ELF) and the Trade Finance Initiative (TFI)⁹. These amounts largely reflect Egypt's strong absorptive capacity, its demonstrated capacity and willingness to repay its debt obligations, thus, justifying these proposed lending limits for the country.

3.5. Portfolio Management Issues

3.5.1 The recent Country Portfolio Performance Review (CPPR) undertaken in May 2008 has underscored progress made in portfolio performance as well as the issues which currently remain. The main problems identified as hampering programme implementation were, among others: (i) delays in lapse of time between approval, effectiveness and first disbursement; (ii) non-adherence to Bank procurement and disbursement rules and procedures; (iii) non-compliance with reporting requirements by PIUs; and (v) weak capacity of PIUs. Since the CPPR was undertaken, the Egyptian portfolio has shown smooth implementation as most of the problems identified at the time

⁹ The Emergency Liquidity Facility (ELF) and the Trade Finance Initiative (TFI) were approved by the Bank's Board in March 2009, with the objective to assist Regional Member Countries (RMC), their central banks, public and private finance institutions and corporations to alleviate the current liquidity crunch facing them as a result of the financial crisis and the global recession.

as facing the previous projects have been avoided. Several factors contributed to the improvement of the current portfolio including: (i) stricter supervision of the projects; (ii) continuous dialogue and improved working relationships between EGFO, MIC and counterparts in the relevant ministries; (iii) increased awareness among PIUs regarding Bank procedures; and (v) improvement made in addressing the delays of official responses by the Bank to PIUs (See Annex X for further analysis).

3.5.2 However, some of the above-mentioned problems continue to exist. A review of the portfolio also reveals that some of shortcomings found in the public sector portfolio also affect the Bank's private sector portfolio. Concrete actions and measures for addressing these portfolio management issues have been indicated in the Action Plan matrix of the 2008 CPPR

3.6. Aid Coordination and Harmonization

3.6.1 Aid coordination has received relatively little attention from the Egyptian authorities, largely a reflection of the significant availability of both foreign and domestic resources until the onset of the global financial crisis. Now that resources are becoming scarce, the time is ripe for the Government and the donor community to seek a different and more substantive mode of partnership.

3.6.2 Nevertheless, the development partners operating in Egypt have created a mechanism to coordinate their efforts. Thus, in line with the provisions of the Paris Declaration, the Bank, represented by EGFO, is an active member of the newly formed Development Partners Group (DPG), currently the main aid coordination and harmonisation instrument in Egypt. EGFO is also an active member of several key thematic sub-groups and chairs the sub-group on the Health and Population Group. The sub-groups serve, among others, to identify common challenges facing donors and propose solutions in a coordinated manner in relation to the relevant Government counterparts. To improve aid effectiveness, at its retreat held in Egypt in March 2009, the DPG recommended a national-based action plan with a time line and benchmark indicators to assist in implementing the Accra Agenda for Action on Aid Effectiveness.

3.6.3 Another mechanism by which Bank is involved in aid coordination is through the co-financing of operations. This was the case with the Bank's support to Egypt's FSRP, which it co-financed with the World Bank and USAID. Also, the Bank's sector missions visiting Egypt usually pay courtesy calls on partners active in their respective sectors to exchange information aimed at reviewing coordination efforts on ongoing development activities.

3.7. Monitoring and Evaluation (M & E) of Bank Group Assistance

3.7.1 The Bank is using two sets of monitoring indicators to evaluate the performance of the strategic objectives of the CSP. The first is a set of macroeconomic indicators based on (i) the IMF Article IV consultation; (ii) the financial and macroeconomic data published by Government of Egypt's institutions (the CBE, the Ministry of Finance, the Ministry of Economic Development, etc.) and (iii) the data produced by the Bank's statistics department. The second is a set of indicators obtained by the Bank's own reporting requirements. At the project level, the necessary data is provided by the PIUs, which in accordance with Bank's statutory rules, are required to submit timely quarterly reports and by supervision and follow up missions conducted by the Bank. Regarding the portfolio performance, the main shortcoming of effective reporting by the Bank, as mentioned above, is the lack of *a priori* set of sufficient indicators in the Results Framework upon

which to measure progress in performance indicators for each of the strategic areas that the Bank is supporting. Furthermore, the reporting by the PIUs needs strengthening as the timing and the quality of the reporting are sometimes inadequate.

IV. LESSONS LEARNED AT MID-TERM

The implementation of the Bank's strategy during the first two-and-half years of the CSP period has yielded some important lessons that will be useful to take on board in the remaining period of the CSP in designing and implementing future programmes. These lessons, pertaining to the Bank and the Government, are discussed below:

4.1 Lessons for the Bank

4.1.1 *Blending Bank loans with concessional resources and increasing partner collaboration:*

The Bank's limited engagement in the social sector is due largely to non-competitiveness and the Government's explicit policy of not borrowing on hard-ADB terms for investments in this sector. Therefore, blending of concessional resources or grants with standard Bank loans through more frequent and sizable use of the Bank's Technical Assistance Fund for Middle Income Countries to lower the effective cost of Bank loans may be an option. This may be a way for the Bank to strengthen its presence in the social sector during the remaining period of the CSP.

4.1.2 *Programmatic lending:* Given the Bank's rising engagement in the energy sector and the Government's strong desire to reduce processing time and transaction costs, programmatic lending should be explored as an option to achieve a more strategic involvement in the sector.¹⁰ This approach could also be explored in other sectors, including notably the financial sector and the health sector. There is considerable scope for lending in support of health sector reforms—however, the Bank would need to consider blending its loans with grants or concessional resources for this to materialize as an option.

4.1.3 *Strengthen focus on private sector:* The Bank's experience with non-sovereign lending to the private sector in Egypt suggests the importance of a dedicated local private-sector presence at EGFO. Moreover, the experience suggests that financing in local currency (generally favoured in projects that primarily generate revenue streams in local currency) would enable a stronger engagement with private agents and entities. Given the more opportunistic nature of private sector transactions and to enhance the volume of investments in the private sector, the Bank should consider having a local presence at EGFO to develop networks and identify opportunities. The recruitment of an Egyptian private sector specialist at EGFO who understands the culture and has a local knowledge of the country will help in significantly increasing the Bank's involvement in the private sector. In addition, to increase the Bank's investments in the transport sector and the SME sub-sector using both sovereign and non-sovereign lending instruments, the Government has encouraged the Bank to consider lending in local currency to private entities often unable to carry foreign exchange risks. As the Government has already approved laws permitting international entities to issue local currency denominated bonds in Egypt, the Bank should give serious consideration to this option.

¹⁰ As an efficient and responsive way to treat future requests, the Bank could consider a financing option allowing Egypt to receive a line of credit that would cover several projects within a specified time frame and with agreed actions/conditions that will trigger sequential access to the programme funds approved at the outset.

4.1.4 **Quality of design at entry:** The implementation of Bank projects in the agricultural and social sectors during the first half of the CSP period showed that projects often lacked proper baseline data and suffered from insufficient gender disaggregated data as well as overly optimistic implementation schedules. Such projects were characterised by unnecessary lengthy loan conditions, prior to entry into force and weak Monitoring and Evaluation (M&E) framework, which seriously affected the quality of analysis at entry.

4.1.5 **Enhancing ESW and Technical Assistance:** A pertinent lesson learned from conducting ESW during the period under review is that the Bank has capacity constraints in terms of staff and resources. One possibility for remedying this situation is that the Bank should coordinate and collaborate with other institutions such as the World Bank and OECD which have adequate staff, the necessary expertise and significant resources. However, doing so may require tapping into the resources of the TA Fund for MICs and mobilizing grant funding from bilateral donors and other sources. Moving forward in this area, the Bank should ensure the Government's close involvement in the selection of topics for study.

4.1.6 **Technical Assistance:** The implementation of previous projects has shown that the successful operations were marked by the Bank's ability to incorporate TA for capacity building and institutional strengthening as part of the overall design. The TA significantly boosted project implementation and has a positive "multiplier" effect in terms of project outcomes.

4.2 Lessons for the Government

4.2.1 **The Government should play an active role in aid coordination.** The Government's role in aid coordination between different donors has been inadequate since the implementation of the CSP. Faced with a situation of limited access to alternative sources of funding created by the global financial crisis and the worldwide scarcity of financial resources, the Government would be obliged to seek an efficient way to maximize benefits from different donors' resources through an improvement in harmonization of actions. For this to succeed, the Government would need to play an effective role in aid coordination on its part and the donors would need to help with technical assistance on their part to enable the Government build its capacity at the different levels to do so.

4.2.2 **Portfolio management issues:** Portfolio management issues in general and especially those relating to reporting requirements based on international standards and the timely submission of related reports, continue to be problems affecting the implementation of ongoing operations in Egypt (see section 3.5). Over the CSP's remaining period, the Bank should ensure that this issue is made a significant part of its ongoing dialogue with the Egyptian authorities.

V. BANK GROUP STRATEGY FOR THE REMAINING PERIOD

5.1 Consultations with Stakeholders

5.1.1 The findings and conclusions of this CSP mid-term review were shared and discussed with the Egyptian authorities and other stakeholders during the aforementioned mission in March 2009. There was broad consensus among all parties that the active portfolio, including the projects approved during the past two years¹¹, is broadly in line with the CSP and its two-pillar focus. There

¹¹ With five project approvals since the adoption of the CSP by the Bank's Board in April 2007, the active lending portfolio in Egypt as of end-March 2009 consists of 12 operations, 10 of which are public sector (or sovereign lending)

was also consensus that this strategy is well-aligned with the Government's priorities as set out in the NDP6. Moreover, there is general appreciation for the fact that the performance of the portfolio has improved over the past few years (as examined in detail in the Portfolio Review Report of June 2008 continues to be assessed as satisfactory).

5.2 Strategy for the Remaining Period

5.2.1 Overall, this mid-term review suggests that the objectives and pillars of focus of the Bank's strategy remain as valid today as they were when the CSP was approved in April of 2007. Indeed, the thrust of Egypt's NDP6, which remains substantially unchanged from NDP5 and the prospective implications of the financial crisis and global economic downturn, reinforce the importance of maintaining a strong focus on the two CSP pillars, i.e., support for private sector development and social development and protection.

5.2.2 Against the backdrop of a global economic downturn and limited access to international financial markets, the demand for the Bank's financial services is likely to increase significantly, from both the public sector and the private sector. Meeting this demand under current circumstances will require operational agility, flexibility and warrants a Bank programme that contains a greater element of programmatic lending, prepares for the possibility of budget-and-policy-based support and enables Egypt to swiftly access the Bank's financial services. Moreover, maintaining flexibility in deployment and sector focus of Bank lending would seem appropriate under these circumstances.

5.2.3 Furthermore, the Egyptian authorities assign significant importance to a concerted effort to lower the cost-implication of Bank-supported projects in the social sector through the blending of ADB funds with concessional and/or grant funds from other development partners. To succeed in these domains, the Government would have to play a leadership role in coordinating the flow of both concessional and non-concessional resources to Egypt. With these elements in mind, the programme of support for the remainder of the CSP period will revolve around two principal elements: (i) lending for projects, sector programmes and, conceivably, budget support operations, and (ii) technical assistance and ESW, increasingly financed by using the TA Fund for MICs.

Sector Focus and Business Plan

5.2.4 ***Pillar I--Infrastructure Sector:*** the Bank will continue to focus on projects in the infrastructure sector, with emphasis on power, water (including sanitation), agriculture (including irrigation), and transport sectors. However, in focusing on infrastructure for the CSP's remaining period every effort will be made, in close consultation with the Government and against the backdrop of available lending instruments, to ensure that projects and programmes reflect Government priorities in all these sectors, if possible, so as to reduce the over concentration on the power sector which previously occurred. Activities likely to be undertaken and supported under the first pillar during the remaining period of the CSP are summarized in Annex XI).

5.2.5 ***Pillar I--Financial Sector:*** improving the performance and soundness of the financial sector will remain a strategic priority for the Government in the medium term. Looking ahead, the Bank's approach would need to change from focus on wide ranging financial sector reforms that cut across several sectors to more targeted reforms on specific sectors. Key areas identified for which reforms

projects amounting to total commitments of about UA1.32 billion and two private sector (or non-sovereign lending) project of about UA167.5 million.

are needed include further strengthening of the banking sector, especially under Basel II implementation, enhancing the non-banking sector in the areas of bonds, derivatives, pension, insurance, mortgage and single regulator.

5.2.6 Pillar I--Private sector: Reflecting the Private Sector Operations strategy and the MIC Strategy of the Bank, the private sector department has an excellent pipeline of projects at various stages of identification and preparation that could be considered for financing. The pipeline includes: (i) Egypt Refinery Company (ERC); (ii) LoC to Commercial International Bank (CIB) of Egypt; (iii) SEKEM (agricultural expansion in the desert); (iv) Citadel PE Fund (Agribusiness); and (v) New Cairo (Infrastructure--wastewater).

5.2.7 Pillar II--Social Development & Protection: Under the second pillar, the Bank will continue to support the Social Fund for Development. Thus, in the social sector the Bank is currently preparing an Entrepreneurship and Agribusiness Development Project expected to be approved by the Boards in late 2009. It would be implemented by the SFD in partnership with technical stakeholders. In addition, there is potential for a budget or project support for insurance and nursing programmes as part of the wider health sector reform programme. Partners are looking at this sector and are already focusing on an EC project worth Euro 110 million in the pipeline. Towards this objective, the Government would be unveiling a consolidated national strategy for the sector in September 2009. The Bank could work with the EC in jointly developing and supporting the budget support operation. Other projects in the sector may come in the higher education sector as the Government indicated to the review mission that it is working on several project proposals in the sector and intends to seek Bank support in financing some of them.

Non-Lending Activities

5.2.8 Following years of relative paucity on this front, the Bank will gradually step-up its ESW with a view to deepening knowledge of the Egyptian economy and, thus, facilitate dialogue and give advice on critical development challenges facing Egypt. Various ways of strengthening the ESW program will be explored, including through coordinating and collaboration with other institutions such as the World Bank and OECD which have both the necessary expertise and comparative advantage. Doing so may require tapping into the resources of the TA Fund for MICs and mobilizing grant funding from bilateral donors and other sources. Going forward, more attention will be given to studies on the lending activities so as to help build the pipeline of projects. As mentioned above, the Bank will also attempt to engage in joint ESW with other institutions including the World Bank if the circumstances permit.

5.3 Country Dialogue Issues

5.3.1 During the remaining period of the CSP, the Bank will focus its dialogue mainly on (i) helping Egypt to weather the consequences of the global financial crisis and the economic slowdown using available Bank's instruments of assistance thereof; (ii) ensuring a better understanding of the Bank's range of loan products and pricing; (iii) providing a supportive role in public-private partnership programmes; (iii) enhancing Egypt's frequent and sizable use of technical assistance-related and project preparation activities using the TA for MICs; and (iv) improving project management in general.

5.4 Risks and Mitigation Measures

5.4.1 Political and regional risk: As mentioned above, presidential elections are scheduled for 2010. In the run up to the elections there is the likelihood that political campaigning could degenerate into acts of violence if the opposition felt stifled. Similarly, violence may erupt if the opposition perceives the whole process of elections, especially the voting, as not “free and fair. At the regional level, the Israeli-Palestinian conflict remains a major source of tension in the Middle-East. As a neighbour and the most strategically-placed Arab country, Egypt is continually affected by the political and military ramifications of the conflict. If these risks materialize, they may adversely affect the implementation of the Bank’s strategy in the coming years. These risks will, however, be mitigated by two factors. Regarding the elections, the existence of strong institutional and political structures will ensure the conduct of “free and fair” elections. Concerning the regional risk, the high quality of Egyptian diplomacy and its well respected mediation skills will minimize the adverse effects of the regional risk.

5.4.2 Social Risk: The slowing down of economic activity in Egypt will reduce the country’s economic capacity to create jobs and, consequently increase the unemployment rate. Also, almost six million Egyptians are working abroad and a significant number of such expatriates may lose their jobs¹² in their host countries, resulting in the loss of considerable remittances. The return of these expatriates will put additional pressure on the labour market. This situation will further worsen the economic conditions for most of the vulnerable groups in the population and could lead to social unrest with adverse implications for the implementation of the Bank’s strategy during the remaining period of the CSP. However, this risk will be mitigated somewhat by the Government’s stimulus package with investment programmes in labour-intensive sectors such as construction that will help the economy absorb some of the unemployed labour, especially low-skilled labour.

VI. CONCLUSION AND RECOMMENDATION

6.1 Conclusion

6.1.1 The Government has made great strides in implementing its reform programme and succeeded in attaining a high level of economic growth during the period of implementation of the current CSP. However, as an open economy, Egypt is being affected by several externally generated challenges during the remaining period of the CSP. These include the lingering impact of the energy and food crises of 2007/08, the current global financial crisis and the economic meltdown which will undermine the Government’s effort to enhance the economic and social conditions present in the country. In the period ahead, the Bank’s commitment to assist the country in weathering the current development challenges should be continued through financial and technical support to the two strategic pillars discussed in this Mid-Term Review Progress Report.

6.2 Recommendation

6.2.1 The Board of Directors is invited to approve the strategy as reinforced and the programming proposed for the 2009-2011 period.

¹² In particular, this may be common for Egyptian expatriates who may be under temporary contracts.

Egypt: The Fifth Five-Year and the Sixth Five-Year National Development Plans

The period of the CSP, 2007-2011, is covered by two respective Government Development Plans: the Five-Year Development Plan (NDP5, 2002/03-2006/07) and the Sixth Five-Year Development Plan (NDP6, 2007/08-2011/12). Both plans are driven by the Government's long-term development vision 2022. Within the general framework of the Vision and in order to achieve its broad objectives, the Government formulates and implements successive five-year medium-term plans and annual plans. The current CSP was based on NDP5, the strategy for which was to pursue private-sector led growth, modernization of the Egyptian economy and its integration into the global economy. The main elements of the strategy were: (i) export promotion to enhance balance of payments and an increase in job opportunities; (ii) deepening and modernization of the industrialization process with a view to focusing on capital goods and high-value production in line with Egypt's competitive advantage; (iii) reducing unemployment and focusing on employment-oriented, labour-intensive techniques and promotion of small and medium-sized enterprises; (iv) directing development towards desert land and correcting spatial imbalances; (v) poverty reduction and promotion of equity; and (vi) promotion of gender equality and greater women participation in the development process.

Building on the achievements of NDP5, the Sixth-Five Year Development Plan was based on three pillars: The Presidential Election Programme; The Third Millennium Goals for Human Development; and a New Social Contract¹³. Underpinned by the tenets of these pillars, the strategy of NDP6 focuses on support to the leading sectors of the economy; fostering export promotion; developing SMEs to expand the job-creation capacity of the economy; opening all economic activities to the private sector participation; improving the living standards of low-income groups; intensifying investment in Upper Egypt, and enhancing socio-economic development to reduce existing gaps between rural and urban communities.

The key goals and expected outcomes of NDP5 were to: (i) attain an annual average GDP growth rate of between 6.2% during the Plan period; (ii) increase the investment rate from 16.9% of GDP in 2000/01 to 2006/07; (iii) attain a saving rate of 17.3% of GDP by 2006/07; (iv) reduce budget deficit from 6.5% of GDP in 2001/02 to 2.5% in 2006/07; (v) achieve a current account surplus of 3.4% of GDP in 2006/07 by boosting exports at an average annual growth rate of 13% as against 5.3% growth of imports; and (vi) create 750,000 job opportunities per year between 2002-2007. While maintaining these same goals and expected outcomes, NDP6 sought to further improve upon them. In addition, goals were set for social and human development, which included: (i) reducing the percentage of the population living under the poverty line from 20% to 15% by the end of the Plan; (ii) reducing illiteracy rate from 29.3% in 2006 to 20%; (iii) increasing the percentage of female contribution to total labour force from 19% in 2006 to 25%.

¹³Under the first pillar, the Plan seeks to expand employment, support programs for industrial structure, rural development programs, increase in tourism, pre-university education development programmes, slum areas development project, and expansion of housing services. Under the second pillar, the Plan's aim is to make sure that Government programmes in human development are contributing towards the achievement of the MDGs. In other words, that they are focused on improving the citizens' quality of life, upgrading low-income class living conditions and are generally concerned with poverty issues. Under the social contract, the objective of the Government is to protect freedom and citizens' social to deepen democracy and improve individuals' capabilities and community participation in development efforts.

Egypt's Economic, Structural and Financial Reforms

Since 2004, the Government of Egypt has embarked on a broad range of economic, financial and structural reforms aimed at addressing obstacles to higher growth and employment creation. In the fiscal area and on the revenue side the Government has reduced and streamlined corporate and individual income taxes, moved to self-assessment procedures and established a large taxpayer centre. These reforms have encouraged greater tax compliance and filing. On the expenditure side, a new budget classification in line with the IMF's Government Finance Statistics Manual (GFSM-2001) has been adopted, which has improved fiscal transparency significantly.¹⁴

In the structural area, the reforms have included privatization of several public enterprises, including public banks and joint venture, and unused land, which have strengthened the role of the private sector. Privatization has put almost half of the banking sector into private hands and the Government has restructured public banks and paid off nonperforming loans (NPLs) owned by state-owned enterprises. The fourth largest state bank (Bank of Alexandria), a large department store chain and other assets were sold to foreign investors (constituting about 1.4% of GDP). Import tariffs were reduced in early 2007 and tax administration reforms have progressed. Cash and debt management were streamlined by consolidating Government accounts into a treasury single account and by the settlement of circular debts among the central Government, the National Investment Bank (NIB) and the Social Insurance Fund. Average import tariffs have been reduced from 9% to 7%; tax administration procedures and practices have been overhauled. Recent actions taken to facilitate business activities include: (i) reducing the time, fees, and minimum capital required to establish a business; (ii) drastically lowering fees for registering property; and (iii) reducing further the time needed for imports and exports to clear customs¹⁵.

In the financial sector, the Government has introduced some measures to facilitate the recovery of collateral through the courts and improve the management of public banks. The ongoing financial sector reform program and restructuring of the state-owned financial institutions in the non-bank sector (e.g., insurance) have strengthened balance sheets, improved banking supervision, conservative practices regarding funding, investments, and lending, and the central bank reiterating its existing guarantee of all bank deposits. Also, it has led to mobilization of saving and allocation of capital to the most productive investments. As a consequence, Egypt successfully issued its first international local-currency bond, which is intended to provide a benchmark interest rate, thus helping domestic capital market development.

¹⁴ For instance, the budget for 2005/06 made explicit for the first time the large fuel subsidy provided through the state owned Egyptian General petroleum Corporation (EGPC).

¹⁵ Setbacks for the structural reforms include the increase in fuel subsidies dictated by the rising international fuel and food prices in 2007/08; delay in introducing the VAT until at least late in 2008/09 even though a property tax reform has already been approved by the parliament ; putting on hold the privatization of the state-owned Banque du Caire, the third largest bank, because bids were below the minimum targeted by the government leading to a cancellation of the auction, thus temporarily halting the process of cleaning up of nonperforming loans of public enterprises.

Egypt: Key Economic and Financial Indicators

	2005/06	2006/07	2007/08	2008/09	2009/10
				Projection	
Output and Prices (Annual percentage change)					
Real GDP (market price)	6.8	7.1	7.2	5-5½ ⁽¹⁾	4½-5
Consumer prices (end of period)	7.2	8.6	20.2	14	10.2
Consumer prices (average)	4.2	11	11.7	17.1	12.1
Investment and Saving (In percent of GDP)					
Gross capital formation	18.7	20.9	22.3	21.8	21.5
Gross national saving	19.5	22.3	22.8	20	18.4
Public Finances (central government) (% of GDP at market prices)					
Revenue (including grants)	24.5	24.2	24.7	25.2	21.4
of which: Tax revenue	15.8	15.3	15.3	15.7	15.1
Nontax revenue	8.3	8.3	9.2	9	6.2
Grants	0.4	0.5	0.2	0.5	0.1
Expenditure	32.6	31.5	31.5	32.1	27.2
of which: Compensation to employees	7.6	7	7	7.2	7.1
Purchases of goods and services	2.3	2.3	2.1	2.2	2.2
Interest	5.8	5.3	4.6	4.4	4.5
Subsidies, grants and social benefits	13.9	11.9	13.9	12.5	10.7
of which: fuel subsidy	6.8	5.4	6.7	4.8	4.1
food subsidy	1.5	1.3	1.8	2.1	1.3
Investment expenditure	3.4	3.4	3.8	3.6 ⁽²⁾	3
Budget balance	-8.2	-7.3	-6.8	-6.9 ⁽³⁾	-5.8
Primary balance	-2.2	-0.9	-1.2	-1.8	-0.6
Total public debt (net)	79.8	71.4	62.3	58.5	55.1
Monetary Sector (Annual percentage change)					
Credit to private sector	8.6	12.3	12.6	13.5	13.3
Base money	-5	14.7	20.8	12.2	12.4
Broad money (M2)	13.5	17.1	15.8	12.2	12.9
External sector (% of GDP, unless otherwise indicated)					
Exports of goods (in U.S billion)	18.5	22	29.4	24.7	24.3
Of which: oil (in U.S billion)	7.4	7.4	11.5	7.9	7.1
Gas (in U.S billion)	2.8	2.7	3	3	3.1
Imports (in U.S billion)	-30.4	-37.8	-52.8	-52.6	-55.1
Of which: oil (in U.S billion)	-5.4	-4.1	-9.6	-5.5	-5.2
Merchandise trade balance	-11.2	-12.1	-14.4	-14	-13.7
Services (net) (in U.S billion)	7.3	10.6	15	14.9	14.5
Of which: Tourism receipts (in U.S billion)	6.4	7.2	10.8	10.1	9.4
Suez canal dues (in U.S billion)	3.6	4.2	5.2	5	5.1
Transfers (in U.S billion)	5.5	7.1	9.3	9.3	9.4
of which: Official grants (in U.S billion)	0.6	0.8	1	0.8	0.7
Private remittances (in U.S billion)	5	6.3	8.4	8.5	8.7
Capital account (in U.S billion)	4.6	4.3	6.4	3.7	4.8
FDI (in U.S billion)	6	10.5	12.1	8	7
Portfolio investment (in U.S billion)	2.1	3.7	-2.3	-10.6	-1
Commercial banks' NFA (in U.S billion)	-5	-9.1	-1.5	7.9	0.1
Errors and omissions (net) (in U.S billion)	-2.3	-0.7	-1.8	0	0
overall balance (in U.S billion)	3.2	5.5	5.4	0.1	-2.2
Financing (in U.S billion)	-3.2	-5.5	-5.4	-0.1	2.2
Of which: Net international reserves	-3.2	-5.5	-5.4	-0.1	2.2
Total external debt (in US\$ billions)	30.9	30	33.9	32.3	31
Gross official reserves (in US\$ billions)	22.9	28.4	33.8	33.9	31.7
In months of next year imports of goods and services	5.9	5.2	6.4	6.1	5.1
In percent of short-term external debt	529	841	698	657	627
Memorandum items:					
Nominal GDP (in U.S. dollar billions)	107.4	130.3	162.2	198.6	225.4
Nominal GDP (in billion LE)	617.7	744.8	896.5	1098.2	1284.9
Unemployment rate (percent)	10.9	8.9	8.8
Egyptian pounds per U.S. dollar (period average)	5.8	5.7	5.5
Real effective exchange rate (pd. average, percentage change)	8.1	4.4	3
Stock market index (CASE 30)	425.7	668	811

⁽¹⁾ official projection of growth are now 3.5%

⁽²⁾ This projection takes into account only a stimulus package equivalent to 0.5% of GDP. After this projection, the government has announced that it is planning for a stimulus package of about 13.3 billion of EGP equivalent to 1.2% of GDP

⁽³⁾ The government has announced that the public deficit could reach 9% for 2008/09 FY rather than 6.9 projected by the IMF

Egypt: Status of Progress towards the MDGs

MDG	Situation at beginning of CSP Period	Government PRSP Objectives	Situation at End of CSP period (Likelihood MDG will be achieved)	Is Bank Strategy Contributing to MDG? (Yes/No)
1- Between 1990 and 2015, reduce by half the number of persons living in extreme poverty and victims of hunger	The percentage of extreme poor in Egypt has reached 3.4% in 2005	4.1% in 2015	This MDG has been achieved since 2005)	AfDB social projects especially through SFD projects have contributed to the creation of job opportunities to poor classes and contributed to the reduction of extreme poverty in the country
2- Extend primary education to all (boys and girls) by 2015.	the net enrolment ratio in primary education reached 94% (in 2005/06)	100%	This MDG is likely to be reached as the net enrolment ratio in primary education increased from 86 percent in 1990/91 to 91 percent in 2000/01 then to 94 percent in 2005/06.	AfDB has not intervened in the primary education sector
3- Eradicate gender disparity in primary education by 2005, and at all levels by 2015.	the ratio of females to males in primary education has reached 93% in 2006/07	1000 per thousand	This MDG is likely to be reached as the ratio of females to males in primary education at the national level increased from 88 in 2000/01 to 93 in 2006/07	AfDB has not intervened in the primary education sector. Meanwhile gender dimension has been introduced in all AfDB interventions and projects.
4- Reduce by two thirds the infant mortality between 1990 and 2015.	Child mortality rate has reached 27.6 per thousand in 2007	20.33 per thousand	Infant and child mortality rates in Egypt are undergoing sustained decline. Egypt is on track towards achieving the target	AfDB participation to the health reform sector has contributed to the improvement of the health condition of the population and by consequence the reduction of infant mortality.
5- Reduce maternal mortality by three quarters between 1990 and 2015.	The maternal mortality ratio has reached 59 per thousand in 2005		Egypt has succeeded in achieving significant reduction in the maternal mortality ratio. The decline during 1992/93 and 2005 may have reached as high as 66 percent.	AfDB participation to the health reform sector has contributed to the improvement of the health condition of the population and by consequence the reduction of maternal mortality.
6- Reduce by half then reverse the spread of HIV/AIDS, malaria and other diseases by 2015.	<p><u>VIH/AIDS:</u> The reported number of HIV cases from 1986 till end of 2007 is 2969.</p> <p><u>Malaria:</u> There are no indigenous malaria cases reported since 1998; however cases are still reported in travellers between Egypt and other African Countries</p> <p><u>Hepatitis B and C viral infections:</u> are major health threats in Egypt. Chronic hepatitis B and chronic hepatitis C are the main causes of liver cirrhosis and</p>	<p><u>VIH/AIDS:</u> NA</p> <p><u>Malaria:</u> NA</p>	<p><u>VIH/AIDS:</u> HIV prevalence in Egypt appears to be low and has never been a health threat in the country.</p> <p><u>Malaria:</u> The MDG has been reached</p>	

	liver cancer in the country. Both viral diseases are on the top of the list as leading causes of death. Nationally, an estimated 8.8 percent of the total population has chronic HCV and 1 percent has both HBV and HCV.			
7- Guarantee environmental sustainability and better access to sources of water supply	<p>Egypt's CO2 emissions are still considered low. It has been estimated at 0.53 Kg of CO2 emissions per 2000 PPP \$ of GDP</p> <p><u>Access to sources of water supply:</u> in 2006, approximately all the urban population and 93 percent of the rural population of Egypt rely on an improved drinking water source.</p> <p><u>Access to improved sanitation facility:</u> in 2006 82.5% of urban population and 24.3% of rural population has access to sanitation facilities.</p>	<p><u>Access to sources of water supply:</u> 100% of the population has access to sources of water supply</p> <p><u>Access to improved sanitation facility:</u> 100% of the population has access sanitation facility</p>	<p><u>Access to sources of water supply:</u> Recent figures from the 2006 Population Census reveal a decrease in coverage. Therefore, in spite of continuous government efforts to extend water services to all urban and rural population, the water service does not catch up with rapid population growth. This means that the country will have problem to reach the MDG.</p> <p><u>Access to improved sanitation facility:</u> The proportion of urban and rural population with access to improved sanitation has decreased over the period from 2004 to 2006. This means that the country will have problem to reach the MDG.</p>	
8. Develop a global partnership for development	Egypt's ODA disbursements during the fiscal year 2007 amounted to \$1.7 billion, with a 5 percent increase compared to 2001 (then at \$1.6 billion). With the increase in population between the two years by almost 16 percent, ODA per capita witnessed a decline from 25 percent in 2001 to 23 percent in 2007.			AfDB an active member of the Development Partners Group (DPG), which facilitates aid coordination and harmonization through regular meetings of DPG and of its thematic subgroups. EGFO chairs the sub-group on Health and Population. It shares relevant information on its projects and economic studies with other development partners, particularly the World Bank. Visiting Bank missions consult DPG members, and DPG member missions also meet with EGFO.

Egypt: Effects of the Global Financial Crisis and the Egyptian Government's Response

The banking sector in Egypt remains less affected by the global financial and economic crisis, thanks to its limited direct integration in the global financial market. In addition, the Central Bank of Egypt, under the first phase of the financial sector reform, was successful in reforming the sector since 2004 by consolidating the small banks into larger banks; strengthening bank supervision; restructuring bank management; and cleaning up nonperforming loans (NPLs). The Central Bank also instituted strict rules of governance to guarantee the disciplined working of the system. Furthermore, the banking system has been awash with liquidity as the lending-to-deposit ratio hovers around 53%, which is considerably high by international standards. On the contrary the crisis has deeply affected the performance of Egypt's capital market, especially the stock exchange, which in 2008 lost more than 55% of its value. Some degree of recovery, however, has been observed recently, driven mainly by the reduction in interest rates by the CBE.

Meanwhile, the crisis has had a pronounced negative impact on the real side of the economy, as shown by the decline in almost all of the macroeconomic indicators, indicating a complete reversal of the impressive performance of the previous four years. In contrast to the previous four years, most national and international reports show a reversal of the trend during the first two quarters of FY 2008/09. While real GDP growth averaged 7.1% per year over the period 2006/07-2007/08, growth declined by 5.8% and 4.1% during the first and second quarters of 2008/09 respectively. This was the result of the fall in the major drivers of the growth, particularly export earnings and tourism receipts, manufacturing, Suez Canal, remittances of Egyptians working abroad, private capital inflows and foreign aid. Estimates for GDP growth in 2008/09 are being revised downwards to 4.5% or even 3.5%, depending on the organization which does the prediction. The expected decline in growth during 2008/09 occasioned by the financial crisis has affected job creation, which fell to 159,000 in the second quarter of 2008/09 from 181,000 during the same period of the previous year, with the unemployment rate reaching 8.8% compared to 8.6% during the same period of last year. In addition, available indicators are suggesting that the crisis is adversely affecting Egypt's ability to achieve the MDGs, threatening especially the previous achievements in poverty.

The economy is expected to bounce back by 2010, due to the expected renewed growth of the global economy and through the effect of the economic stimulus package which the Government put in place in the early parts of FY2008/09 and is expected to continue in FY2009/10. The package is based on three principal pillars: (i) raising public expenditure by EGP15 billion in FY2008/09 followed by a similar stimulus package in 2009/10; (ii) cutting back interest rates in two successive steps by 1% and 0.5% as inflation recedes; and (iii) providing incentives to the private sector aimed at stimulating new investment. Of the total amount of the package, EGP 13.3 billion (equivalent to 1-1.5% of GDP) in public investment is aimed at increasing demand, while EGP 1.7 billion is aimed at the reduction in customs duties on imports of intermediate and capital goods. Of the EGP13.3 billion, EGP7.2 billion has been allocated to investments in water and sanitation projects; EGP3.3 billion to transport infrastructure, health and education; and EGP2.8 billion to one-off programs to promote exports and accelerate developments in a few industrial zones. While the stimulus package is appropriate under the present circumstances of the Egyptian economy, it is estimated that it will increase the budget deficit from its current rate of 6.8% of GDP to 9% of GDP or more.

Egypt: CSP Results Framework Monitoring Matrix

Country Longer Term Strategic Goals	CSP Outcomes for the Country			Bank Operational Priorities and Performance	
	CSP Outcomes (Pillar) that the Bank expects to achieve through its interventions	Progress towards intermediate outcome indicators at mid-term	Target Level of Outcome at End of CSP Period	Bank deliverables (outputs) from operations (projects and programs)	Progress towards achievement of Bank deliverables at mid-term
<u>(1). Strategic Pillar 1: promoting private sector development</u>					
1.1. Support for infrastructure development::					
<p><u>Energy</u> Expanding electric power generation by no less than 7% per year.</p>	<p>Contributing to the enhancement of energy generating capacity and making available adequate energy at minimum cost to the various economic sectors to promote economic growth</p>	<p>During the first two years of the CSP's implementation, the total electricity production has increased by 5.4 percent in 2006/07 and by 8.5 percent in FY 2007/08. Thermal generation that represented 86.9 percent of total generated electricity has increased by 6.8 percent.</p>	<p>Supply of 750MW generation capacity to the Unified Power System by end 2011</p>	<p>Abu Qir Steam Power Plant Project (loan) Ain Sokhna (loan)</p>	<p>Since the implementation of the current CSP, two new power projects have been approved by the Bank: (i) Abu Qir Steam Power Plant; and (ii) Ain Sokhna Thermal Power Plant. The Bank's participation in these two projects represents a total amount of UA 511 million, represents 52 percent of the Bank's investment during this period. These projects will allow the electricity generation capacity to increase by 2600 MW, to become available in the Unified Power System between 2009 and 2014.</p>
<p><u>Water Resources Development (Irrigation and Water for Production)</u> Provision of water requirements – both quantitatively and qualitatively – to face long term various needs, and in harmony with the agricultural development strategy.</p>	<p>Supporting the increase of irrigation water availability primarily through: (i) Increasing the efficiency of water use and simultaneously minimising water loss through the upgrading of water delivery and drainage systems. (ii) improving drainage water reuse programs</p>			<p>Study & Project Preparation: Nubaria & Ismailia Canals (ESW)</p>	<p>The Bank has been weakly involved in this sector</p>

<p>Transport</p> <p>(i) Achieving integration and harmony among different internal modes of transport to efficiently meet the increasing demand.</p> <p>(ii) Strengthening the private sector role and ownership, and increasing economic efficiency of market-oriented economic units.</p> <p>(iii) Achieving better security and safety levels within transportation means, and limiting the environmental negative impacts.</p> <p>(iv) Increasing railways efficiency through restructuring the Railways National Authority to ensure better levels of services and return.</p> <p>(v) Developing maritime ports in compliance with international agreements for maritime safety (ISM) and raising its competitiveness.</p>	<p>The expansion and modernization of the road network, railways and seaports.</p>	<p>The share of transport investment in the total investment implemented by public economic authorities reached 60.7% in FY 2006/07 and 50.1% for FY 2007/08</p>		<p>Damietta Port Container Terminal Project</p>	<p>The Bank has been weakly involved in this sector</p>
1.2. Support for financial sector development					
	<p>(i) Provide Loc to commercial banks through LoCs</p> <p>(ii) Support to the Financial Sector Reform Program.</p> <p>(iii) Assist the Government to improve the performance of commercial banks and develop the non-bank financial services.</p>	<p>Improved Financial Sector contribution to GDP</p> <p>State-owned banks market share of deposits reduces from 58% to 48% by end 2007</p> <p>Number of banks reduced from 57 to 35 by end 2007.</p> <p>The market share of private sector banks' in total loans to reach at least 60% by end 2008.</p>	<p>Financial sector contribution to GDP increased from 4% in 2005 to 7% in 2007.</p> <p>State-owned banks account for 51% of banking sector deposits by 06/30/2007.</p> <p>The number of banks is reduced to 37 by the end of Dec 2007</p> <p>The market reach of private sector reach 51% by the Dec</p>	<p>USD 500 million for the support of the first Phase of the Financial Sector Reform Program.</p>	<p>The first phase of the (FRSP) has been completely implemented</p>

		<p>The share of NPL as a share of all loans in the banking system shall be reduced by 50% from the baseline of financial year end 2004 by year end 2008.</p> <p>Insurance premiums as a percentage of GDP increase from 0.8% to 1.0 % by 2008</p> <p>State-owned insurance companies account for less than 30% of total insurance premiums by end 2008.</p> <p>Steady increases in the turnover ratio of CASE through 2008</p> <p>Two major IPOs issued through the capital market annually, while the capitalization of the bond market increases by 20% from LE 52 billion to LE 62 billion by 2008 SHORT TERM OUTPUT</p> <p>No state-owned bank in Egypt has shares in private sector banks by 2008</p> <p>A strategic investor acquires a majority stake (75%-80%) of the Bank of Alexandria by end 2007</p>	<p>2007</p> <p>2/3 of NPL have been removed through settlement agreements. The remaining is to be stalled by the end of 2008.</p> <p>Insurance premium as a percentage of GDP stood at 0.83% at December 2007.</p> <p>State-owned insurance companies account for 49.1% by March 2008.</p> <p>The turnover ratio of CASE has increased from 14.20% in 2004 to 23 % in March 2008.</p> <p>The capitalization of the bonds market stands at LE 73 billion in March 2008 above expectation.</p> <p>22 and 20 IPOs have been issued respectively in 2006 and 2007.</p> <p>94% of the state-owned banks shares in JV banks have been divested by March 2008. 14 out of 17 joint banks have been sold to the private sector and the remaining ones are underway. The last 3 JVs represent less than 2.5% of the system deposits.</p> <p>80% of the shares of Bank of Alexandria were acquired by Italy's San Paolo IMI in 2006. The transfer of ownership was completed on Dec 12, 2006. The remaining 20 % is set to be sold through CASE.</p>		
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1.3. Support for private sector development					
	<p>(i) Supporting small and medium enterprises (SMEs). through the provision of financial resources to viable SMEs, the industrial, tourism and service sectors in order to expand their lead role in economic growth, employment creation and poverty reduction in Egypt.</p> <p>(ii) SME sub-projects would be financed through Bank lending to public and private sector financial institutions.</p> <p>(iii) Provide support to the Government's PPP program.</p>			Second LOC to NBE	At this stage, AfDB performance in this sector is weak.
<u>(2). Strategic Pillar 2: Promoting social development and protection:</u>					
	<p>(i) increase access to social services and the social protection of the poor;</p> <p>(ii) increase access to financial services for the poor; and</p> <p>(iii) build the capacities of SFD and local institutions to plan and execute poverty focused projects at the grassroots level. The Bank's intervention would support 30,000 to 35,000 SME's thereby contribute to creating about 110,000 new jobs per annum</p>		...	SDF III micro and small enterprise support project.	At this stage, AfDB performance in this sector is weak.

Annex VII (c): Egypt Ongoing Projects as at 31.03.2009

Sector Name	Long name	Approval Date	Effectiveness date	Closing Date	Approved Amount (UAm)	Cancelled Amount	Disbursed Disbursed (UAm)	Disb. Ratio	Age
Energy	El Kuraimat CC Power Plant Project	27-Jul-05	9-Jul-06	31-Dec-10	145.9	.	103.2	70.7%	2.7
Energy	Abu Qir 1300 MW steam power project	11-Nov-07	5-Sep-08	31-Dec-13	227.9	.	36.9	16.2%	0.5
Energy	Ain Sokhna Steam Power Plant Project	22-Dec-08	in process	NA	291.5	.	0	0	NA
Energy Total					665.4	.	140.1	21.1%	1.0
Financial sector support	Financial Sector Reform Loan	26-Jul-06	9-May-07	31-Dec-09	328.7	.	328.7	100.0%	1.8
Financial sector support Total					328.7	.	328.7	100.0%	1.8
Water Resources Development:	Ismailia & Nubaria Study (AWF)	18-Oct-07	18-Oct-08	30-Nov-10	1.7	.	0.8	47.4%	0.5
Water Resources Development: Total					1.7	.	0.8	47.4%	0.5
Transport	Damietta Port Container Terminal Project	4-Dec-07	in process	31-Dec-14	81.8	.	0	0	NA
Transport Total	Private sector support Total				81.8	.	0.0	0.0%	NA
Private sector support	The Small and Medium Enterprises Support Project (2nd Line of Credit to the National Bank of Egypt)	12-Oct-05	5-May-06	31-Dec-10	140.3	.	69.8	49.8%	2.9
Private sector support	Franchising	25-Feb-09	in process		27.3	.	0.0	0.0%	NA
Private sector support Total	Private sector support Total				167.5	.	69.8	41.7%	2.9
Promoting Social Development & Protection	Micro & Small Enterprises Development Project - SFD III	11-Oct-06	19-Jun-07	31-Dec-12	55.1	.	46.8	84.9%	1.8
Promoting Social Development & Protection	Health Sector Reform Program	28-Oct-98	1-Dec-03	30-Jun-08	11.0	.	10.8	97.9%	5.3
Promoting Social Development & Protection	Support to Women's Economic Empowerment in the New Lands	27-Nov-97	19-Dec-00	30-Jun-08	6.2	.	5.6	91.0%	8.3
Promoting Social Development & Protection Total							72.3		63.2
Total (effective operations)					1317.4		602.6	45.7%*	2.7

Egypt: Selected Indicators on Bank Portfolio Performance and Management

Indicators	Baseline 2006	First year Status 2007	Second year Status 2008	Mid-term planned/estimate 2009
Portfolio assessment				
Number of projects under implementation	13	13	11	12
Average implementation period (years)	5.75	5.9	4.4	3.8
Percent of problem projects	38.3%	30.7%	8.3%	0%
Percent of Projects at risk	-	-	-	-
Commitments at risk	-	-	-	-
Disbursement ratio	21%	65%	66%	68%
Portfolio Management				
CPPR during the year (yes/no)	No	N0	yes	N0
Average supervision	1.25	1.5	1.5	1.5
Average Size of operations	UA32.16 mil	UA76.8mil	UA102.9mil	UA 200mil

Egypt: List of Economic and Sector Work Undertaken on Egypt to Date

1. The Competitiveness of the Egyptian Economy with a focus on the potential of Small and Medium Enterprises (SMEs).
2. Labour Market Study—to be undertaken during the remaining period of the CSP.
3. Private Sector Profile: This study will update the Private Sector Country Profile prepared by the Bank about two years ago.
4. Nubaria and Ismailia Canal Study: A Study to undertake the feasibility work, including designs and tender documents, in preparation for a major investment project involving the replacement of the Nubaria and Ismailia Canal. The Study, costing Euros 1,900,090 using AWF funding, is ongoing and is expected to be completed by 2009/10.
5. Zefta Barrage Study: A Study to determine the most technically feasible option for the rehabilitation/reconstruction of the Zefta Barrage, including the production of a comprehensive feasibility report and associated engineering designs. The Study, costing UA 936,330 in total, consists of a MIC grant of UA 600,000 and Government funding. It is expected to be approved by the Board in May 2009 and to last 2 years.
6. Study for the Preparation of a Master-plan for the Rehabilitation of Major Hydraulic Works: The Terms of Reference (TOR) for this Study are being finalised and the study itself will cost Euros 3m with a combination of financing from AWF, the MIC Trust fund and the Government.
7. Studies for the launching of a Geostationary satellite project, MIC Trust Fund, UA 600,000, which has been completed and would be presented to the Board in May 2009.

Egypt: Brief on Country Portfolio Performance Review

In August 2008, the Boards of Directors adopted the last Country Portfolio Performance Review (CPPR) report¹⁶ on the Bank's public sector and private sector operations in Egypt. At the time of adoption, the Bank's ongoing public-sector portfolio in Egypt consisted of 7 approved operations with a total net commitment value of UA 792.30 million, of which UA 421.05 million had been disbursed. The portfolio was made up of one project in agriculture, one in finance, two in power and three in the social sector. By source of finance, the ADB window accounted for almost 96.7% of the total approvals and the ADF window about 3.3%. The Private Sector Operations consisted of 3 projects with a net commitment value of UA 221.47 million. The ongoing operations reflected an alignment of the pillars of the then CSP with the Government's development challenges.

The general assessment found three public-sector projects to be aging as a result of several delays including the Government's long parliamentary ratification process and delays as a result of the Bank's untimely response to reports submitted by the Government for action. However, with technical support from the strengthened Egypt Office, the implementation rate of the ageing projects improved significantly and are all now in the process of being closed.

The overall performance of the ongoing public sector operations was rated satisfactory and they were found on course to achieving their development impact on completion, with an indicator of 2.92 on a scale of 4 in the Bank's rating methodology. On the part of the Bank, efforts needed to be made, among others, to react in a timely manner to Government reports; timely approval of applications for disbursement; and ensuring that projects were subject to rigorous quality-at-entry requirements. Based on a specific rating and on credit risk or the operations' capacity to pay back their loans, the performance of the private-sector operations were found to be mixed; the main reason being that 33.3% of the projects under implementation had a 90% credit risk rating. Since the approval of the report, the Government and the Bank have followed up on the report's recommendations and matrix of actions. This has led to further portfolio improvements as a result of which there are currently no projects classified as problematic or at risk.

¹⁶ The CPPR (ADB/BD/WP/2008/125 and ADF/BD/Wp/2008/73) was approved on 18 August 2008. The previous CPPR was approved in August 2005.

Egypt: Lending Activities in Support of Pillar I

1. **The Power Sector:** The Bank will continue its strong engagement in this sector with a view to supporting EEHC's power generation plan for 2012-2017. The authorities have thus indicated interest in seeking financial assistance from the Bank in four power generation projects envisaged over the coming three years. These include a US\$ 150 million loan that the Bank is currently processing for the Nuweiba Combined Cycle Power Plant Project. In addition, the Government will be inviting the Bank to participate in financing a number of projects including a Wind Farm project under the Clean Technology Fund (CTF). Based on the Bank's experience in this sub-sector, a programmatic lending approach may be necessary for the implementation of these projects in order to reduce processing time and transaction costs.

2. **The Water Resources and Irrigation sector:** In the water resources and irrigation sector, the strategy during the remaining period of the CSP is to shift interventions from Pillar II to Pillar I in response to the Government priorities by means of promoting water for production and irrigation infrastructure rehabilitation and protection. This includes pumping stations for on-farm irrigation, protection agricultural land from coastal erosion and providing water for irrigation on reclaimed land. A presentation of the Bank's menu of products and pricing to authorities of the water sectors during the Mid-Term Review mission seems to have dispelled significant misperceptions regarding the relative costs-of-doing-business with the Bank. As a result, the authorities have signalled their strong interest in re-engaging the Bank in support—including through lending—for the sector. Several projects, including some at relatively advanced stage were thus presented to the Bank for consideration and possible financial support. These are: West Delta Irrigation Improvement Project; Pumping Stations Rehabilitation Project; Assiut Barrage and Hydropower Project; Coastal Protection Project; Integrated Irrigation Improvement Management Programme (IIIMP); North Sinai Development Project. In terms of land reclamation, the Bank is likely to be invited to co-finance an On-Farm Infrastructure Development Project with IFAD.

3. **Water Supply and Sanitation:** The Operations and Water Sanitation Department carried out a joint pipeline identification mission with Agence Francaise de developpement (AFD) to Egypt in February 2009 during which the Department identified the following potential projects that would be considered for financing during the remaining period of the CSP: (i) the Gabel El Asfar Waste Water (Stage II Phase II) Project; (ii) the Expansion and Upgrading of the Abu Rawash Waste Water Treatment Plant; and (iii) the Water Supply Holding Company Projects (WSHC). It is also possible that requests for Bank support for other water supply and sanitation projects as part of infrastructure development may be submitted for consideration for financing by the Government of Egypt.

4. **Transport:** While Bank assistance may still not be requested for pure public sector transport projects, the Government has given strong indications that it may request the Bank to explore possibilities in financing one of two major projects in Civil Aviation which are at advanced stages of preparation. These are: (i) upgrading terminal 2 of Cairo Airport; and (ii) construction of new and third terminal building at Sharm El-Sheikh Airport. In addition, there is wide scope for the Bank to explore ways in which it could provide support for a number of PPP road projects currently under consideration, including non-sovereign lending as well as support for project preparation (e.g., feasibility studies and environmental and social impact

assessments). In regard to the project preparation for PPPs, the Government has already made a verbal request to the Bank to make a grant contribution to a project preparatory facility worth US\$36 million (for which there will be non-reimbursement) for which it is seeking funding from development partners.

Annex XII

Egypt: Monitoring implementation of Bank Group commitments under the Paris Declaration

Indicators	2007	2008	Total
Amount of estimated ADB aid in national budget (in USD)	544,398,330.71	169,516,191.16	713,914,521.87
Amount of ADB technical cooperation disbursed (in USD)	1,982,435.09	1,631,712.67	3,614,147.76
Amount of ADB technical cooperation through co-ordinated programmes (in USD)	Non	Non	Non
Amount of ADB aid disbursed using national budget execution procedures (in USD)	Non	Non	Non
Amount of ADB aid disbursed using national financial reporting procedures (in USD)	544,398,330.71	169,516,191.16	713,914,521.87
Amount of ADB aid disbursed using national auditing procedures (in USD)	Non	Non	Non
Amount of ADB aid disbursed through all 3 above procedures (in USD)	NA	NA	NA
Amount of ADB aid disbursed using national procurement systems (in USD)	Non	Non	Non
Number of parallel PIU's	5	6	6
Amount of ADB aid scheduled for disbursement (in USD)	NA	NA	NA
Amount of ADB aid actually disbursed and recorded in national accounting system (in USD)	546,380,765.80	171,147,903.83	717,528,669.63
Amount of ADB aid through programme-based approaches (in USD)	500,000,000.00	0	500,000,000.00
Number of missions	25	26	51
Number of coordinated missions	1	3	4
Number of country analytic works	0	1	1
Number of coordinated country analytic works	0	1	1