



**The African Development Bank Group  
and The Arab Republic of Egypt**

2010



African Development Bank Group

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## I - Introduction

The Bank has enjoyed a privileged relationship with Egypt, progressively building, over the years, one of its leading country portfolios. Reflecting Egypt's development priorities and the Bank's strategic objectives, the Bank is actively involved in financing infrastructure and private sector development, mainly covering the power, water and sanitation, and is supporting social protection programs for poverty reduction and job creation through SME development. The Bank was also a main player in Egypt's Financial Sector Reform Program and continues to assist the sector.

The impressive economic and business reforms initiated since 2004 have taken Egypt into the league of high-performing middle-income countries, and opened new and expanded opportunities for Bank engagement. The Bank's participation in the 2005-2008 financial sector reform program, for a record-size development budget support loan of US\$ 500 million contributed significantly to the banking sector's consolidation and the strengthening of country's financial soundness and stability. With electricity demand rising by 7% annually in recent years, the Bank is currently co-financing three new power projects to increase generation capacity by a total of 3,350 MW, in support of socio-economic development. The Bank is committed to supporting government reform policies, projects and

### The Bank and Egypt in Brief

Membership year	1964
Start of lending operations	1974
Number of ADB operations approved, 1974-2010	56
Number of ADF operations approved, 1974-2010	29
Cumulative Bank Group Approvals in UA million, 1967-2010	3,382
Subscribed capital (%) as of 31st December, 2009	5.127
Total voting power (%) as of 31st July, 2010	5.047
Share of total ADB lending going to Egypt 2005-2008 (%)	28

### Current Portfolio as of 1st September 2010

Number of sovereign loans	6
Amount of sovereign loans (UA million)	815.4
Number of non-sovereign loans	4
Amount of non-sovereign loans (UA million)	386.1
Number of technical assistance grants	9
Amount of technical assistance grants (UA million)	6.8



programs that add value, uphold the drive for higher economic growth, and lessen the burden of poverty.

The Bank remains a close development partner as Egypt continues to address its numerous development challenges. Subduing inflation, tackling unemployment, and containing the mounting pressures on the fiscal deficit and the external balance, stand out as clear macro-economic imperatives. The country will also need to press

ahead with fundamental reforms that raise economic efficiency and enhance external competitiveness in order to maintain higher growth momentum, and provide sustainable social protection.

As the economy rebounds, the existing sizeable gaps in infrastructure financing will increasingly be met through recourse to public-private partnerships, which are being successfully promoted under a government-led program. The Bank is well placed to take advantage of these numerous investment opportunities in the coming years by offering long-term resources at competitive terms, and operating with greater synergy under both its sovereign and private sector windows.

Egypt is reinforcing its economic ties and cooperation with the rest of the continent, particularly with its southern neighbours, and is aiming at the business prospects for

increased investments and exports to Comesa and other African markets. The Bank will actively espouse the potential for upcoming cross-border investment projects that advance regional economic integration.

The Bank is fully conscious that as a borrowing client, Egypt expects excellence in service delivery, enhanced responsiveness and flexibility, for the timely and successful execution of Bank-funded projects and programs. The Bank is set on a relentless drive to upgrade the efficiency of its business processes and emphasize portfolio management based on achieving results. The Egypt field office, in particular, is continually striving to match the highest standards of portfolio quality and performance to deepen country strategic dialogue and the development effectiveness of Bank interventions through active partnership with Egyptian authorities, primarily through the Ministry of International Cooperation. The field office also collaborates closely with development partners and other stakeholders to facilitate harmonization and aid effectiveness.

As the Bank intensifies its decentralization program through greater customization and broader delegation of authority, the Egypt field office will become better equipped to extend a more client-oriented service in line with the country's portfolio, which comprises a number of large-size projects, and in line with the specialized needs of key economic sectors.









## II - Background



### Geography

Egypt is located in North Africa, bordering the Mediterranean Sea and lying between Libya and the Gaza strip on the West and the Red Sea on the East. It is North of Sudan and provides the only land link between Africa and the Eastern Hemisphere. It has a total area of roughly one million km<sup>2</sup> of which 995,450 km<sup>2</sup> is land and 6,000 km<sup>2</sup> is water. Only 2.85% of Egyptian land area is arable.

The country consists essentially of a vast desert plateau cut through by the Nile Delta and the Nile Valley.<sup>1</sup> There are five important oases in Egypt all located in the Saharan Desert. It has a Mediterranean climate characterised by dry hot summers and moderate winters. Its natural resources include petroleum, natural gas, iron ore,

phosphates, manganese, limestone, gypsum, talc, asbestos, lead, and zinc.

Egypt is divided into 29 governorates. Each governorate has a capital, and is further divided into regions. The Greater Cairo, is a megapolis accommodating around 18 million people. Major cities include Cairo (the capital city of Egypt), Alexandria (the second main city and an important seaport), Port Said (fishing, industries and a seaport), Ismailia, Suez, and Giza.

### Population

Egypt is the most populous country in the Arab world and the second most-populous on the African Continent. The great majority of its estimated 80 plus million people

<sup>1</sup> Africa's longest river, the Nile, approximately 6,695 km long from its remotest headstream to its delta, runs through Egypt starting from the Great Lakes in the heart of Africa, through Northern Sudan, where the Ethiopian tributaries collecting rain water, flow into its main course. Running past the cataract area south of Aswan, it calms down, flowing smoothly down to its mouth on the Mediterranean Sea.

live near the banks of the Nile River, in an area of about 40,000 square kilometers (15,000 sq mi), where the only arable agricultural land is found. The large areas of the Sahara Desert are sparsely inhabited. Approximately half of Egypt's population lives in urban areas, with most of it spread across the densely populated centers of greater Cairo, Alexandria and other major cities in the Nile Delta.

Egypt has two main religions, the principal one being Islam which was introduced with the Arab conquests in the 7th century. Today, Muslims constitute the overwhelming majority of the country's population of almost 81 million and the country is a major cultural and spiritual heart of the Muslim World. Christianity is the other religion which continues to thrive in Egypt with approximately 20 % belonging to the distinctive Egyptian church whose members are known as Copts.

## Culture & History



With its 7,000-year old history, Egypt, is considered as the “Motherland of the World” and “Land of Civilizations” and is the world’s most ancient state with a unified societal entity within its current geographical border.

Egypt's history goes back to a pre-historic period when primitive tribes lived along the Nile. The history of the pharaonic dynasties began in about 3100 B.C, the period during which the world famous pyramids at the Giza Plateau were built. The dynastic rule of the pharaohs was followed by that of Persians, Greeks, Romans, Arabs, Ottomans, and Europeans (the French during the rule of Napoleon Bonaparte followed by the British). The Country gained independence from the British on February 28, 1922.

In recent history, monarchical rule under King Farouk was terminated by a group of disaffected army officers led by Lt. Col Gamal Abdel Nasser who staged a coup d'état in 1952. After a short experiment with civilian rule, they annulled the 1923 constitution and declared Egypt a Republic on 19 June 1953. Egypt has been a republic since then. President Mohammed Hosni Mubarak, has been the President since 14 October 1981, after the assassination of President Mohamed Anwar Sadat.

Culturally, Egypt's capital city, Cairo, Africa's largest, has been renowned for centuries as a center of learning, culture and commerce. The Egyptians were one of the first major civilizations to codify design elements in art and architecture. Egyptian civilization is renowned for its colossal pyramids, colonnades and monumental tombs.

Egypt's media and arts industry has also flourished since the late nineteenth century. Today, there are more than thirty satellite channels and over one hundred motion pictures are produced each year. Cairo has long been known as the "Hollywood of the Middle East" its annual film festival, the Cairo International Film Festival being among the top-rated festivals at global level. Literature is an important cultural element in the life of Egypt. Egyptian novelists and poets were among the first to experiment with modern styles of Arab Literature, and the forms they developed have been widely imitated throughout the Middle East. Naguib Mahfouz was awarded the Nobel Prize of Literature several years back. Finally, Egyptian music is a rich mixture of indigenous, Mediterranean, African and Western elements.

The country has also maintained its long standing tradition in knowledge generation and science. Egypt has the



highest number of Nobel Laureates in Africa and the Arab World.

Finally, Egypt is famous for its many festivals and religious carnivals. They are usually associated with a particular Coptic or Sufi saint, but are often celebrated by all Egyptians irrespective of creed or religion. Ramadan has a special flavor in Egypt, celebrated with sounds, lights (local lanterns known as fawanees) and much flare that many Muslim tourists from the region flock to Egypt during Ramadan to witness the spectacle.

## Government

Egypt became a republic on 18 June 1953. President Mohamed Hosni Mubarak has been the President of the Republic since 14 October 1981 and is currently serving his fifth term in office. He is the leader of the ruling National Democratic Party. Dr. Ahmed Nazif has been the Prime Minister since 9 July 2004.

Power is organized under a multi-party semi-presidential system whereby the executive power is theoretically divided between the President and the Prime Minister. Egypt conducts regular multi-party parliamentary elections, the last of which was won by President

Mubarak's party in September 2005. In late February 2005, President Mubarak announced the reform of the country's presidential election law, paving the way for multi-candidate polls since then. Separate elections for Egypt's parliament would take place in 2010 while presidential elections are planned for 2011. The legal system is based on Islamic and civil law (particularly Napoleonic codes); and the judicial review takes place by Supreme Court.

## Socio-Economic Development<sup>2</sup>

Egypt has already achieved the Millennium Development Goal (MDG) of halving the proportion of the population living in extreme poverty but regional disparities remain a key challenge. The percentage of Egyptians living below the national poverty line increased from 19.6% in 2005 to 21.6% in 2009. The percentage of population under the poverty line is highest in rural areas at 28.9%.

The government's five-year plan (2007-12) aims to reduce poverty to 15% by 2011/12 and to narrow the disparities between Lower and Upper Egypt and between rural and urban areas. To this end, a "poverty map" has recently been drawn to determine the most vulnerable areas and groups. Based on this map, two innovative programmes have been adopted to direct resources to those villages and people in greatest need: Geographic Targeting and Supporting the Most Vulnerable Families. In 2009, the government initiated geographic targeting to help the poorest 1000 villages by improving infrastructure and health services, reducing illiteracy, increasing job opportunities and introducing ration cards.

The net enrolment ratio in primary education increased from 91% in 2000/01 to 94% in 2005/06. The literacy rate for 15-24 year-olds increased from 73% in 1996 to



<sup>2</sup> Based on African Economic Outlook, 2010.



87% in 2005. The 2007-12 five-year plan aims to further increase enrolment rates, increase the number of schools, reduce class density, and support early childhood development.

Egypt has succeeded in eliminating gender disparities in general secondary education and is set to do so for primary education. Yet this MDG target may not be met at the technical education level. Women's share in wage employment in the non-agricultural sector is quite low, at 17.7% in 2005. Women's representation in the political arena is also limited: only 1.8% in the People's Assembly

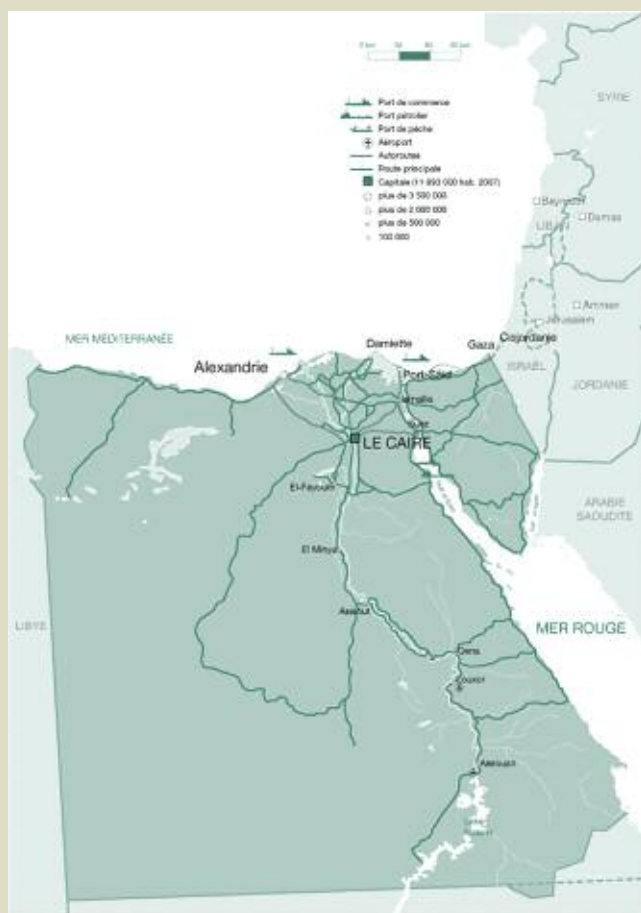
in 2005 and 7% in the Shura Council in 2008. Despite the inclusion of gender targets in the current socio-economic plan for the first time in Egypt, and the establishment of the National Council for Women in 2000, there is clearly a need to promote greater participation of women in the formal economy and in the political realm.

The Ministry of Health and Population plans to reform the health insurance system as part of a nationwide health care reform strategy with the objective of achieving universal coverage for all Egyptians by 2012. Health indicators have improved over the last two decades. In

particular, infant and under-five child mortality declined by almost 50% between 1990 and 2006. But disparities in infant and child mortality by region, social class and gender remain a key challenge.

The decline in investments and slower economic growth led to the creation of fewer new jobs, which reached 600 000 jobs in 2008/09. The unemployment rate stood at 9.4% in 2008/09. Unemployment remains highest among women and new entrants to the labour force. The failure of the educational system to provide skills that the labour market demands remains a key concern.

**Map of Egypt**



(African Economic Outlook, 2010)

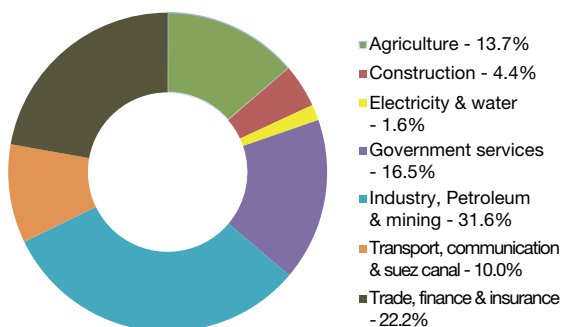




### III - Recent Economic Developments<sup>3</sup>

Egypt is the second largest economy of the continent (just after South Africa) and is ranked 25th globally. The Egyptian economy is well-diversified and driven by the tourism industry, the oil and gas industry, trade services and agriculture.

**Gross Domestic Product  
by Sector in 2008**



(African Economic Outlook, 2010)

Egypt weathered the first round of the global economic crisis well thanks to the reform of its banking sector in previous years, and its relatively low financial market integration with the world. Egypt, however, was negatively affected by the second round impact of the global crisis. GDP growth rate fell from its average of 7.2% in 2007/2008 to a mere 4.9% in 2009/10. The growth rate achieved was due to the resilience of domestic consumption, which represents 81.5% of GDP, and increased public investments. In an attempt to lessen the blow of the global crisis, the government designed a



rescue package to preserve demand and help the sectors that are directly affected. A series of three fiscal stimulus packages of over US\$ 6 billion were approved. The extra public investment spending was mainly directed towards infrastructure and utility projects, particularly water and sanitation projects.

Nevertheless, the economy has been relatively resilient to the crisis and is rebounding. GDP is estimated to grow by 5.2 % in the fiscal year ending in June 2011, and by 5.3 % the year after. In particular while in June 2009 total exports had fallen sharply by 28.9 % year on year, in March 2010 they had recovered by 32.8 % year on year. Egypt's key sectors are also progressively overcoming the global economic downturn. The tourism sector, one of the country's main sources of foreign exchange earnings saw a 24 % surge in revenue at the beginning of 2010, bringing with it renewed demand for hotels, resorts and tourism infrastructure. The construction industry grew 14.7 % in at the beginning of 2010

<sup>3</sup> Based on African Economic Outlook, 2010.



supported by giant infrastructure schemes developed by the government. The manufacturing sector, which had been benefitting from strong growth in textiles exports produced in the Qualifying Industrial Zones, is also slowly recovering from the global recession.

Similarly after a sharp drop-off in FDI flow from US\$13.2 billion in 2008/2009, to US \$5.5 billion over the 2009/2010 fiscal year, the country is expected to recover to US\$ 8.8 billion in 2010/2011. Gross fixed investments are also expected to pick up to 8.2 % of the GDP in 2010/2011 after a contraction of 10.2% in 2009/2010 (and from a peak at 23.7% in 2007/2008). Even if remittances were affected by the financial crisis in 2009 Egypt was the biggest recipient of remittances in the Middle East and ranked as the seventh-biggest remittance receiving country worldwide (US\$ 7.8 bn received in 2009).

Inflation has also stabilized over the last 2 years standing at 10.5% year-on-year in May 2010, compared to 10.2 % year-on-year in May 2009. The inflation is currently due to one-off and seasonal changes (higher sales tax of tobacco and building materials prices, in addition to higher changes in costs of food and some non-food items with the start of summer holidays and the lead up to Ramadan in early August), rather than higher inherent non-food inflationary pressures in the economy. In terms of monetary policy, the CBE (the Central Bank of Egypt) has pursued a prudent job. After six rate cuts in 2009, the CBE kept interest rates unchanged from November, 2009 to June 2010.

Nevertheless macro-economic stability remains a challenge.

The current account balance is estimated to continue to worsen in 2010. IMF projects a high current account deficit fluctuating from 4.2 % of GDP in 2009 to 6.2 % in 2010 and to 2.1 % in 2011. Egypt's Net International Reserves (NIR) inched up to USD35.2 billion in June 2010. Annual growth in NIR remained stable at 12.5% in June 2010 for the second consecutive month, its highest level since November 2008, mainly due to the base effect, a rebound in capital and current inflows and an improvement in international financial markets' performance.



The budget deficit for 2009/2010 is projected to be lower than expected at 8.2% of GDP. This deficit is due to expansionary fiscal policy and a series of stimulus packages. The 2009/10 budget approved by Parliament in early June had projected a sharp decline in total revenue by almost 19%. However revenues derived from global trade (a significant share of tax revenues) have proved to be on the rise: revenues from the Suez Canal have increased by 15% yoy in May 2010; Egypt's hydrocarbon revenues are also picking up because exports of crude oil and petroleum products have increased by 44% yoy in 2010 Q1.

To cope with declining revenues the government has significantly re-adjusted its subsidy policy in 2009/2011. Subsidy related expenditures are being lowered through gradually decreasing energy-related subsidies and improving the targeting of subsidies to those most in need. For 2010/11 this readjustment will be pursued. In

particular for the electricity sector a 7.5% increase in electricity prices for households is planned for October 2010 while gas price for non-energy intensive industries will be increased by 18%. In parallel spending on education, health and other social services will be reinforced without increasing the deficit. Nevertheless subsidies are expected to still account for a quarter of total spending, in FY 2010/2011.

The measures to boost tax compliance planned in 2009 have partly offset the impact of the global financial crisis in 2009/2010 with Egypt's tax revenue rising by 6% in 2009/2010. Following the change in taxation structure started in 2005 the government continued to tighten tax regulation. This has been achieved through an increase in the sales tax, the elimination of some tax exemptions and introduction of a new property tax of 10%. The government has further taken some measures to collect tax arrears and improve tax collection to compensate for loss in revenue from the Suez Canal and other companies. Finally tax reforms were announced in May 2010 including the conversion of the sales tax into a value added tax. As a result tax revenues would rise from LE 163.2 billion in fiscal year 2008/9 to LE 408 billion in 2015.

Even if Egypt's debt indicators improved considerably in recent years they have slightly worsened over 2009/2010. Indeed, the public debt stock, including public external debt, estimated at 80% (in 2008/2009) should increase by two points, to 82% at the end of 2009/2010. Nevertheless for 2010/2011, it is scheduled to come down to between 74% and 77% of GDP and the Government is targeting to reduce the debt to between 44 % & 51 % of GDP in 2014/2015.

In 2010, the current debt continues to impose a heavier burden on government finances than those of similarly rated sovereigns. The interest bill estimated at an average annual rate of around 5% of GDP consumes about 17% of government revenues, compared to a median of 7% among Standard and Poor's BB-rated countries and annual gross financing needs are over 20% of GDP (2009). The domestic debt coupled with the budget deficit as well as the rigidity of the budget minimizes the fiscal space required to implement additional stimulus packages to foster economic growth. Nevertheless the GoE is

planning a new Eurobond issue in 2010 which is expected to be over-subscribed. The issue will allow some fiscal space for GoE according to Ministry of Finance.

Structural reforms were also pursued toward a positive and improving Business Climate. For the third time in four years, Egypt was among the top 10 global reformers (Doing Business 2010). In particular the country eased the issuance of construction permits; reinsured contract enforcement; eased access to credit information and facilitated the creation of start-up companies. As a result private investments in Egypt were multiplied by 2.6 between 2003/2004 and 2008/2009. Private investments accounted for 65% of total investments over the three first annual quarters 2009/2010.

In particular the Country had launched a privatization program to sell state assets to individual investors following public protests. The sukuk privatization program had been temporarily suspended in 2008. The program was to be re launched in the chemical industries sector. Nevertheless in the past four years, Egypt sold only four companies while actually buying back seven from investors. The government is aware of the risk of social dislocation if liberalization moves too quickly, and reform will remain gradual for the 149 remaining public companies (accounting for less than 5 % of the GDP).



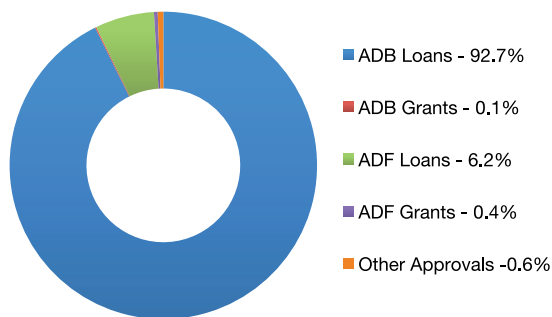


## IV – Brief History of Bank Group Operations

Egypt was one of the founders of the African Development Bank Group in 1964. As a key Bank Group partner, the country's mutual cooperation with the continent's leading development finance institution has grown considerably over the years. Egypt is also the Bank Group's 3rd largest borrower. Its Cairo country office continues to enhance the institution's dialogue and effectiveness in the country.

Since starting lending operations in 1974, the Bank Group has, as of September 1, 2010, approved 83 operations, representing a total net commitment of about UA 3.28 billion, 92.7% of this amount is made up of ADB loans, 0.1% ADB grants, 6.2% from ADF loans, 0.4% ADF grants and 0.6% other approvals.

**Cumulative Bank Group Loans & Grants by Institution in Egypt (1974-2010)**



As of August 31, 2010

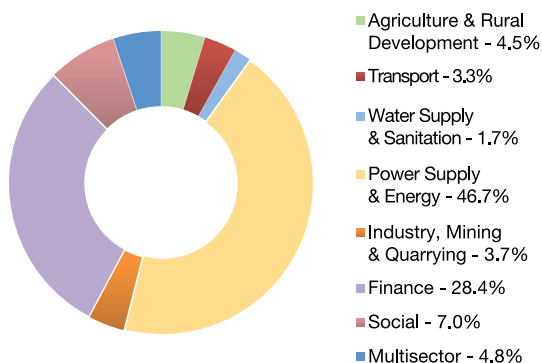


Cumulatively, the Bank-financed operations cover mainly the power supply sector, which represents about 46.7% of the portfolio's net commitment, followed by the finance sector which takes up 28.4% of portfolio resources. The social sector accounts for 7.0%. Multi-sector operations, comprising mainly public sector management, export promotion and industrial import represent 4.8% of net commitments. The agricultural and rural development sector took up close to 4% of portfolio resources. The transport and industry, mining and quarrying sectors account 7% of the portfolio. Lastly, the water and sanitation and communications sectors represent less than 2% of the Bank's net commitments.





### Cumulative Bank Group Loans & Grants by Sector in Egypt (1974-2010)



As of August 31, 2010

## Energy/Power Supply sector

Continuous and reliable supply of electricity is required for Egypt's socio-economic development. With a highly urbanized population and a high growth electricity demand, a systematic expansion of the electricity generation facilities and other infrastructure developments are imperative to cope with household demand. At the same time, economic growth will hinge on the provision of adequate and reliable power to vital sectors like industry, agriculture, tourism and transport sectors, to which the government gives high priority. Against this background, the Egyptian government has made the expansion of electricity infrastructure, including generation, one of its priorities under its Sixth (2007-2012) National Development Plan, which outlines the country's development agenda over coming years.

Since 1974, the Bank Group has financed 18 operations in the energy sector, 14 of which are fully completed. Bank Group interventions mainly aimed at ensuring that Egypt achieves its goal of expanding its electricity supply by no less than 7% annually and making it available at a minimum cost to various economic sectors in order to promote growth. The Bank has recently invested in three ongoing projects: the El Kureimat Combined Cycle Power Plant Project (Module III); the Abu Qir 1300 MW Steam

Power Plant Project; and the Ain Sokhna 1300 MW Steam Power Plant Project. These projects represent a cumulative lending amount of UA 665.4 million, accounting for about 50.5% of the active portfolio's net commitment value. In addition the Bank has invested into the Egyptian Refinery Company project, a UA 153 million private sector operation aiming at converting low grade fuel oil purchased from General Petroleum Corporation into refined products for domestic market consumption, including high end diesel fuel.

## Financial Sector

The Egyptian financial sector comprises the banking and the non-bank financial sector, the latter includes the insurance, mortgage, capital market, and other financial services, such as leasing and venture capital. Microfinance institutions are also gradually becoming integrated into the financial sector. The sector has a major role to play in stimulating development in the country, particularly that of the private sector. The average annual compound growth rate of financial system assets was 14.6% during the period 2001-2005, significantly above the year-on-year GDP growth rate. The financial sector has contributed, on average, between 5 to 6% to GDP over the past six years. The sector has been one of the main beneficiaries of the government's economic reform and



liberalization policies implemented since the early 1990s. This period has seen an appreciable institutional strengthening of the financial system.

The Bank has, since 2006, supported the government's financial sector reform program, with the largest loan ever approved for an ADB-borrower of US\$ 500 million. This program, co-financed with the World Bank and USAID, and including privatization and bank divestiture, has reduced concentration and improved performance of Egypt's banking sector, making it more efficient and responsive to private sector needs.

## Social Sector

To date, the Bank has financed 17 operations in the social sector, comprising six projects in education, seven in health, two in poverty alleviation and microfinance and two in gender, population and nutrition sub-sectors. Bank Group operations in the social sectors have had a positive impact on the Egyptian economy. In particular, health sector operations have resulted in greater accessibility to health services by the country's population. Currently, the Bank is a main supporter of the Social Fund for Development (SFD), which has been mandated by law to coordinate efforts for Micro and Small Enterprise Development. The Bank completed a community development project with the SFD in 2006 and followed up its support with a Line of Credit in support of micro and small enterprise development, as well as another project in support of franchising development and more recently, a project in support of smallholder farmers involved in the agribusiness sector. Pipeline projects are planned in the health sector as well as an income enhancement project for taxi-drivers.

## Agriculture and Agro-Industry Sector

The Bank is currently financing two studies in the irrigation and water resources management sub-sector. Each study is being conducted with a Middle Income Country (MIC) grant of UA 600,000 each. There are also a number of projects in the pipeline aimed at improving agricultural

productivity through the development of irrigation infrastructure.

The first study is a joint effort between the agriculture and agro-industry sector and the African Water Facility to develop and manage Egypt's limited water resources in the most efficient manner that meets irrigation and other needs through the application of the principles of integrated water resources management to maintain resource sustainability. The joint effort is being conducted through a study on Egypt's irrigation network and major hydraulic structures.



The second study is on the Zefta Barrage whose objective is to determine the most technically viable, economically feasible, and environmentally and socially acceptable option for the rehabilitation or reconstruction of the Barrage. This includes the production of a comprehensive feasibility report and the associated engineering designs, bills of quantities and tender documents for the selected option. The majority of the beneficiaries of the Zefta Barrage Study are among the poorest in the country, living in rural areas and depending mainly on agriculture for subsistence.

## Transport sector

Currently, the Bank is financing one project, the Damietta Container Terminal (a private sector operation), which accounts for 6.2% of the total commitment value of the active portfolio.



## V – Current Strategy & Ongoing Activities



The Bank's 2007-2011 intervention strategy in Egypt is centred on two pillars. The first consists of promoting private sector development through direct support to the sector, with linkages to infrastructure projects and financial sector development. The second seeks to deepen social protection development through increased institutional capacity-building and support to organisations dealing with poverty reduction at the grass-roots. The two pillars are within the government's fifth (2002/03-2006/07) and sixth (2007/08-2011/12) National Development Plans. Their strategic objectives are to promote exports to enhance balance of payments and increase job opportunities; deepen and modernize the industrialization process with a view to focusing on capital goods and high-value production in line with Egypt's competitive advantage; and reduce unemployment and focus on employment-oriented, labour-intensive techniques and promote small and medium-sized enterprises. Additionally, the projects seek to direct development towards desert land and correct spatial

imbalances; reduce poverty and promote equity; and promote gender equality and greater female participation in the development process.

With regard to social protection development, the African Economic Outlook (AEO-2009) reports that Egypt has achieved the Millennium Development Goal of halving the proportion of the population living in extreme poverty in 2005. The AEO-2009 also indicates that remarkable progress has been made to reduce infant and under-five mortality. Between 1990 and 2006, these two measures declined by 50% and 56%, respectively.

In line with the promotion of the private sector development pillar, the government has reformed regulations to obtain business licenses, thus positively impacting the investment climate. As a result, Egypt has jumped from the 43rd position in 2009 to the 24th position in 2010 on the ease of starting a business' indicator as part of the 2010 Doing Business survey. Structural reforms

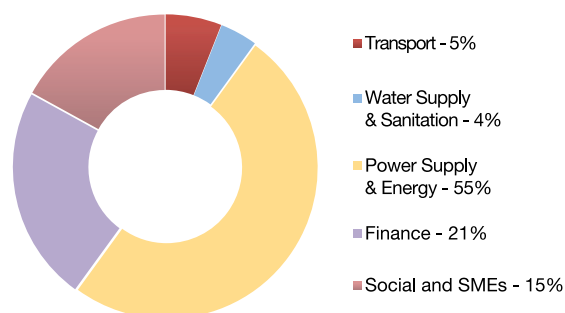


have also been pursued to ease the issuance of construction permits; reinsure contract enforcement; ease access to credit information and facilitate the creation of start-up companies. While private operations in Egypt amounted to only 47% of total operations in 2003/2004, they reached 65% in 2007/2008.



As of September 1, 2010, the portfolio comprised 19 operations which amounted to net commitments of UA 1,208 million. With 6 operations, for a total of UA 815.4 million, the sovereign loans represent 67% of the portfolio. With 4 operations, non-sovereign loans account for 32% of the portfolio. The 9 remaining operations include technical assistance grants for a total of UA 6.8 million. These grants are financed through the Middle Income Countries Trust Fund, the African Water Facility and the African Private Sector Assistance Technical Assistance Fund. Active operations are dominated by the power supply sector, which accounts for 55% of approvals; 21% went to the financial sector; 15% to SME and social protection development; 5% to transport and communication development, and 4% to water resource development.

**Current Portfolio Structure  
by Sector in Egypt**



**As of August 31, 2010**





# ANNEXES

Lending Program 2010-2013

Summary of on-going projects  
& MIC Trust funds

Egypt Portfolio as at August 31, 2010

Economic and social indicators







## ANNEX I Lending Program 2010-2013

Complex	Depart	Sector	Description	Planned Lending (in UA millions)				Status
				2010	2011	2012	2013	
OIVP	OITC	Transport	Sharm el Sheikh Air Port		200			
	ONEC	Power Supply	Suez Power Plant Project	335				Appraised
			Kom Ombo Power Project		70			
			Power Project		335			
			Power Project			335		
			Power Project				335	
	OPSM	Power Supply	Egyptian Refining Company	154				Approved
		Line of Credit	Line of Credit to Banque du Caire	100				Under Preparation
	OWAS	Water Supply & Sanitation	Urban Water Supply Project				70	
			Water and Wastewater Study	0,6				Under Preparation
OSVP	OSAN	Agriculture Project	Farm Level Irrigation Improvement Project	135				Under Preparation
			Drainage Improvement Program	140				Under Preparation
			Market Access & Trade Improvement Project		70			
			Pumping Stations Rehabilitation Project			100		
			Rehabilitation of Nubaria & Ismailia Canals				70	
	OSGE	Financial Study	Financial Sector Reform Study	0,6				To be determined
	OSHD	Social Sector	Rural Income & Economic Enhancement Project	49				Approved
			Nasser Social Bank - Taxi replacement	67,6				Under Preparation
			Nursing Sector Development Project		50			
<b>Grand Total</b>			<b>1014</b>	<b>725</b>	<b>435</b>	<b>475</b>		



## ANNEX II Summary of on-going projects & MIC Trust funds

Energy	UA million
Abu Qir 1300 Thermal Power Plant Project	213
Ain Sokhna Thermal Power Project	297
El Kureimat 750 MW Combined Cycle Power Plant (Module III)	154.8
Egyptian Refining Compagny (ERC)	148.5
Transport and communication	
Studies for the Launching of the Geostationary Satellite Project (NAVISAT)	0.6
Damietta Port Container Terminal Project	79.2
Water Supply and Sanitation	
Glabel Elasfar Wastewater Treatment Plant	46.9
Master Plan for the Rehabilitation/Maintenance of Major Hydraulic Structures in Egypt	1.8
Comprehensive Study and Project Preparation for the Nubaria and Ismailia Canals	1.7
Agriculture	
Zefta Barrage Feasibility Study	0.6
Financial sector	
Small and Medium Enterprise Support Project (Second Line of Credit to the National Bank of Egypt)	132.3
Social Sector	
Social Fund for Development: Micro and Small Enterprises Support Project	58.1
Rural Income and Economic Enhancement Project	46.8
Franchising Sector Support Program	27.0



# Abu Qir 1300 MW Thermal Power Plant Project

<b>ADB Loan Amount</b>	UA 213.0 million
<b>Co-Financiers</b>	IDB, AFESD, KFAED, West Delta Electricity Production Company / Egyptian Electricity Holding Company
<b>Approval Date</b>	November, 2007
<b>Expected Completion Date</b>	December, 2012
<b>Location</b>	Alexandria
<b>Executing Agency</b>	West Delta Electricity Production Company / Egyptian Electricity Holding Company

## Background and Objective

Egypt's rapid economic growth requires, among other things, a systematic expansion of the electricity generation facilities to cope with increasing demand from various sectors of the economy. Indeed, the provision of sufficient and stable power supply is vital for all productive and social sectors of the economy, to which the government gives high priority. To attain this goal, the country is in the process of securing reliable and adequate energy supply by investing in appropriate, diversified and economically competitive sources.

The project is in line with both the government's development strategy and the Bank's operational strategy in Egypt, as articulated in the 2007- 2011 Country Strategy Paper, as the energy sector is critical for enhancing the private sector's efficient functioning.

The project's objective is to increase the generation capacity to partly meet the electricity demand on the Unified Power System in the short-to-medium term.

## Description

The project components comprise:

- Site preparations, piling and foundation works and construction of buildings, structural steel, underground



pipings, access roads, cooling intake and discharge structures and portable water and sewerage systems;

- Supply and installation of steam turbine generators, steam generators and auxiliaries, mechanical equipment/pipes, electrical equipment, instrumentation and control system and a switchyard;
- Design, fabricate, deliver, install and commission of an environmental monitoring station with all associated electrical instrumentation equipment;
- Engineering services for project management.

## Expected Outcomes

The project intends to:

- Increase energy generation; and
- Provide 4% of energy supply.

# Ain Sokhna Thermal Power Project

<b>ADB Loan Amount</b>	UA 297.0 million
<b>Co-Financiers</b>	WB, AFESD, KFAED, Egyptian Electricity Holding Company
<b>Approval Date</b>	December 2008
<b>Expected Completion Date</b>	June 2014
<b>Location</b>	El-Ain Al-Sokhna
<b>Executing Agency</b>	Egyptian Electricity Holding Company

## Background and Objective

Egypt's rapid economic growth requires, among other things, a systematic expansion of the electricity generation facilities to cope with increasing demand from various sectors of the economy. Indeed the provision of sufficient and stable power supply is vital for all productive and social sectors of the economy, to which the government gives high priority. To attain this goal, the country is in the process of securing reliable and adequate energy supply by investing in appropriate, diversified and economically competitive sources.

The project is in line with both the government's development strategy and the Bank's operational strategy in Egypt, as articulated in the Country Strategy Paper (2007- 2011), as the energy sector is critical for enhancing the private sector's efficient functioning.

Specifically, the project's objective is to enhance Egypt's socio-economic development by providing infrastructure to increase the country's electricity generation capacity.

## Description

The project comprises the following major components:

- Site preparations, piling and foundation works, construction of buildings, structural steel, underground piping, chimneys, access roads, yard tanks, cooling intake and discharge structures and circulating water

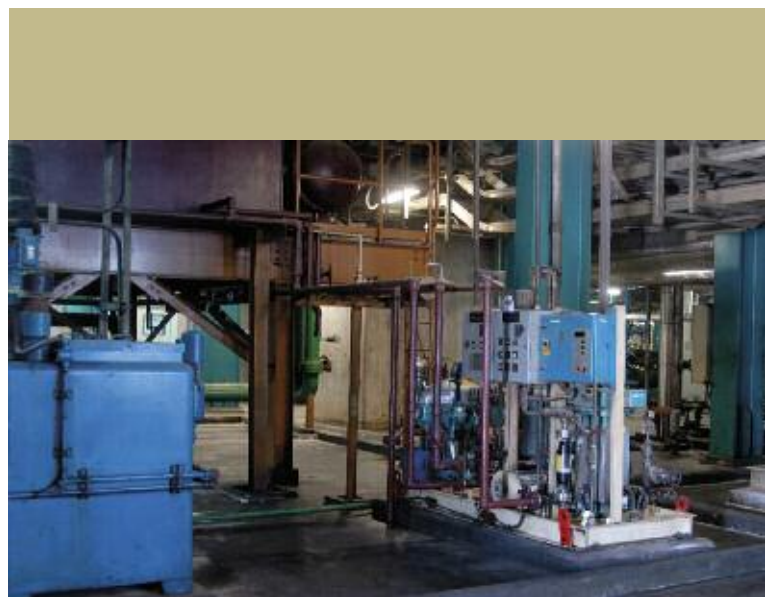
and rack systems;

- Supply and installation of steam turbine generators and condensers, steam generators, mechanical equipment/ pipes, electrical equipment, instrumentation and control system and a switchyard;
- Design, fabricate, deliver, install and commission of an environmental monitoring station with all associated electrical instrumentation equipment;
- Engineering services for project management.

## Expected Outcomes

This project intends to:

- Increase total installed capacity; and
- Increase the number of consumers.



# El Kureimat 750 MW Combined Cycle Power Plant (Module III)

<b>ADB Loan Amount</b>	UA 154.8 million
<b>Co-Financiers</b>	Upper Egypt Electricity Production Company / Egyptian Electricity Holding Company
<b>Approval Date</b>	July 2005
<b>Expected Completion Date</b>	June 2010
<b>Location</b>	Cairo
<b>Executing Agency</b>	Upper Egypt Electricity Production Company / Egyptian Electricity Holding Company



## Background and Objective

Egypt's rapid economic growth requires, among other things, a systematic expansion of the electricity generation facilities to cope with increase demand from various sectors of the economy. Indeed the provision of sufficient and stable power supply is vital for all productive and social sectors of the economy, to which the government accords high priority. To attain this goal, the country is in the process of securing reliable and adequate energy supply by investing in appropriate, diversified and economically competitive sources.

The project is in line with the government's development strategy and the Bank's operational strategy in Egypt, as articulated in the 2007- 2011 Country Strategy Paper, as the energy sector is critical for enhancing the private

sector's efficient functioning. Specifically, the objective of the project is to increase the generation capacity in order to partially meet the electricity demand in the Unified Power System (UPS).

## Description

The project's main components include:

- Site preparations, piling and foundation works and construction of buildings, structural steel and underground piping, access roads, cooling intake and discharge structures;
- Supply and installation of gas turbine generator and auxiliaries, steam turbine generators and auxiliaries, heat recovery steam generators and auxiliaries and a switchyard;
- Design, fabricate, deliver, install and commission of an environmental monitoring station with all associated electrical instrumentation equipment;
- Engineering services for project management.

## Expected Outcomes

The project intends to:

- Increase the UPS supply capacity;
- Contribute to increased UPS installed generation capacity;
- Increased electricity supply to the UPS; and
- Contribute to electricity generation capability.

# Egyptian Refining Compagny (ERC)

<b>ADB Loan Amount</b>	UA 148.5 million
<b>Co-Financiers</b>	EIB, KEXIM, JBIC, NEXI, and international and local commercial banks
<b>Approval Date</b>	March 2010
<b>Expected Completion Date</b>	2015
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Egyptian Refining Compagny

## Background and Objective

Egypt currently has a surplus of fuel oil and a supply shortage of diesel, which it consequently imports; this deficit was estimated at 2 million tons in 2006 and is expected to grow to 5 million tons by 2015.

The Egyptian Refining Company was incorporated in July 2007. Its shares are 85% owned by private Egyptian and regional investors, led by Citadel Capital, and 15% owned by the Egyptian General Petroleum Corporation.

The Egyptian Refining Company envisages the construction of a new refining complex located adjacent to, and serving to upgrade, the existing Cairo Oil Refining Company (CORC) and the Petroleum Pipeline Company facilities. ERC will use as a feedstock the low quality Atmospheric Residue currently produced as a by-product by the CORC refinery, and to convert it in high-value petroleum products that are presently imported into Egypt, including 47,964 barrels-per-day of ultra-low sulphur diesel fuel (roughly 50% of total products).

## Expected Outcomes

The project will :

- Create both direct and indirect jobs,
- Contribute to government revenue by way of taxes and dividends
- Build its environmental management capacity at ERC
- Develop local community-oriented social programmes at ERC.





# Studies for the Launching of the Geostationary Satellite Project (NAVISAT)

<b>ADB Grant Amount</b>	UA 600,000
<b>Co-Financiers</b>	Egyptian Government
<b>Approval Date</b>	May 2009
<b>Expected Completion Date</b>	December 2010
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of Civil Aviation

## Background and Objective

Considering the problems encountered in Africa regarding air navigation safety, which results from the region's difficult terrain; lack of adequate aviation safety facilities; and the urgency to implement the International Civil Aviation Organization strategy regarding air safety aimed at addressing challenges from the expected air traffic increase, the acquisition of the proposed CNS/ATM new system is considered as most promising and responsive approach in this region.

In this regard, the Egyptian Ministry of Civil Aviation Authority, through the Egyptian Aviation Holding Company, took the lead to initiate the Geostationary Satellite NAVISAT Project aimed at providing satellite-based air navigation and safety communication services over Africa and some surrounding countries.

The objective of the project is to help improve communications, navigation, surveillance and air traffic management services, therefore enhancing the continent's air transport safety and efficiency. The project will consequently result in the provision of cost-effective satellite communications and major improvements in the aeronautical services.

## Description

The Bank Group has approved the financing of four studies: legal; financial; and human resources for a specialised satellite for air navigation and safety communication.

## Expected Outcomes

The major outputs of the study will be the production of:

- Legal, financial, and human resources documents that will be used as main input in the implementation phase of the NAVISAT project; and
- The study documents will also serve as an input to prospective donors for their project appraisal.



# Damietta Port Container Terminal Project

<b>ADB Loan Amount</b>	UA 79.2 million
<b>Co-Financiers</b>	Ahli United Bank and Arab Bank Corporation, Sponsors
<b>Approval Date</b>	September 2005
<b>Expected Completion Date</b>	June 2010
<b>Location</b>	Damietta
<b>Executing Agency</b>	Damietta International Ports Company

## Background and Objective

Egypt's location on the Suez Canal makes it a strategic link between Africa and the Middle East and Asia. In an effort to capitalize on its location and to better integrate its economy into the global economy, the Egyptian government has, in recent years, intensified economic and structural reforms. In its 2002-2007 plan, the government put export promotion as a pillar of its strategy. This strategy involved modernizing and constructing new transportation infrastructure to achieve better integration and efficiency between the various transportation modes, including maritime transportation.

The Damietta project fitted perfectly into Egypt's development strategy as the country sought to strengthen its position in the highly competitive transshipment market. As part of this renewed emphasis on infrastructure, the Bank is partly financing the Damietta project. The main objective of the project is to expand the container capacity of the existing Damietta Port.

## Description

The project will take advantage of Damietta's natural comparative advantages; a new container terminal will be built and equipped with modern transshipment facilities. It consists of:



- Construction of quay walls;
- Dredging of the access channel and turning basin;
- Installing the modern transshipment equipment; and
- Developing the terminal area and container yard.

## Expected Outcomes

The project aims to increase Egyptian transit volume and it specifically seeks to:

- Increase the port's handling capacity;
- Increase the port's competitiveness.

# Franchising Sector Support Program

<b>ADB Loan Amount</b>	UA 26.4 million
<b>ADB Technical Assistance</b>	UA 0.6 million
<b>Approval Date</b>	February 2009
<b>Expected Completion Date</b>	December 2013
<b>Location</b>	Nationwide
<b>Executing Agency</b>	The Egyptian Social Fund for Development

## Background and Objective

As part of the reform agenda launched in 2004/2005, the Egyptian government has been encouraging private sector investment and development as the key driver of the country's economic progress and job-creation effort. Within this context, the government has been undertaking major legal, structural, fiscal and operational reforms, leading to a more conducive and enabling environment. As a result, Egypt has been rated as a top reformer across 178 countries in Doing Business 2008.

Egypt has the second largest franchising market in Africa, with 2,327 outlets. There are significant opportunities for further franchise development, but also huge constraints. These include an incorrect application of the franchise concept with strong control of franchisors over franchisees' businesses, and the absence of available finance and skills.

The Bank Group Assistance Strategy is also geared to support the Government's efforts in addressing poverty reduction and job creation. The proposed franchising project, which targets the private sector, is therefore well aligned with government efforts to support SMEs and franchising. The project aims at removing these constraints in order to unlock the market potential.

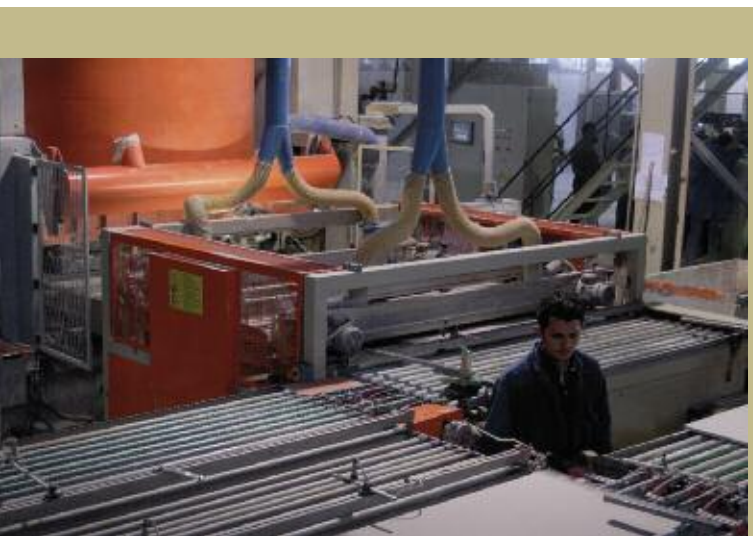
## Description

The Bank Group is providing a long-term loan to the Egyptian government with an on-lending agreement to the Egyptian Social Fund for Development (SFD). SFD is the executing agency, and will pass on the funds to local FIs for on-lending to franchisees. An associated technical assistance grant is part of the support package, to help build capacity in the franchising sector.

## Expected Outcomes

The project is expected to:

- Create 375 franchise outlets and over 7,000 direct jobs;
- Increase the number of SMEs operating in the formal sector; and
- Ensure technology transfer to SMEs, fostering increased productivity and export potential, thereby increasing government revenues.



# Glabel Elasfar Wastewater Treatment Plant

<b>ADB Loan Amount</b>	UA 46.9 million
<b>Co-Financiers</b>	AFD, Government of Egypt
<b>Approval Date</b>	October 2009
<b>Expected Completion Date</b>	June 2014
<b>Location</b>	Cairo
<b>Executing Agency</b>	Ministry of Housing, Utilities and Urban Development/ Construction Authority for Potable Water and Waste water

## Background and Objective

Water is one of the most important resources of Egypt. In recognition of the increasing limitation of this resource, the Government within its Integrated Resources Management Strategy (IRMS) is undertaking measures for its efficient use, protection from pollution including that related to wastewater disposal, as well development of new resources.

In line with the IRMS, the Egyptian government has an ongoing investment program aimed at addressing national issues such as public health and environmental protection, including the protection of the country’s finite water resources. The Bank Group is supporting Gabal El-Asfar Wastewater Treatment Plant – Stage II Phase II, project which is part of that program.

The project’s primary objective is to improve the quality of wastewater discharged into the drainage system in Cairo East, thereby contributing to increased coverage of improved sanitation and clean environment for the nearly 8 million people living in the area.

## Description

The proposed project comprises the following main components:

- Wastewater treatment expansion works;

- Institutional Support and Sanitation and Hygiene Promotion; and
- Engineering services for project management.

## Expected Outcomes

The project’s main outcomes are a clean environment and subsequent improvement in health through reduction of water and sanitation related diseases. Therefore the project intends to:

- Increase the average capacity throughout the treatment process by at least 5,000,000m3/d of wastewater;
- Increase the flow of improved effluent into the drains and Lake Manzala;
- Increase the awareness of improved sanitation and hygiene by the communities; and
- Increase the ability of the Construction Authority for Potable Water and Wastewater and Greater Cairo Sanitary Drainage Company to manage the environment and social challenges.





# Master Plan for the Rehabilitation Maintenance of Major Hydraulic Structures in Egypt

<b>ADB Grant Amount</b>	UA 0.6 million
<b>AWF Grant Amount</b>	UA 1.243 million
<b>Co-Financiers</b>	Government of Egypt
<b>Approval Date</b>	October 2009
<b>Expected Completion Date</b>	December 2013
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of Water Resources and Irrigation through the Reservoirs and Grand Barrages Sector

## Background and Objective

The Egyptian government's water sector goal is to develop and manage the very limited water resources in the country in the most efficient manner that satisfies all needs whilst maintaining the sustainability of the resources through the application of integrated resources management strategy principles.

Egyptian authorities recognise that given current resource constraints, it is necessary to have, in place, a master plan that ensures the prioritization of appropriate and timely interventions in the different hydraulic structures. The plan is expected to also address the issues of timely resource mobilization.

In line with that, the Bank Group is supporting Egypt to undertake a study to prepare: (i) a Master Plan for the rehabilitation/replacement of hydraulic control structures on the Nile and (ii) a feasible investment project for the top priority large structure identified under the study to facilitate the mobilization of resources for work implementation.

## Description

The study will comprise the following three phases of field implementation:

- Undertake the inspection of hydraulic control structures and data collection;
- Develop a geographic information system database;
- Carry out safety evaluations on the hydraulic structures;
- Carry out a Strategic Environmental and Environmental Impact Assessments;
- Develop a Decision Support System ;
- Organize report validation and technical workshops;
- Develop a Master Plan; and
- Organize donor and technical workshops.

## Expected Outcomes

The study will produce plans for efficient management of capital investment projects for the rehabilitation or the replacement of hydraulic control structures as well as for the mobilization of resources required for these investments.



# Comprehensive Study and Project Preparation for the Nubaria and Ismailia Canals

<b>ADB Grant Amount</b>	UA 1.7 million
<b>Approval Date</b>	October 2007
<b>Expected Completion Date</b>	June 2014
<b>Location</b>	Nubaria and Ismailia
<b>Executing Agency</b>	Ministry of Water Resources and Irrigation through the Horizontal Expansion and Projects Sector

## Background and Objective

The Egyptian government is continuously seeking means to reduce system losses, to improve system efficiency and effectiveness, and to optimise water distribution equitably for beneficiaries. However, there are many water related challenges facing Egypt. On the one hand, Egypt's growing population and related industrial and agricultural activities have increased demand for water to levels that reach the limits of available supply. On the other hand, Egypt's water resources are limited mainly to the River Nile; the supply is therefore almost fixed.

Specifically, the Nubaria and Ismailia canals are experiencing similar serious problems such as decaying and poorly functioning infrastructure, seepage and water logging adversely affecting valuable agricultural land, insufficient water conveyance capacity, unauthorized abstractions, environmental degradation from pollution. The Bank is financing a comprehensive study on Nubaria and Ismailia canals that will seek technically feasible and economically and socially viable solutions for efficient water control and system management in these two canals, concentrating on the main canal system.

The primary objective of the proposed study is to seek improvement in the Nubaria and Ismailia canals which will lead to more efficient and sustainable use of land and water resources.

## Description

The study will undertake pre-feasibility and feasibility level work, to include developing semi-detailed designs, bills of quantities, cost estimates and tender document preparation so that major investment operations for both Nubaria and Ismailia canals can follow immediately upon conclusion of the study. The study will also comprise a full environmental and social impact assessment, including an environmental and social management plan as well as an environmental monitoring program with associated costs for the implementation of any recommendations.

## Expected Outcomes

The project outcomes may be summarized as follows:

- Improved irrigation infrastructure development and management ;
- Support for implementation of the country's Horizontal Expansion Plan;
- Improved agricultural productivity;
- Alleviating or mitigating the problems caused by the present canal situation on agriculture production and other users;
- Safeguarding the water demand for different sectors in the two study areas; and
- Generating higher income levels for the rural households.

# Zefta Barrage Feasibility Study

<b>ADB Grant Amount</b>	UA 0.6 million
<b>Co-Financiers</b>	Government of Egypt
<b>Approval Date</b>	April 2009
<b>Expected Completion Date</b>	April 2011
<b>Location</b>	North Cairo
<b>Executing Agency</b>	Ministry of Water Resources and Irrigation through the Reservoirs and Grand Barrage Sector

## Background and Objective

Egypt's water sector goal is to develop and manage the very limited water resources in the country in the most efficient manner that meets all the needs while maintaining the sustainability of the resources through the application of the principles of integrated water resources management.

The Bank Group is supporting government efforts at improving water management and controlling efficiency, which includes the proposed feasibility study on the Zefta Barrage. The Barrage should have a positive impact on a wide spectrum of the country's population, the majority of whom are the rural poor. More importantly, it should also help the country in its race towards achieving the Millennium Development Goals by making the most efficient use of Egypt's water resources.

The specific study objective is to determine the most technically viable, economically feasible, and environmentally and socially acceptable option for the rehabilitation/reconstruction of Zefta Barrage, including the production of a comprehensive feasibility report and the associated engineering designs, bills of quantities and tender documents for the selected option.

## Description

The present study is designed as a comprehensive detailed investigation to formulate a project for the rehabilitation of Zefta Barrage or reconstruction of a new barrage in replacement of the current structure as a solution for: (i) improved water management in 1 million feddans; (ii) increasing the availability of fresh water for irrigation of 3 million feddans additional agricultural land as well as domestic and industrial uses; (iii) navigation throughout the year; and (iv) miscellaneous uses by the beneficiaries.

## Expected Outcomes

The major expected outcome of the study is to partly contribute towards the development of a master plan of the grand barrages and regulators, assessment of the conditions of these infrastructures and the proposal of an action plan with the view to meeting water demand through optimal management.



# Small and Medium Enterprise Support Project (Second Line of Credit to the National Bank of Egypt)

<b>ADB Loan Amount</b>	UA 132 million
<b>ADB Technical Assistance</b>	UA 0.30 million
<b>Approval Date</b>	September 2005
<b>Expected Completion Date</b>	June 2010
<b>Location</b>	Cairo
<b>Executing Agency</b>	National Bank of Egypt

## Background and Objective

Small and Medium-sized Enterprises (SMEs) constitute the engine of growth for the Egyptian economy, comprising more than 97% of the country's private establishments in the non-agricultural sector, and contributing two-thirds to the labour force. The development of SMEs therefore represents a key component of the government's economic and poverty reduction strategies.

The Bank Group has assisted the country's SMEs and approved funding to the National Bank of Egypt in October 2002 to support the development of SMEs in the country. This line of credit contributed in increasing NBE's financings to SMEs, as well as engendering positive institutional changes in the bank.

The proposed Small & Medium Sized Enterprise support program is a follow-on to the previous line of credit. It was designed to complement other development assistance. The project's objective is to support Egypt's efforts at promoting economic growth and poverty alleviation in the country through the development of SMEs.

## Description

The project comprises the provision of financial resources for SME development in Egypt, using line of credit instruments through the National Bank of Egypt (NBE), as well as a parallel technical assistance to NBE to

improve the institution's capacity for SME financing. More than 200 SMEs in manufacturing, tourism, construction and services sectors are expected to benefit from the project. The project will contribute to the economy's objectives of increasing output, creating new jobs and increasing foreign exchange earnings.

## Expected Outcomes

The project aims at developing financial and non-financial services to the SMEs in Egypt. Specifically the project intends to:

- Increase the availability of medium and long-term financial resources to SMEs;
- Increase the number of SMEs with access to financial services; and
- Improve the institutional capacity of NBE for SME financing.





# Social Fund for Development: Micro and Small Enterprises Support Project

<b>ADB Loan Amount</b>	UA 57.5
<b>ADB MIC Grant</b>	UA 0.6 million
<b>Approval Date</b>	October 2006
<b>Expected Completion Date</b>	December 2012
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Egypt Social Fund for Development

## Background and Objective

The issue of Micro and Small Enterprise (MSE) growth and development ranks high among Government of Egypt's priorities for socio-economic development in the country, given the growing need of employment creation, especially for the youth. Despite this pivotal role, there are few sources of credit targeted at MSEs in Egypt. Banks are generally reluctant to lend to MSEs due mainly to the high costs associated with small loans to MSEs; perceived high risks associated with lending to MSEs; and lack of capacity on the part of the banks for small enterprise lending.

The Government has mandated the Egypt Social Fund for Development (SFD) to mobilise resources and synchronize efforts with the aim of formulating appropriate mechanisms focused on the accelerated development of the sub-sector in supporting the creation of jobs.

In line with this the Bank is financing the current project with the objective to foster job creation and reduce poverty. Through a combination of financing instruments and capacity building support to partner financial intermediaries such as banks and NGOs, the project seeks to address both supply and demand side issues constraining MSEs' access to finance, with an expected positive impact on employment and a reduction in poverty.

## Description

The project has two components, namely:

- Line of Credit, geared towards the provision of sub-loans to commercially viable micro and small enterprises for their working and investment capital needs through financial intermediaries such as banks and NGOs; and
- Technical Assistance to develop and enhance key business skills in MSEs and those institutions that serve them (SFD, banks and NGOs).

## Expected Outcomes

The project intend to:

- Create a conducive business and regulatory framework for MSE growth and development;
- Improve institutional capacity of SFD and financial intermediaries for MSE financing; and
- Increase the number of MSEs with access to finance.



# Rural Income and Economic Enhancement Project

<b>ADB Loan Amount</b>	UA 46.2 million
<b>ADB MIC Grant</b>	UA 0.6 million
<b>Co-Financiers</b>	FAPA, Government of Egypt
<b>Approval Date</b>	January 2010
<b>Expected Completion Date</b>	December, 2015
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Social Fund for Development

## Background and Objective

The National Development Plan (2007-2012) calls for the creation of approximately 750,000 new jobs every year in order to cope with new entrants to the workforce, the reduction of the current level of unemployment from around 8.4% to 5.5% as well as reduction of poverty from 20% to 15% by 2012. It also calls for: (i) fostering agro investments as a means of stimulating private sector development in rural economies; (ii) improving income levels of the low income citizens; and (iii) improving the standard of living of the citizens, especially for the population living in Upper Egypt.

This is consistent with the Bank's broader medium term strategy which promotes agro industry development in regional member countries (RMCs) and the Egypt Country Strategy Paper (2007–2011) which focuses on: (i) private sector development; and (ii) support to social development and protection.

Therefore the Bank Group is supporting a project with the objective to improve the socio economic livelihood of the economically active rural smallholder farmers engaged in the production, processing and marketing of selected agricultural commodities.

## Description

To achieve this objective, the project will:

- Create business linkages between the farmer associations and the private sector agribusinesses in a value chain;
- Develop capacities of financial intermediaries to develop and introduce new and innovative financing instruments for agribusiness (including micro-insurance schemes); and
- Address the financing constraints faced by agribusiness institutions.

## Expected Outcomes

The project intends to:

- Increase the number of households with sustainable improvements in incomes and living standards;
- Increase agribusiness lending;
- Increase the volume of trade in horticulture and dairy products;
- Reduce post harvest losses; and
- Increase in the number of jobs created.





## ANNEX III Egypt Portfolio as at August 31, 2010

No.	Projects	Approval Date	Signature Date	Loan Effective-ness Date	Disburse-ment Closing Date	Loan Cur-rency	Approved Amount (mn. loan currency)	Approved Amount (mn.USD Equiva-lent)	Disbursed Amount (mn. USD Equiva-lent)	Appro-ved Amount (mn. UAC)	Disbur-sed Amount (mn. UAC)	Disb Ratio
<b>Sovereign loans</b>												
1	El Kureimat CG Power Plant Project	27/7/2005	18/10/2005	07/09/2006	13/12/2010	EUR	175.9	234.0	211.5	154.8	139.9	90.4%
2	Abu Qir 1300 MW steam power project	11/11/2007	15/1/2008	09/05/2008	13/12/2013	EUR	242.0	321.9	97.2	213.0	64.3	30.2%
3	Ain Sokhna Steam Power Plant Project	22/12/2008	15/3/2009	20/8/2009	30/6/2015	USD	450.0	450.0	43.2	297.0	28.5	9.6%
4	Gabal El Asfar Wastewater Treatment Plant	10/07/2009	11/10/2009	28/6/2010	31/12/2015	EUR	53.3	70.9	0.0	46.9	0.0	0.0%
2	Micro & Small Enterprises Development Project - SFD III	11/10/2006	27/11/2006	18/12/2007	13/12/2012	USD	87.2	87.2	87.2	57.5	57.5	100.0%
6	Rural Income & Economic Enhancement Project	12/09/2009	17/2/2010	NYE	31/12/2015	USD	70.0	70.0	0.0	46.2	0.0	0.0%
<b>Total Sovereign Loans</b>								<b>1 233.9</b>	<b>439.1</b>	<b>815.4</b>	<b>290.3</b>	<b>35.6%</b>
<b>Non-sovereign loans</b>												
1	The Small and Medium Enterprises Support Project (2nd Line of Credit to the National Bank of Egypt)	12/10/2005	21/11/2005	09/06/2006	30/6/2010	USD	200.0	200.0	200.0	132.0	132.0	100.0%
3	Egypt Franchising Sector Support program	25/2/2009	28/5/2009	14/6/2010	31/12/2015	USD	40.0	40.0	0.0	26.4	0.0	0.0%
4	Damietta Port Container Terminal Project	12/04/2007	17/12/2007	NYE	31/12/2014	USD	120.0	120.0	0.0	79.2	0.0	0.0%
5	Egyptian Refinery Company (ERC)	17/3/2010	NYS	08/06/2010	NYD	USD	225.0	225.0	0.0	148.5	0.0	0.0%
<b>Total Non-sovereign of Loans</b>								<b>585.0</b>	<b>200.0</b>	<b>386.1</b>	<b>132.0</b>	<b>34.2%</b>
<b>Total Loans</b>								<b>1 818.9</b>	<b>639.1</b>	<b>1 201.5</b>	<b>422.3</b>	<b>35.1%</b>
<b>Technical Assistance Grants (MIC), (AWF) &amp; (FAPA)</b>												
1	Technical Assistance for SFD III(MIC)	10/11/2006	27/11/2006	19/6/2007	31/12/2012	UAC	0.6	0.9	0.3	0.6	0.2	28.0%
2	Technical Assistance for The National Bank of Egypt(MIC)	10/12/2005	31/3/2007	03/04/2010	31/12/2010	UAC	0.3	0.5	0.5	0.3	0.3	100.0%
3	Ismailia & Nubaria Study (AWF)	18/10/2007	05/04/2008	18/10/2008	31/12/2011	EUR	1.9	2.5	1.2	1.7	0.8	47.0%
4	GEOSTATIONARY SATELLITE PROJECT - NAVISAT(MIC)	21/5/2009	30/8/2009	30/8/2009	31/12/2010	UAC	0.6	0.9	0.04	0.6	0.0	4.3%
5	Franchising African Private Sector Assistance to SFD (FAPA)	13/4/2009	17/11/2009	19/3/2010	12/01/2013	USD	0.95	0.95	0.5	0.6	0.3	50.0%
6	Feasibility Study for the Rehabilitation/Reconstruction of Zefta Bar-ge(MIC)	16/6/2009	18/1/2010	18/1/2010	28/2/2012	UAC	0.6	0.9	0.0	0.6	0.0	0.0%
7	Master Plan for the Reh.(MIC )	11/10/2009	25/3/2010	25/3/2010	30/11/2014	UAC	0.6	0.9	0.0	0.6	0.0	0.0%
	Master Plan for the Reh.(AWF )	11/03/2009	04/05/2010	04/05/2010	30/11/2014	EUR	1.4	1.9	0.0	1.2	0.0	0.0%
8	Rural Income & Economic Enhancement Project (MIC)	13/1/2010	17/2/2010	NYE	31/12/2014	UAC	0.6	0.9	0.0	0.6	0.0	0.0%
<b>Total Grants</b>								<b>10.3</b>	<b>2.4</b>	<b>6.8</b>	<b>1.6</b>	<b>23.3%</b>
<b>Total Portfolio &amp; Overall disbursement ratio</b>								<b>1 829.2</b>	<b>641.5</b>	<b>1 208.3</b>	<b>423.9</b>	<b>35.1%</b>

## NOTE

1. ADF financed project with ongoing activities includes Health Sector Reform
2. NYE: Not Yet Effective
3. All the figures were adjusted according to the exchange rates as of May 31, 2010

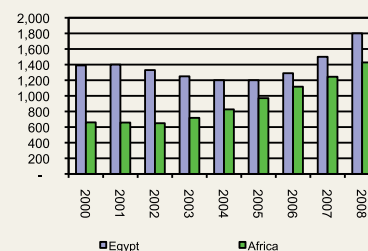




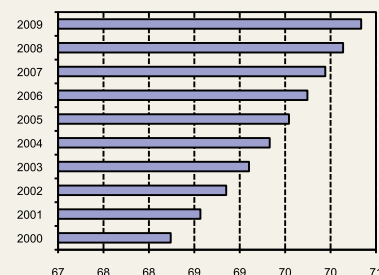
## ANNEX IV Economic and social indicators

	Egypt		Africa Developing countries		
	Year	Value	Most Recent Year		
Social					
Population, mid-year (millions)	2009	83,0	1008	5629	
Population growth (annual) (%)	2009	1,8	2,3	1,3	
GNI per capita (Atlas method, US\$)	2008	1 800	1 428	2 780	
Urban population (% of total population)	2009	42,7	39,6	44,8	
Life expectancy at birth (years)	2009	70,3	55,7	66,9	
Infant mortality (per 1,000 live births)	2009	33,3	80,0	49,9	
Child malnutrition (% of children under 5)	2005	6,0	130,2	80,8	
Access to an improved water source (% of population)	2006	98,0	64,0	84,0	
Illiteracy (% of population age 15+)	2007	72,0	59,4	19,0	
Gross primary enrollment (% of school-age population)					
Male	2007	102,1	101,6	108,9	
Female	2007	97,1	91,7	104,6	
Human Development Index	2007	0,703	0,514	0,679	
Macroeconomic indicators	è	2000	2007	2008	2009
GDP (US\$ billions)	43,1	98,0	132,1	164,8	186,6
Real GDP Growth Rate (%)	5,7	4,1	7,1	7,2	4,7
Real Per Capita GDP Growth Rate (%)	3,2	2,2	5,2	5,3	2,9
Gross capital formation (% of GDP)	29,4	19,6	20,9	22,4	19,3
Gross national savings (% of GDP)	20,3	18,4	22,8	22,8	19,6
Inflation (%)	15,1	2,8	11,2	11,7	16,2
Growth of Money Supply, M2 (%)	28,7	11,6	19,1	10,5	5,0
Export Growth of Goods, volume (%)	-3,6	18,0	14,2	3,6	0,2
Import Growth of Goods, volume (%)	10,6	-0,7	12,6	20,4	-0,3
Terms of Trade (%)	15,0	15,2	-6,5	12,4	-10,6
Debt Service (% of Exports of G&S)	140,7	22,9	10,5	8,4	12,2
Current Account (% of GDP)	-2,8	-1,1	2,9	0,8	-2,6
Total external debt (% of GDP)	50,5	28,4	22,7	20,6	17,0
Average exchange rate (National Currency Per US \$)	2,845	3,472	5,639	5,433	5,566
Reserves including gold (US\$ millions)	3 324,6	10 153,0	19 188,2	21 001,0	20 309,1
Reserves (months of imports of goods & services)	2,9	5,4	5,1	4,0	4,1
STRUCTURE OF THE ECONOMY					
By sector (% of GDP)					
Agriculture	19,4	15,5	14,1	14,1	13,2
Industry	27,6	31,1	38,4	36,7	37,8
Manufacturing	17,8	18,0	17,0	16,1	16,3
Services	53,0	53,3	47,5	49,2	48,9
By sector (Annual growth rate)					
Agriculture	2,8	2,2	3,2	3,7	3,3
Industry	9,7	5,2	10,2	7,7	8,2
Manufacturing	6,8	7,8	5,8	7,3	8,0
Services	2,4	7,2	6,1	7,7	8,4

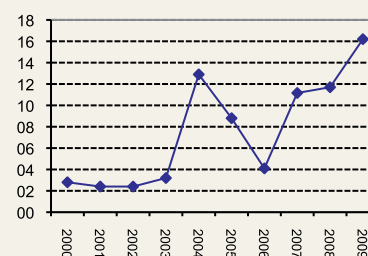
GNI Per Capita, Current US \$



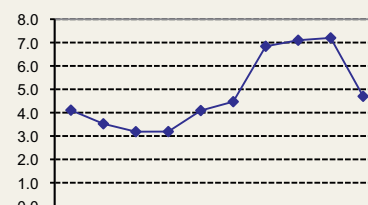
Life Expectancy at Birth (Years)



CPI, Inflation, (%)

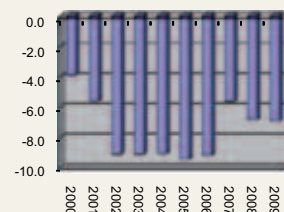


Real GDP Growth Rates, (%)

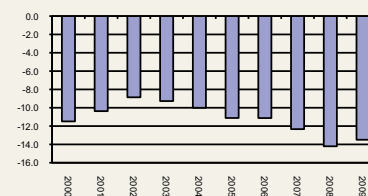


	Egyp – Country Profile				
Private sector development	1990	2000	2007	2008	2009
Time to start a Business (days)	...	...	9	7	7
Registering Property (days)	...	...	193	72	72
Paying Taxes - Payments (number)	...	...	36	29	29
Enforcing Contracts - Time (days)	...	...	1010	1010	1010
Protecting Investors - Investor Protection Index (0-10)	...	...	5	5,3	5,3
<b>Government finance (% GDP)</b>					
Total revenue and grants	20,3	22,2	24,2	24,7	27,1
Total expenditure and net lending	32,9	26,1	29,8	31,5	34,0
Overall surplus/deficit (including grants)	-26,8	-3,9	-5,6	-6,8	-6,9
<b>BALANCE of PAYMENTS</b>					
(US\$ millions)					
Trade balance	-8 296,3	-11 255,4	-16 290,5	-23 415,2	-25 173,0
Exports of goods (fob)	3 144,8	6 267,4	22 017,5	29 355,8	25 169,0
Imports of goods (fob)	11 441,1	17 522,8	38 308,0	52 771,0	50 342,0
Services balance	2 662,0	4 641,0	10 321,0	13 607,0	12 502,0
Net income	-1 795,6	920,5	1 500,0	1 400,0	1 000,0
Current account balance	-2 593,3	-1 070,6	3 830,5	1 391,8	-4 871,0
<b>BALANCE of PAYMENTS</b>					
(% of GDP)					
Trade balance	-19,2	-11,5	-12,3	-14,2	-13,5
Exports of goods (fob)	7,3	6,4	16,7	17,8	13,5
Imports of goods (fob)	26,5	17,9	29,0	32,0	27,0
Services balance	6,2	4,7	7,8	8,3	6,7
Net income	-4,2	0,9	1,1	0,8	0,5
Current account balance	-6,0	-1,1	2,9	0,8	-2,6
<b>Financial Flows and External Debt</b>					
(US\$ millions)					
Net Total Flows from All Donors	3 299,7	3 223,0	7 963,4	16 865,2	...
Net Total ODA (Official Dev. Assistance) from All Donors	5 425,8	1 327,7	1 107,2	1 348,4	...
Foreign Direct Investment Inflows from All Donors	734,0	1 235,4	11 578,1	9 494,6	...
Total debt outstanding at year-end	46 105,0	27 783,3	29 998,8	33 892,8	31 661,1
Total debt service	140,7	22,9	10,5	8,4	12,2

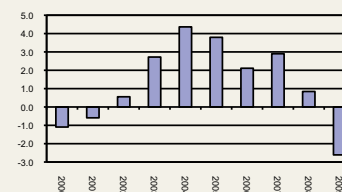
Fiscal Balance (% of GDP)



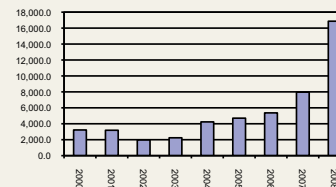
Trade Balance (% of GDP)



Current Account Balance (% of GDP)



Net Total Flows from All Donors (US \$ Millions)











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