COUNTRY RESULTS BRIEF 2018
EGYPT
PARTNERING FOR A COMPETITIVE, INCLUSIVE AND SUSTAINABLE EGYPT 1

LIGHT UP AND POWER EGYPT 7
   Becoming a regional energy hub 7
   Powering the Egyptian economy 7

FEED EGYPT 11
   Turning agriculture into a major driver of inclusive and sustainable growth 11
   The Bank’s involvement in increasing agricultural productivity 12

INDUSTRIALISE EGYPT 17
   Bringing manufactures and industries to Egypt 17
   The Bank’s support for catalysing private investment 19

Integrate EGYPT 23
   Connecting Egypt to regional markets 23
   The Bank’s catalytic role in integrating Egypt 24

IMPROVE THE QUALITY OF LIFE FOR THE PEOPLE OF EGYPT 27
   Delivering jobs and basic services 27
   The Bank’s impact on the lives of Egyptians 27

THE BANK’S EFFECTIVENESS IN MANAGING ITS OPERATIONS IN EGYPT 31
   Portfolio performance and speed of delivery 31
   Working with partners to catalyse development finance 32
   Knowledge management 33
   Moving closer to Egypt 33
This map plots the geographic locations of the Bank operations in Egypt that were completed between 2007 and 2017 in each of the High 5s.

The Bank remains committed to increasing the transparency of its operations. MapAfrica, its geocoding tool, has been revamped with a focus on five critical areas of the Ten-Year Strategy: Light up and power Africa, Feed Africa, Industrialise Africa, Integrate Africa and Improve the quality of life for the people of Africa. Explore our 9000 project locations through the High 5s by visiting mapafrica.afdb.org.
PARTNERING FOR A COMPETITIVE, INCLUSIVE AND SUSTAINABLE EGYPT

Over the past decade Egypt has sustained an average annual growth rate of 4% and addressed pressing fiscal challenges. Since the 2011 revolution, this middle-income country has recovered and is now the recipient of the most foreign direct investment in Africa. It has a highly diversified economy, with agriculture accounting for 12% of GDP, services for about half of the GDP and industry for 34%. The country expects to invest more in human capital in the short and medium term as recent policy reforms start bearing fruit.

At the same time, Egypt faces a number of development challenges, particularly in providing quality access to basic services, especially in remote governorates with high poverty rates such as Upper Egypt and the Sinai, and in creating enough jobs for its youth. Around 1 million youth will be entering the labour force every year. Provided with the right skills, this large working-age population will be a unique asset to the country and will help sustain higher productivity growth. This is why the Government is now overhauling the public education system to match skills to demand from the labour market.

By enabling private sector growth and investing in education, Egypt is poised to achieve its Vision 2030, which is focused on achieving high, inclusive and sustainable growth, with a competitive economy. To lay the groundwork for this transformation, in line with the framework of an economic reform program agreed with the International Monetary Fund, the Government has embarked on major economic reforms to reduce its high public debt by ensuring fiscal consolidation and improving the business environment. This involves easing the process of establishing companies and

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**Cross-cutting strategic areas**

<table>
<thead>
<tr>
<th>Cross-cutting strategic areas</th>
<th>Egypt</th>
<th>African middle-income countries</th>
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</thead>
<tbody>
<tr>
<td>Growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real gross domestic product (GDP) growth (%)</td>
<td>7.2</td>
<td>1.8</td>
</tr>
<tr>
<td>GDP per capita (constant 2010 $)</td>
<td>2457</td>
<td>2594</td>
</tr>
<tr>
<td>Governance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax and non-tax fiscal revenues (% of GDP)</td>
<td>15.3</td>
<td>14</td>
</tr>
</tbody>
</table>

- **Strong progress**
- **Limited progress against the baseline**
- **Regression against the baseline**

Source: World Bank, OECD
obtaining licenses under the new investment law. The country’s improved macroeconomic stability and growing foreign reserves are helping to provide a much-needed boost to business sentiment and to attract foreign direct investment.

The Bank is well positioned to support these endeavours and build on Egypt’s assets. As this report demonstrates, the Bank has already made significant achievements in partnership with the Government of Egypt, in particular in the Bank’s five priority areas, the High 5s: Light up and power Africa, Feed Africa, Industrialise Africa, Integrate Africa and Improve the quality of life for the people of Africa (see Figure 1 for a snapshot of results in Egypt). Figure 2 demonstrates the share of the Bank’s investment in these areas, along our key instruments. This report reviews progress on these priorities in Egypt against a series of indicators from the Bank’s 2016–2025 Results Measurement Framework. It also assesses the Bank’s effectiveness and efficiency in managing its operations in Egypt.

The Bank is a trusted partner for Egypt. Its ongoing portfolio consists of 31 operations valued at $2.98 billion. Egypt is one of the Bank’s largest borrowers — the Bank has financed over 100 operations in the country since 1974 — and its third-largest shareholder. Ongoing Bank-financed operations particularly target the energy sector and rural development by providing access to finance in direct response to country needs. The Bank’s investments have generated significant development results over the years, and they will deliver more under our Country Strategy Paper for 2015–2019, which aims at developing infrastructure and providing access to basic services, while strengthening governance.

Following a period of economic stagnation since the uprisings of 2011, the economy is expected to grow at 4.2% in FY 2017/18, as in the previous year, and to grow further in the coming years. This growth is expected to be supported by an increase in natural gas production and foreign direct investments, tourism recovery and improved competitiveness, as well as by the improved investment environment that implementing balanced macroeconomic policies has brought about. While GDP per capita has increased only moderately in the past 10 years to $2724,

<table>
<thead>
<tr>
<th>Figure 1</th>
<th>Five Key Results Supported by the Bank in Egypt from 2008–2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Light up and power Egypt</strong></td>
<td>15 million Egyptians connected to new or improved electricity services, including with 3350 MW new power capacity installed</td>
</tr>
<tr>
<td><strong>Feed Egypt</strong></td>
<td>44,000 hectares of land with improved water management, and increased irrigation and drainage capacity around the Nile river and delta</td>
</tr>
<tr>
<td><strong>Industrialise Egypt</strong></td>
<td>105,600 MSMEs provided with microcredit loans and financial services, particularly in Upper Egypt and the Sinai governorates</td>
</tr>
<tr>
<td><strong>Integrate Egypt</strong></td>
<td>100 trade attaches trained at the Egyptian Agency for Partnerships for Development to attract investment and increase intra-Africa trade</td>
</tr>
<tr>
<td><strong>Improve the life of Egypt’s people</strong></td>
<td>2.5 million m³ of daily wastewater treatment capacity through the Gabel Al Asfer plant and 1.6 million m³ in the Abu Rawash plant</td>
</tr>
</tbody>
</table>
(constant 2010 $) — in part because of the global financial crisis and post-uprising turmoil (see Figure 3) — the country is working at translating this growth into faster poverty reduction, particularly in Upper Egypt, and improving the livelihoods of the majority.

Since 2015, in a bid to restore fiscal stability and promote inclusive and self-reliant economic growth, Egypt has launched reforms focused on enabling a better business environment and enhancing the sustainability of the energy supply. Important progress has been made in all areas, leading to reduced expenditures and increased revenues, including through the introduction of a value-added tax in 2016.

The government is expected to continue its fiscal consolidation efforts. To encourage investment, the Government will leave the corporate tax unchanged at 22.5% and will rely on the value-added tax for increased revenues. This approach is expected to narrow the public deficit and encourage firms to invest, and it should allow local interest rate cuts, reducing the cost of corporates’ borrowing from domestic banks. Overall, keeping the currency at fair value, adhering to current financial plans, improving the business environment and focusing on the long-term needs of the education and investment sectors are considered key requirements for Egypt to increase its GDP growth rate.
As a strong partner of Egypt, the Bank will continue working to bring the best value for money to Egyptians and strengthen the country’s capacity to unlock private sector investment and support job creation.
Becoming a regional energy hub

Egypt is endowed with abundant natural resources — oil and gas fields in the Gulf of Suez, the Mediterranean and the Western Desert — that powered its industrialisation and lifted many of its people out of poverty. The country provides universal access to electricity throughout its territory. It now has 45 GW of installed electricity capacity, or one-fifth of Africa’s total power capacity. This capacity helps meet the country’s 5% average yearly increase in demand for electricity, resulting from a rising GDP and industry needs, a growing population and expanding cities.

The country’s installed power generation capacity is 92% thermal, and the rest is mostly hydropower and wind farms. Egypt has great potential to generate energy from renewable sources, especially solar, as it boasts an average of 9 to 11 hours of daily sunshine, along with low humidity. In 2014 the Government launched a feed-in-tariff programme to develop 2300 MW of solar PV and 2000 MW of wind, stimulating the renewable energy industry and complementing existing power sources.

Remarkable investments have been made in the power sector in recent years. The sector, which faced a deficit of more than 5000 MW in 2014, now generates a surplus of about 10 000 MW. The recent supply of gas from the Zohr Mediterranean gas deposits is expected to enable Egypt to stop imports by the end of 2018, and also to explore exporting to neighbouring countries. With recent offshore discoveries in the region, Egypt is likely to become a regional hub for gas exports in terms of using its LNG plants. Egypt is also investing in cross-border energy transmission lines with Middle Eastern neighbours and with Sudan.

Powering the Egyptian economy

The Bank has been investing in the Egyptian power sector since 1974, financing 25 operations that were aimed at reducing the energy gap and addressing power shortages. Collectively, they added 4000 MW to the national grid (10% of the total), created about 9000 direct jobs, and helped meet the demand of about 4.5 million new customers, while also providing technical assistance and capacity-building programmes in the sector.

Over the past decade, the Bank has financed four power generation projects with a total commitment of $1.5 billion. The El Kureimat Combined Cycle Power Plant alone provides 780 MW of additional capacity, increasing national generation capacity by 3.2%. In recent years, our programmes have shifted towards modern clean technologies and a focus on increasing energy efficiency. The Ain Sokhna power plant, Egypt’s first supercritical thermal power plant, is a prime example of this shift (see Box 1). Between 2011 and 2015, the Bank also financed feasibility studies, such as on the use of renewable energy for pumping irrigation water.
Today, the power sector accounts for almost 50% of the portfolio’s net commitment. A key role for the Bank has been to support the governance of the energy sector. With the Economic Governance and Energy Support Programme, the Bank supported key policy reforms to enhance the financial sustainability of the energy sector and promote private sector investments in it. One reform was the passage of a new Gas Law that helped provide the private sector with open access to the gas infrastructure and promote private investment in the sector. This programme-based operation also supported the Government’s bold energy subsidy reform.

**BOX 1 POWERING AIN SOKHNA’S INDUSTRIAL DEVELOPMENT**

Located in the Suez resort town of Ain Sokhna, 120 kilometers east of Cairo, the state-of-the-art Ain Sokhna power plant uses two 650 MW gas/oil-fired units to generate power. Given its strategic location, the plant provides electricity for the growing industrial zone in Ain Sokhna, helping to meet industrial demand for energy.

The plant, which started operating in May 2015, is Egypt’s first supercritical thermal power plant, using an eco-friendly technology to increase the efficiency of power generation and reduce emissions. Unlike traditional steam power plants, supercritical plants operate at higher pressures — 230 to 265 bar rather than 170 bar — which increases the efficiency of the thermal cycle and the plant.

The project created 3000 direct jobs over its construction phase and up to 250 permanent jobs, in addition to many indirect jobs.
program to ensure the sustainability of the electricity sector. The approval of the National Energy Strategy 2035 underpins these measures, which helped attract new private sector investments into the oil and gas sectors reaching $8.1 billion in 2016/17, up from $2.4 billion in 2014.

Under the aegis of the New Deal on Energy, the Bank has placed green growth at the heart of its operations. In 2017 the Bank approved three private sector projects at the Benban solar park in Upper Egypt, to the tune of US$55 million.

The Bank continues a strong policy dialogue with the country, providing advice on promoting renewable energy to increase Egypt’s power generation capacity, diversify the energy mix, enable fuel savings, reduce carbon emissions, and support the Government’s target to reach 20% of renewable energy sources in its energy mix by 2022.
Turning agriculture into a major driver of inclusive and sustainable growth

Agriculture is fundamental to Egypt’s economy and to the development of poor rural areas. Around 55% of Egyptians depend on agriculture for their jobs and livelihoods. The sector employs 28% of workers in the country and accounts for about 12% of the GDP. Modernising and developing the agriculture sector in a sustainable manner will help create the jobs and incomes that Egypt needs to strengthen its economy and feed its citizens. Boosting agricultural productivity will have a major impact on the poor, particularly women and young people. This is particularly true in Upper Egypt, where the poverty rate is twice as high as the national average, reaching just over half of its population.

With cereal yields at 7.1 tons per hectare — well above Africa’s average of 1.5 tons — Egypt’s overall agricultural productivity reached $5454 (constant 2010 $). Egypt is one of Africa’s leading producers of rice, cotton, corn and wheat. Irrigation could push productivity even higher: the lack of adequate drainage causes high salt content, which is detrimental to crop growth. Other major challenges to productivity include land fragmentation, the overuse of fertilisers, and incomplete value chains.

Egypt’s expanding population and increasing urbanisation, along with changing tastes and a growing middle class, have led to a sharp increase in the demand for food — a demand that is met by food imports rather than domestic production. As a result, Egypt’s food imports account for about 25% of the imports bill. While the country exported $5 billion of agricultural goods, it imported nearly three times this amount in 2017. As a result, Egypt has a negative agricultural trade balance. This leaves Egyptians vulnerable to volatile global food prices. In addition, Egypt’s agricultural exports remain dominated by unprocessed or partially processed crops.

Agro-industrial activities are expected to increase in the country thanks to improved competitiveness following the devaluation of the currency, and this has already translated into greater agricultural exports.

Meanwhile, the majority of Egyptians depend on the local agriculture sector for their food and nutrition. In many places, supplies of food are insufficient in quantity and inadequate in nutritional value. The number of malnourished or undernourished people increased over the past 10 years to 4.1 million, although the percentage of malnourished people in the population decreased because of the country’s large food subsidy initiatives. Efforts to improving the food subsidy and school feeding programmes have also resulted in reducing the number of stunted children under 5 from 31% to 22%.

Egypt needs to manage its scarce water resources more efficiently to support food security and green growth. Most of the country’s cultivated lands are irrigated from the Nile River and the Delta. Yet climate change will mean even scarcer water — a change that will threaten production, calling for adequate risk management and investment approaches. Egypt promotes climate-smart agriculture investments, including in enhanced capacity to manage droughts, to avoid depleting its rich agricultural resources.

The Government of Egypt recognises the importance of agriculture to the country’s development. Its agriculture, water and irrigation strategies focus on enhancing food security, increasing the competitiveness of agricultural products and improving the climate for agribusiness investments. Supporting the sector will help improve the livelihoods of rural inhabitants and boost youth employment. To help mitigate the effects of climate change, the country also plans on increasing the use of groundwater, improving rainfall harvesting in the coastal areas and scaling up desalination. A key
element of this approach is expanding drainage coverage to improve soil quality. To reduce spatial disparities, Egypt is also developing agricultural clusters outside the Nile Valley and the Delta, and is focusing on agricultural logistical hubs.

The Bank’s involvement in increasing agricultural productivity

Having financed agriculture operations across Africa for many years, the Bank understands what is needed to improve agricultural supply chains, and it tailors the solutions it provides to Egypt’s needs. Improved irrigation and modernisation throughout the production process are needed to grow quality crops and create a more dynamic agriculture sector in which value is added at each stage of the process and farmers achieve high returns. Our past work in Egypt and on the continent has produced many successful models for achieving this (see Figure 4), giving us a strong basis for deepening our work in this sector. We have committed to achieve transformational change in agriculture by 2025 and have made the sector one of our High 5 priorities.

In our work in this sector we take an integrated approach focused on enhancing irrigation and agriculture drainage services and providing rural farmers access to finance and skills. By promoting better and modern irrigation services, supporting farmers with targeted loans that take into consideration the cash flow cycle, and providing business development services and tailored technical assistance, the Bank is enhancing productivity and generating jobs, improving the incomes of rural communities and addressing food security challenges. Our projects in Egypt
helped 10 800 rural people to use improved technology.

For example, in the El-Beheira Governorate, we helped increase agricultural productivity through land improvement and better water management practices. Across Egypt, farm families benefitted from a range of measures to control soil salinity and from the Bank’s support for improved water management in over 16 400 hectares of irrigated land. We also demonstrated the impact of using better technologies to grow livestock with 178 sensitisation campaigns, including through focusing on untraditional fodders and reuse of wastes. This project, which concluded in 2008, paved the way for subsequent interventions in the country and on the continent.

As formal banking institutions find it costly to deliver loans to smallholders in rural areas, our operations have helped Egyptian farmers overcome their limited access to financial services. By 2009 our operations in 12 governorates, including Assiut and Domyat, helped over 20 000 farmers to purchase essential inputs at the right time for crop and livestock production as we provided lines of credit to banking institutions such as the Agricultural Bank of Egypt (formerly the Principal Bank for Development and Agricultural Credit) and developed a revolving fund tailored specifically for rural women. Providing credit to small and medium-sized farms and agro-industries created 12 000 direct jobs.

We have also built national capacity to promote and supervise microfinance institutions geared to providing credit to farmers, small producer associations and small and medium-sized enterprises (SMEs). In Upper Egypt, we provided management and marketing training to farmer associations and helped them develop business

<table>
<thead>
<tr>
<th>Progress in Egypt</th>
<th>Egypt</th>
<th>African middle-income countries</th>
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<tbody>
<tr>
<td></td>
<td>Baseline 2008</td>
<td>Latest 2017</td>
</tr>
<tr>
<td>● Number of people malnourished (millions)</td>
<td>3.6</td>
<td>4.1</td>
</tr>
<tr>
<td>● Agricultural productivity (constant 2010 $ per worker)</td>
<td>4122.6</td>
<td>5453.8</td>
</tr>
<tr>
<td>● Cereal yield (ton/hectare)</td>
<td>7.5</td>
<td>7.1</td>
</tr>
<tr>
<td>● Prevalence of stunting among children under 5 (%)</td>
<td>30.7</td>
<td>22.3</td>
</tr>
<tr>
<td>● Agricultural trade balance ($ billion/year)</td>
<td>-6.8</td>
<td>-6.7</td>
</tr>
<tr>
<td>● Share of Africa’s market value for key processed commodities (%)</td>
<td>0.04</td>
<td>0.40</td>
</tr>
<tr>
<td>● Fertiliser consumption (kilograms per hectare of arable land)</td>
<td>696.6</td>
<td>645.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operations’ results 2008–2017</th>
<th>Bank’s contribution*</th>
<th>Total results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected</td>
<td>Delivered</td>
<td>Expected</td>
</tr>
<tr>
<td>● People benefiting from improvements in agriculture (number)</td>
<td>51 000</td>
<td>142 000</td>
</tr>
<tr>
<td>● of which women</td>
<td>30 000</td>
<td>82 000</td>
</tr>
<tr>
<td>● Agriculture—Land with improved water management (ha)</td>
<td>16 400</td>
<td>16 400</td>
</tr>
<tr>
<td>● Rural population using improved farming technology</td>
<td>10 400</td>
<td>10 800</td>
</tr>
<tr>
<td>● Feeder roads built or rehabilitated (km)</td>
<td>112</td>
<td>532</td>
</tr>
</tbody>
</table>

For Progress in Egypt — The bullets indicate: ● Strong progress ● Limited progress against the baseline ● Regression against the baseline.
For Operations’ results — The bullets indicate that ● Bank operations achieved 95% of their targets ● Bank operations achieved 60–94% of their targets ● Bank operations achieved less than 60% of their targets.
*The Bank’s contribution amounts to the level of development outputs prorated to the share of the Bank’s financial support against total project cost. This is in line with the Bank’s commitment to report exclusively on its own contribution and not on aggregate project contribution, including from cofinanciers.

Source: FAO, AfDB Project Completion Reports
plans in the dairy and horticulture value chains. We targeted in particular Minya, Assiut and Suhag, the poorest governorates in the country. Over the life of this Rural Income and Economic Enhancement Project, 80,000 micro and small enterprises — three times the target — benefited from rural financial services and dedicated skills development training for dairy production. The project created more than 80,000 jobs, strengthened 30 key farmer associations and increased their trading business, thereby changing the livelihoods of many. Nearly half of the funding went to women-owned enterprises. It is remarkable that this high level of achievement took place during the Arab Spring uprisings and the transition that followed, mainly from 2011 to 2015.

While Egypt has vast resources of land and water, they need to be managed well and sustainably if they are to contribute to food security and poverty reduction. We are providing water infrastructure facilities to enable cultivation and have improved water and land management on 52,500 hectares of land through the National Drainage Programme, a key part of the government’s Water Resources Development Strategy. Our project is addressing the problems of land degradation, high soil salinity and low fertility that are caused by poor drainage equipment. Our assistance will help increase crop productivity by 15–21% for 625,000 people in five regions along the Nile banks. Our investments in urban wastewater treatment plants will also enable the use of treated wastewater for certain agricultural practices and benefit agricultural production to meet growing needs of the urban cities.

There can be no more important effort than working to ensure that all Egyptians have enough to eat so that they can be healthy, strong and productive. Under our Feed Africa strategy, the Bank is focusing its efforts on this most essential area. The Bank is actively engaging the Government on agriculture issues related to the use of water resources. We are also working at improving value chains and food security, with the objective of achieving maximum employment in rural areas.
INDUSTRIALISE EGYPT

Bringing manufactures and industries to Egypt

Industrial development is instrumental to creating employment, boosting productivity and sustaining growth. Yet a lack of competitiveness has limited the level of investment across Egypt. With recently introduced landmark policies — investment law, company law, industrial licensing act — and the right infrastructure, industrial development will increase in Egypt over the coming years, paving the way for inclusive and sustained growth.

Egypt has an increasingly diversified industrial sector comprising major textile manufacturing and large extractive industries. The country is home to one of the continent’s largest industrial sectors and consumer bases, and it offers affordable and skilled manpower. The private sector accounts for around 60% of Egypt’s GDP and 74% of total employment.

Overall, the data suggest slow progress over 2008–2017, with gross fixed capital formation (constant 2010 prices) declining to $39.2 billion, from $44.5 billion. This reflects that, despite being supported by consumption from the large local population, the industry sector remains under pressure, resulting mainly from the slowdown following the 2011 uprising. However, the value-added of manufacturing (constant 2010 prices) increased in Egypt to $44.5 billion in 2017, or nearly one-fifth of the total value-added for Africa. Egypt’s index of economic diversification is slowly making progress and remains much higher than that in most African countries. This reduces Egypt’s vulnerability to fluctuations in commodity prices.

To encourage private investments, the Government of Egypt is putting industrial development at the centre of its development priorities. Already, Egypt has regained its rank as the number one destination for foreign direct investment (FDI) on the continent (see Figure 5), after the drop

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**FIGURE 5** EGYPT TOPS THE LIST OF FDI DESTINATIONS IN AFRICA

Source: UNCTAD
that followed the Arab spring. The country’s youthful labour force and expanding cities are also opening up new opportunities for industries that can supply growing consumer markets and participate in value chains. Already, a quarter of the employed population works in industry, particularly in such labour-intensive sectors as manufacturing, which accounts for 17% of Egypt’s total GDP — generating significantly more jobs than the oil sector. In total, the industrial sector employs 40% of the working people.

However, Egypt’s global competitiveness has deteriorated marginally since 2008 and in particular following the transition years, as measured by the Global Competitiveness Index (see Figure 6), which mentioned policy instability and the inadequate supply of infrastructure as some of the challenges. Meanwhile, Egypt’s logistics performance index has increased in recent years, reflecting a higher capacity to trade.

There has been an increase in access to finance, from 37.5% to 44% of Egypt’s overall population. Still, a lack of access to investment finance remains a critical constraint for micro, small and medium-sized enterprises (MSMEs) looking to grow. Women entrepreneurs face high barriers. In a country where 95% of firms are SMEs, such barriers often push private companies to continue operating in the informal sector. To overcome this challenge, in 2014 Egypt passed a law supporting microfinance and is now looking into increasing mobile financial services.

Egypt is also working to promote domestic industries by developing industrial parks. Under the oversight of the General Authority for Investment and Free Zones and Industrial Development Authority, it creates industrial zones and parks with tax incentives and special terms, located in and around Cairo, Alexandria and closer to Cairo’s waterways. In addition, the development of the Suez Canal Economic Zone is poised to become a mega-project with
substantial potential for increased industrialisation and job creation. Egypt has vast industrial development potential. It has new local and export opportunities for increased investment, backed by an improved business environment for more private sector investments and a transformed economy.

The Bank’s support for catalysing private investment

The Bank is committed to supporting Egypt in its efforts to fast-track industrialisation. The Industrialise Africa Strategy guides its approach to promote operations that develop enterprises of all sizes and enhance productivity along international value chains, with better policies that foster private sector engagement.

The Bank’s main contribution to industrial development in Egypt has been to help it become more competitive. The Bank is supporting private investment to enable firms to start up and expand. Of our five investments to private companies, three loans target solar projects; one operation is the biggest public-private partnership refinery in the country, with a total investment of $4.6 billion; and one operation invested equity in a regional health care fund. Overall, 160,000 people benefited from investee projects.

To accelerate Egypt’s industrialisation programme, the Bank prioritised programme-based operations that provide budget support for policy reforms, including for better economic governance. With our support, the Government enhanced the country’s business environment, providing a more streamlined and transparent industrial licensing regime, enabling more open competition, and improving access to credit for MSMEs and women entrepreneurs. As a result, the average time to comply with industrial licensing requirements declined to just 7 days for low-risk and 30 days for high-risk industries, down from 643 days in 2015. This reform helps restore investor confidence in the country.
To strengthen the private sector, the Bank focused on enacting systemic changes in the franchising sector as it demonstrated that there are over 700 franchising opportunities in Egypt across sectors. The Bank approved funding for the Ministry of Supply and Internal Trade and the Social Fund for Development for a new project to develop a food supply distribution network. The Ministry had identified the need to expand the network of “supermarkets” to distribute subsidised food products and act as distributor for different fast moving consumer goods at market price. The Ministry’s plan added 13 000 new supermarkets distributed over the different governorates in Egypt.

We are scaling up our efforts to Industrialise Egypt and are targeting new areas. In particular, we are refocusing our assistance to foster successful industrial policies and are establishing special economic zones. An ongoing Bank-financed study on the Suez Canal Economic Zone seeks to identify the skills needed there so that the workforce can be trained and ready for the investments coming into that zone. We funded the National Cluster Development Strategy, which led to mapping 145 organic clusters of interlinked firms that complement each other. Bank projects also provided entrepreneurship development for 200 university students and graduates and supported 22 start-ups with coaching and seed-funding in new, lucrative business areas such as recycling industrial waste.

Egypt possesses many of the basic factors it needs to become an industrial powerhouse — ample natural resources, huge energy availability and a vast pool of young workers. We will continue working with our partners to catalyse more private sector investments and help transform the Egyptian economy.
INTEGRATE EGYPT

Connecting Egypt to regional markets

Regional economic integration is a cornerstone of Egypt’s development. For this reason, in 2018 the country joined the Continental Free Trade Area with 43 other African countries, paving the way for a single market for goods and services in Africa — a market of 1.2 billion people. Egypt stands to benefit greatly from this agreement, given the importance of its industrial sector. Thus there is enormous scope and need for investing in regional infrastructure and integration in Egypt, to attract investment and create larger markets.

The volume of Egypt’s intra-African trade declined from 6.3% in 2008 to 5.4% a decade later. This is partly because African economies continue to depend on exporting unprocessed, low-value commodities to higher-income countries and importing goods from them. As Figure 7 shows, Egypt trades mainly with neighbouring countries, in part because of trade agreements with countries and trade groups.

Meanwhile, Egypt’s cost of trading across borders decreased from $809 to $708 dollars per 20-foot container by sea transport — an amount that is much more affordable than the $2340 for the average African country. This low barrier to trade positions Egypt well to become a platform for the development of regional value chains.

With 98% of its population living around the Nile banks and the Delta, Egypt is highly dependent on the Nile for all its water needs for agriculture and drinking water. It is therefore a

FIGURE 7 MAPPING INTRA-AFRICA TRADE FLOWS WITH EGYPT

Imports

Exports
key focus for the country to maintain access to its waters through peace and cooperation with Nile Basin countries.

Better transport infrastructure — roads, rail, air and water navigation facilities — is critical for linking consumers across national boundaries and building regional markets with African countries and the Middle East. The road sector in particular has a major role to play in ensuring spatial inclusion and industrial zones — key export sectors that have the potential to promote Egypt as a global hub. The maritime and aviation sectors are instrumental for both trade and tourism, and expertise available in Egypt can be shared through technical cooperation programmes with African countries.

The free movement of people from the rest of Africa to Egypt remains challenging, as the citizens of only seven African countries are allowed to enter Egypt visa-free or with a visa on arrival. Egypt has yet to ratify protocols on the free movement of persons of the regional economic communities of which it is a member.

The Bank’s catalytic role in integrating Egypt

We remain fully committed to connecting countries, markets and people for facilitating trade and enabling Africa’s economic transformation. The Bank recently approved its Regional Integration Strategic Framework (2018–2025) to support the African Union Vision 2063. We will continue to support initiatives to promote Egypt’s trading across borders, ensuring effective IT investments in the country and electricity connections with other Nile Basin countries and with the Middle East.

We also recognise the importance of maritime transport for Egypt and, as part of a broad African Union initiative, we are committed to prepare the first phase of a feasibility study on establishing a Nile navigational link that better connects Lake Victoria to the Mediterranean Sea.

The Bank supported the Egyptian Agency for Partnerships for Development in training over 100 trade attachés in the use of tools to attract investment and increase intra-Africa trade. We also assisted the Institute of National Planning in strengthening knowledge in project management and economic analysis, and we provided the Administrative Control Authority with tools to fight corruption. Through study tours to South Africa and Sudan, we are supporting the transfer of knowledge and experience-sharing in the area of industrial waste exchange.

In line with the priorities of the Government of Egypt, in 2016 we chose to cancel our commitment to finance the development of the Sharm El Sheikh airport as part of a $671 million project. A reassessment of the situation indicated that the airport’s capacity would be increased only when the tourism industry would pick up again. This demonstrates the Bank’s flexibility in freeing up resources to respond to the country’s most pressing needs.

Under our Regional Integration Strategic Framework (2018–2025), the Bank will prepare a Regional Integration Strategy Paper covering North Africa. In doing so, it will strive to ensure that a coherent roadmap helps integrate Egypt,
Morocco, Tunisia and Libya with each other and with the rest of the continent. We have invested in regional economic integration and will draw on best practices and knowledge as we expand our work in this area. This will deliver jobs and economic growth and will contribute to achieving the Continental Free Trade Area.
IMPROVE THE QUALITY OF LIFE FOR THE PEOPLE OF EGYPT

Delivering jobs and basic services

The Arab Spring brought to the fore Egypt’s socioeconomic challenges, including regional inequalities and a high unemployment rate among young graduates. While the economy is recovering since 2015 and macroeconomic imbalances are starting to narrow, social conditions remain difficult, with limited job creation. In 2017 the unemployment rate reached 12.4% among the total workforce, and is now falling steadily, with a low 9.95% in June 2018. Meanwhile, the youth unemployment rate peaked at 34.4% in 2012, but remained high at 30.8% in 2017. About 27.8% of Egyptians currently live below the poverty line, up from 21.6% in 2008.

One of the country’s greatest assets and challenges is its young human capital: almost 1 million young men and women enter the labour market annually. Of those young people who have a job, many are trapped in low-productivity work in the informal sector. Providing young people with the education, skills and capacities for gainful employment is a priority. Yet while enrolment in primary, secondary and tertiary education increased to 78.9%, enrolment in technical and vocational training decreased from 43.5% to 26.9%.

Overall, the share of youth who report not finding a decent job that matches their experience or qualifications continues to grow. This largely reflects the wide mismatch of skills between market needs and what the education and vocational training system provides, coupled with a limited culture and experience of entrepreneurship. Egypt is adopting innovative approaches to reduce unemployment and provide its youth with the right skills — the skills mix required by the market. The focus of these efforts is on developing innovation and entrepreneurship amongst the youth.

Through the Economic Governance and Energy Support programme, the Bank supported critical reforms to promote MSME growth and job creation. As lack of access to finance is one of the main constraints on SME growth, we supported a comprehensive reform of the microfinancing sector aimed at broadening access to finance and diversifying financial services. This has led to a tenfold expansion of the number of licensed microfinance providers. In 2017–2018 alone, the number of borrowers increased by 30%; two-thirds of the loans went to commercial activities, 70% of which were activities of women-led businesses.

Access to services is key to improving the quality of life; better health, education, and water and sanitation are essential to creating a healthy, well-nourished and well-educated population that is equipped to take advantage of work and business opportunities. Already, the country provides access to drinking water services and to sanitation to almost its entire population. It now needs to connect more households to water systems in poor rural and urban areas, and improve hygiene.

The Bank’s impact on the lives of Egyptians

The ultimate objective of our development assistance is to improve the quality of life of
Egyptians. To date, the Bank has financed 20 operations in the social sector, including projects in education, health, and microfinance.

Our portfolio of projects helps the Egyptian economy promote economic and social development. As the Feed Africa chapter discussed, the Rural Income and Economic Enhancement Project funded nearly 80 000 SMEs — 317 percent more than the target — and created more than 80 000 jobs. An estimated 43% of this funding went to women-owned enterprises (see Box 2).

The Bank seeks to strengthen institutions and support policy reforms aimed at enhancing social protection and improving social justice, with an emphasis on social inclusion. Egypt’s social transformation cannot succeed without the full participation of women and girls. Through the pioneering Women’s Economic Empowerment Project, in which the Bank invested $9 million, 4306 loans have been made and more than 24 000 women have received training.

Through the MENA Transition Fund, the Bank established the first industrial waste exchange system in Egypt, linking industrial waste generators, potential users, and recyclers in a bid to improve cross-industry resource efficiency, create green job opportunities, and reduce the environmental impact of industrial waste. Already seven transactions have taken place through this platform, targeting...
in particular entrepreneurs who are eager to engage in clean and green start-ups and expanding job opportunities in a new niche sector.

Our assistance to the health sector continues to make a significant contribution to quality of life. Progress in reaching universal health coverage is a priority of Egypt’s 2017 comprehensive health insurance law. The actuarial study commissioned by the Bank provided the Government of Egypt with financial and fiscal options for the implementation of the National Social Health Insurance system. The system now being rolled out gradually, starting with three governorates.

In the water and sanitation sector, Egypt treats at present only 40% of its wastewater. The Bank is helping Egypt address the resulting deterioration of water quality and sanitation with the second phase of its support to the Gabel Al Asfer Wastewater Treatment project, with a total capacity of 2.5 million m³/day, and the Abu Rawash Wastewater Treatment Plant, with a total capacity of 1.6 million m³/day. These two mega-projects aim to protect the water resources from pollution and reduce the health risks from the discharge of untreated wastewater to the drains and canals. They are expected to benefit more than 20 million people in Greater Cairo. Furthermore, they will create more than 2000 direct and 8000 indirect jobs for unskilled, semiskilled, and skilled workers in a multitude of areas, from project implementation to tourism, agriculture, and fisheries.

We will continue to support Egypt in creating not only more, but better, jobs, while promoting access to better services. Enabling millions of young people to find jobs will fuel the economic transformation Egypt needs, promoting sustained economic growth and reducing poverty.
THE BANK’S EFFECTIVENESS IN MANAGING ITS OPERATIONS IN EGYPT

The Bank seeks to improve the performance of its portfolio of operations in Egypt. We take a range of measures to maximise our development impact, mobilise more investment resources and deliver development outcomes as efficiently as possible.

Portfolio performance and speed of delivery

The Bank is Egypt’s trusted partner. We have adapted to the country’s changing political environment and provided responses swiftly to ensure that our support meets Egypt’s priorities. Across our portfolio, we strive to achieve the greatest development impact.

Over the past decade, the Bank approved 42 projects valued at $2543 million. While lending came to a halt during the 2011–2014 political transition (see Figure 8), the Bank ramped up the number of operations providing technical assistance and economic sector works through grants. This helped strengthen our pipeline of operations so that we could resume lending in 2015.

FIGURE 8 THE BANK INCREASED ITS NUMBER OF OPERATIONS IN EGYPT EVEN WITH LENDING CONSTRAINTS
The Bank’s active portfolio consists of 31 operations — a total commitment of $2.98 billion. Our operations are aligned with our Country Strategy Paper and the Government’s own priorities.

Keeping our portfolio of operations performing is the joint responsibility of the Government and the Bank in Egypt. This achievement is a result of collaborative and proactive efforts from the Ministry of Investment and International Cooperation and the Bank’s office in Egypt to improve the health of our portfolio and to solve issues related to complex procurement and delays in the implementation of grants. The Bank has been closely monitoring its portfolio, providing hands-on advice and support to recently established executing agencies to identify the challenges facing projects and develop joint solutions.

For its part, the Government acted to improve the transparency and speed of procurement processes. It now requires its agencies to publish contract awards for public tenders online, and it plans on moving to an e-procurement system to publish bids. It is also revising its overall procurement regulations for greater efficiency.

Project performance has improved over the last few years. There are now ● no projects at risk in the portfolio, thanks to our proactive management of operations. The ● disbursement ratio of our operations reached 87%, and the share of our ● projects facing implementation challenges and delays (red-flagged operations) declined from 38% in August 2015 to 20% in September 2018.

Working with partners to catalyse development finance

To help meet Egypt’s ambitious development agenda, the Bank cofinances its operations with other development partners. In fact, it commits to finance only up to 40% of the full cost of each operation, with the remainder being funded by the Government and development partners. The Bank’s interventions are designed to leverage its traditional instruments — investment lending and programme-based operations — as well as to attract investment from the private sector, share investment risk and use innovative instruments such as guarantees.

On the governance front, the Bank’s work with development partners is anchored on a common matrix of reforms. This was particularly the case with the $1.5 billion three-year programmatic budget support for the Economic Governance and Energy Support Programme, implemented in close collaboration with the World Bank and the International Monetary Fund. This programme was based on a high-level policy dialogue with the Government and other stakeholders, in areas of strategic importance.

Financing from trust funds and through technical assistance are key components of our investment in Egypt, and they were particularly important when lending stopped between 2011 and 2014. The Bank plans to continue mobilising resources from the Global Environment Facility, the Africa Growing Together Fund and the Climate Investment Funds. Through its involvement in the Deauville Partnership — regional fora focused on Arab

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<thead>
<tr>
<th>The bank’s effectiveness in Egypt</th>
<th>2011</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio performance and quality</td>
<td></td>
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<tr>
<td>● Portfolio performance</td>
<td>2.48</td>
<td>2.8</td>
</tr>
<tr>
<td>● Disbursement ratio of ongoing portfolio</td>
<td>34%</td>
<td>87.3%</td>
</tr>
<tr>
<td>● Average size of public sector loans ($ million)</td>
<td>246</td>
<td>342.5</td>
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<tr>
<td>● Average size of grants ($)</td>
<td>1.13</td>
<td>1.6</td>
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The bullets indicate that: ● We are above baseline level ● We are moderately moving towards the target ● We are not moving towards the target.
countries in transition — the Bank identified new initiatives through which it could raise financing to provide technical assistance, capacity building and economic and sector work to enhance the effectiveness of project execution.

Knowledge management

Increasingly the Bank plays the role of knowledge broker, producing high-quality knowledge products that generate evidence on national development needs and how best to address them. Analytical work underpins our efforts to strengthen national development programmes and enables us to refine our own policies, procedures and operations. Our knowledge role is an important aspect of our work in Egypt. We produced a wide range of studies — for example, on mapping clusters of firms, using renewable energy in the irrigation sector and promoting women’s employment through business inclusion. We are focused on deepening our analytical capacity, building partnerships and increasing our collaboration with universities and think tanks.

Moving closer to Egypt

The Bank’s Development Business and Delivery Model has brought the Bank into even closer work with Egypt. Around 89% of the Bank’s projects in Egypt are task-managed from its Country Office in Cairo. The Bank’s Tunis-based regional hub provides support in such cross-cutting areas as safeguards, climate and gender equality. As we move forward, we will build on this setting to deliver the greatest development impact for Egypt.
About this publication

Since 2011, the African Development Bank (the Bank) has produced an Annual Development Effectiveness Review that assesses the Bank’s overall contribution to development results in Africa. The Annual Review is complemented by a series of thematic reviews covering the Bank’s activities in its regional member countries.

This Country Results Brief is part of a series of summary reviews that examine ongoing operations in individual regional member countries. The Bank appreciates the high level of dialogue it was able to hold with country authorities during the preparation of this review — a collaboration that highlights the quality of the partnership between the institution and the country.

Like other Development Effectiveness Reviews, this report is intended for the general public and aims to strengthen our institution’s transparency and accountability to our partners. It is innovative in its conciseness and its focus on the Bank’s High-5 priorities. It also serves as a major additional management tool to facilitate the continuous improvement of our operations and organisation.