

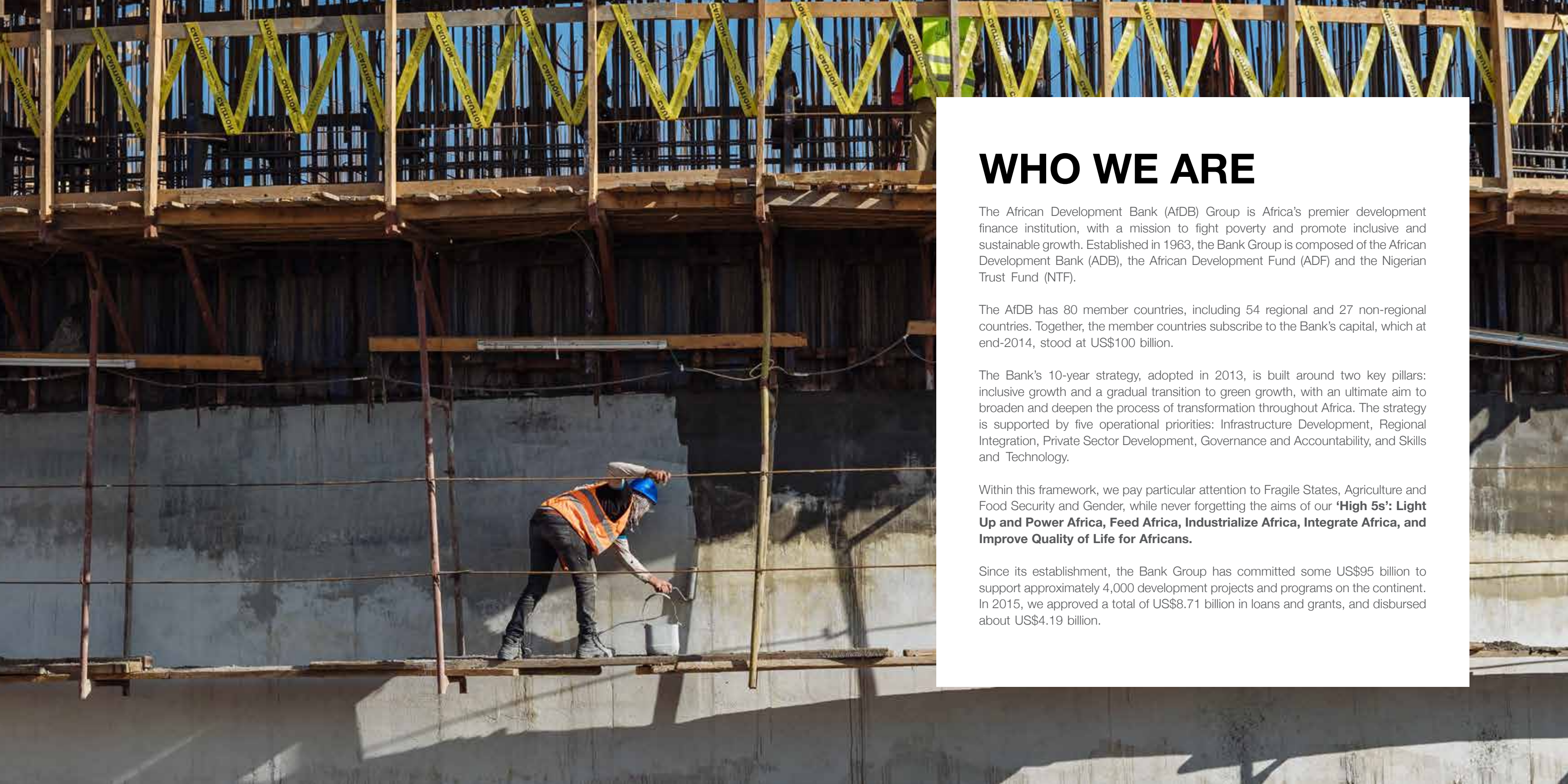


AFRICAN DEVELOPMENT BANK GROUP

AFRICAN DEVELOPMENT BANK

OUR WORK IN EGYPT





WHO WE ARE

The African Development Bank (AfDB) Group is Africa's premier development finance institution, with a mission to fight poverty and promote inclusive and sustainable growth. Established in 1963, the Bank Group is composed of the African Development Bank (ADB), the African Development Fund (ADF) and the Nigerian Trust Fund (NTF).

The AfDB has 80 member countries, including 54 regional and 27 non-regional countries. Together, the member countries subscribe to the Bank's capital, which at end-2014, stood at US\$100 billion.

The Bank's 10-year strategy, adopted in 2013, is built around two key pillars: inclusive growth and a gradual transition to green growth, with an ultimate aim to broaden and deepen the process of transformation throughout Africa. The strategy is supported by five operational priorities: Infrastructure Development, Regional Integration, Private Sector Development, Governance and Accountability, and Skills and Technology.

Within this framework, we pay particular attention to Fragile States, Agriculture and Food Security and Gender, while never forgetting the aims of our **'High 5s': Light Up and Power Africa, Feed Africa, Industrialize Africa, Integrate Africa, and Improve Quality of Life for Africans.**

Since its establishment, the Bank Group has committed some US\$95 billion to support approximately 4,000 development projects and programs on the continent. In 2015, we approved a total of US\$8.71 billion in loans and grants, and disbursed about US\$4.19 billion.

LETTER FROM

LEILA FARAH MOKADDEM

RESIDENT REPRESENTATIVE IN EGYPT

As a key Bank Group partner, Egypt's mutual cooperation with the continent's leading development finance institution has grown considerably over the years. Our aim is to deepen and enhance the Bank's dialogue and effectiveness in the country, both through our lending activities and technical assistance coupled with our knowledge work, in line with the Bank's key development goals and core High 5's.

Egypt is currently at a critical juncture in its development path, as it emerges from a lengthy transition with a new political roadmap and a new parliament. The March 2015 Egypt Economic Development Conference secured more than US\$60 billion in investments, loan agreements and grants. It also reinforced the government's commitment to continuing structural reforms, promoting inclusive growth and restoring investor confidence. We aim to support the government's reform agenda and help enhance macroeconomic stability.

After a challenging period marked by a number of years of constrained lending, we returned in 2015 with a total approval of US\$697.87 million, including signing off on, and disbursing, US\$500 million in budget support. In addition, we embarked on the preparation of a new five-year Country Strategy Paper, which was approved by our Board in December 2015 and outlines our commitment to supporting Egypt on its path towards inclusive, green growth.

Our new strategy focuses on two operational pillars—infrastructure and governance—with a focus on improving the lives of millions of Egyptians through better public services and a strong macroeconomic recovery, and by creating new sources of income and social safety nets. It also seeks to create much-needed jobs for the country's young, rapidly growing population, while boosting skills training to spur growth.

Our aim is to reduce economic and social disparities in accessing basic services, ensure equal access to economic opportunities and promote private sector growth and competitiveness, with a particular focus on small enterprises, which are key to sustainable growth. We will also continue to support critical sectors like energy, renewable energy, agriculture, and water resource management.

As a development institution wholly focused on Africa, the Bank is a privileged partner for investments in key areas such as infrastructure, agriculture and regional integration, and in convening and coordinating financial interventions on the continent. We also offer the benefit of integrated operations, by providing financing to both the private and public sectors.

The challenges facing Egypt remain daunting and we stand ready to support the government in 2016 and beyond, with a robust lending program complemented by knowledge work and high-level dialogue that will support the government's reform efforts and reinforce our commitment to a strong private sector and inclusive, green growth.

Leila Mokaddem

Leila Farah Mokaddem





OUR WORK IN EGYPT

Egypt is one of the founding members of the African Development Bank and is the Bank's second largest regional shareholder, with 5.4 percent of its shares. It is also the Bank's largest client in terms of historic approvals, with US\$5.64 billion approved from 1974 to the present.

Since starting lending operations in 1974, the Bank Group has financed some 100 operations, primarily in the areas of infrastructure, energy and the social sector. Our focus now is on addressing the country's core development challenges, especially following the political changes in the region since 2011.

In line with this, our Country Strategy Paper for Egypt (2015 2019) focuses on two key pillars:

- **Developing infrastructure to foster sustainable and inclusive growth** and improve the business environment, through better access to basic goods and services like renewable energy, water and sanitation services, the financial sector, and technology and skills development. We also focus on skills development in critical infrastructure sectors to improve competitiveness and create jobs for both men and women.
- **Strengthening governance by enhancing transparency, efficiency and fairness**, to improve the public sector's efficiency and capacity to deliver better projects. In addition, we support reforms to improve the regulatory environment, and help promote skills development to spur job creation. The aim is to create a better business environment for private sector development and small businesses as well as boost inclusion by supporting high-quality public services for disadvantaged groups.

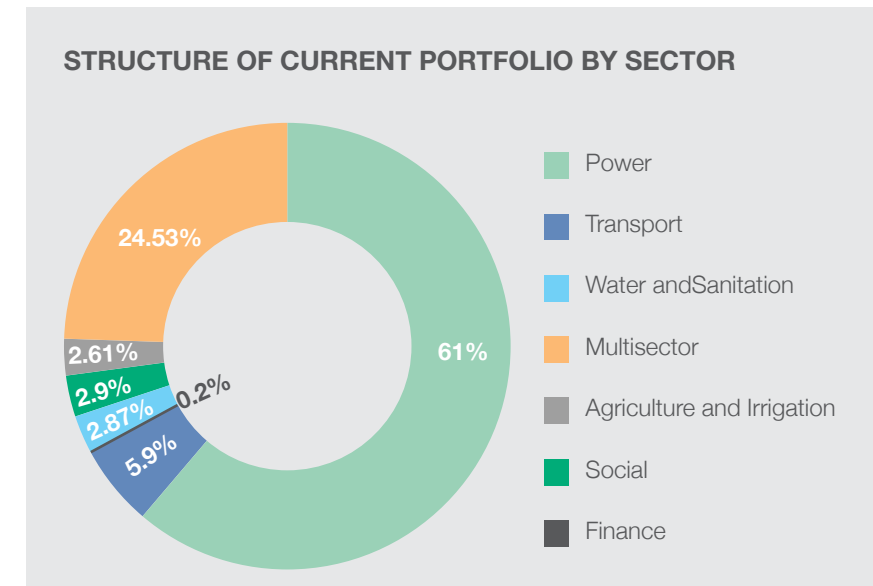
We also pay particular attention to regional integration to create economies of scale and foster value chain development

EGYPT PORTFOLIO

Our active portfolio in Egypt currently stands at US\$2.24 billion, with a disbursement rate of 71 percent. Total Bank approvals for Egypt in 2015 amount to US\$697.87 million, consisting of three loans totaling US\$685.16 million and seven grants totaling US\$12.71 million.

The portfolio consists of 33 operations, divided into nine public sector loans (90 percent of ongoing commitments), one private sector loan (9 percent) and 23 grants (1 percent). Our main focus is on Infrastructure (in support of economic recovery) and Governance (in support of inclusive growth and poverty reduction).

The power supply sector accounts for 61.19 percent of the portfolio's net commitment, followed by multi-sector operations, including projects in governance, rule of law, and institutional capacity building, which take up 24.53 percent of resources. The remainder comprises transport at 5.9 percent, social sector operations at 2.9 percent, the water and sanitation sector at 2.9 percent, agriculture and irrigation at 2.61 percent and the finance sector at 0.2 percent.



CURRENT AFDB APPROVED PROJECTS

Project Name	Approved Amount (USD Million)
Suez 650 MW Thermal Power Plant	479.71
Ain Sokhna 1300 MW Steam Power Plant Project	392.58
Abu Qir 1300 MW Steam Power Plant Project	292.00
Study on the Integration of Wind Energy into the Power System	0.67
Study on Improving the Operational Efficiency of Existing Power Plants	0.67
Clean Technology Fund (CTF) Project Preparation Grant for Kom Ombo Concentrated Solar Power	0.89
CTF Project Preparation Grant for the 200 MW Suez Gulf Wind Project	0.88
Egyptian Refining Company	177.61
Egyptian Refining Company sub convention loan	22.20
Sub-Total – Power (8)	1367.22
Sharm El-Sheikh Airport	130.36
Airport centre of excellence	1.65
Sub-Total Transport (2)	132
Rural Income and Economic Enhancement Project (RIEEP)	61.06
RIEEP Technical Assistance Grant	0.82
RIEEP Technical Assistance Grant	0.82
Social Audit to Improve Governance and Accountability in Social Sectors	0.16
Support to Parliament: Building Capacity and Mainstreaming Inclusive Growth and Decentralization	2.62
Sub-Total – Social (5)	65.49
Green Growth: Industrial Waste Management and SME Entrepreneurship Hub	1.77
Support to Micro, Small & Medium Enterprises in Organic Clusters Project	1.77
Sub-Total - Finance (2)	3.54

Project Name	Approved Amount (USD Million)
Gabel El-Asfar Wastewater Treatment Plant	64.35
Sub-Total – Water & Sanitation (1)	64.35
Statistical Building Program (SCB II)	0.82
Franchising Sector Support Program	34.85
Navisat - Transaction Advisory Services for Procurement of NAVISAT System	1.34
Strengthening the Rule of Law: Effective and Transparent Delivery of Justice and Rule-making	2.15
Support to The Egyptian Agency of Partnership for Development (EAPD)	1.65
Strengthening of Institute of National Planning (INP)	1.65
Support to Egypt's International Economic Investment Conference for 2015	0.54
Modernization of CBE's Clearing and Settlement Depository System	1.22
The Governance and Energy Support Program	500.00
Emergency Humanitarian Assistance for Alexandria flood victims	1.00
Building Capacity and Institutional Strengthening of Ministry of International Cooperation	4.455
Sub-Total – Multi Sector (11)	549.68
Masterplan for Rehabilitation/Replacement of Major Structures on the Nile (MIC TAF Grant)	0.82
Masterplan for Rehabilitation/Replacement of Major Structures on the Nile (FAPA Grant)	1.65
Feasibility study and Capacity building for use of Renewable Energy for pumping irrigation water	1.10
National Drainage III	54.80
Sub-Total – Agriculture & Irrigation (4)	58.37
SUBTOTAL: 33 (9 public sector loans; 1 private sector loans; 23 grants)	2240.66



POWERING THE EGYPTIAN ECONOMY

Light Up and Power Africa

The energy sector plays a critical role in ensuring sustainable economic development and social growth in Egypt. While the country has achieved significant economic growth over the years, this has come at a cost. Rapid growth, together with an increase in population and growing urbanization, has increased the demand for energy, and electricity in particular, by about 7 to 8 percent every year.

This rising demand, along with natural gas supply shortages, an aging infrastructure, and inadequate generation and transmission capacity, has contributed to energy shortages in recent years. The additional burden of historically high and poorly targeted fossil-fuel subsidies has worsened the problem, deterring spending on social and economic goals and discouraging investment in clean energy technologies.

Against this backdrop, growing the country's power infrastructure, while fostering the use of renewables and boosting energy efficiency, has become one of the government's main priorities within its national development plans for 2002-2012 and power generation expansion plans for 2007-2017. Recent developments like the discovery of one of the world's biggest new natural gas fields off Egypt's coast and increasing private sector engagement are also helping the government address the situation.

Lighting up and powering Africa is also one of the Bank's High 5's or core development goals. Since we began lending in 1974, we have financed 25 operations in Egypt's power sector, aimed at reducing

the energy gap and helping the country achieve its goal of a 7-percent annual increase in electricity supply. By 2004, the Bank's operations had led to a 31-percent hike in power generation, connecting three towns and nearly 200 villages.

Over the past decade, we have financed four power generation projects with a total commitment of US\$1.5 billion, while also providing technical assistance and capacity building programs in the sector.

These include:

- EUR 175.91 million in the Kureimat 750 MW Combined Cycle Power Plant Project
- EUR 242.0 million in the Abu Qir 1300 MW Steam Power Plant Project
- US\$450 million in the Ain Sokhna 1300 MW Steam Power Plant Project
- US\$550 million in the Suez 650 MW Thermal Power Plant

The Kureimat and Abu Qir power projects were both successfully completed and have been in operation since 2011 and 2012, respectively (see box on Kureimat). Ain El-Sokhna commenced operations in 2015 and is scheduled for final completion by end-2016. The Suez project is due to be finished in 2017.

Collectively, our power projects will help achieve the following:

- Increase the generation capacity connected to the national grid by 4,000 megawatts, representing about 15 percent of the total targeted increase until 2017.
- Create about 9,000 direct jobs for the construction, operation and maintenance of the plants.
- Create new business opportunities for local industries and services (about 40 percent of the total project costs are spent in the local economy).
- Help meet demand for about 7 million new customers to be connected to the grid between 2011 and 2017.

“These projects were critical in helping EEHC meet the increase in demand for electricity in Egypt. Without them, the magnitude of power shortages that peaked during the summer of 2014 would have doubled.”

Mohamed El-Tablawy
Vice Chairman of the Egyptian Electricity Holding Company (EEHC)

The Kureimat story

The Kureimat project involved the construction of a new power plant in El Kureimat, 90 kilometers south of Cairo. The Bank contributed EUR 175.91 million to the project, which included rigorous environmental monitoring to ensure sustainable development, and state-of-the-art technologies to help mitigate climate change and move towards a greener economy.

Project milestones:

- Kureimat contributed 500 megawatts to the grid by June 2009, reaching roughly 66 percent of its goals.
- Reached its full potential in August 2011, contributing 750 megawatts and making up roughly 10.7 percent of the target increase for 2012.
- Supplied 4,666 GWh of electricity to the grid by 2012, achieving 96 percent of its goals.

Direct beneficiaries include the people living near the project site, who benefited either from employment or providing services—the plant created about 1,500 temporary jobs during its construction phase and 300 permanent jobs. The local area around the project site has witnessed visible socio-economic development as a result.

Other project beneficiaries include the domestic and foreign contractors and consultants who supplied goods and provided services, as well as EEHC technical staff who received training on the new equipment and facilities. With the successful implementation and operation of the Kureimat power project, Egypt's power generation capacity increased by 3.2 percent, reaching around 23.5 gigawatts.

CASE STUDY

THE AIN SOKHNA POWER PLANT:

“A MODEL POWER PROJECT”

The state-of-the-art US\$1.3 billion Ain Sokhna power plant, which started operating in May 2015, is Egypt’s first supercritical thermal power plant—an advanced generation of power plants that uses eco-friendly technology to increase the efficiency of power generation and reduce emissions.

As part of its aim to help the government meet its energy targets and boost Egypt’s power supply, the Bank invested US\$450 million in the pioneering plant beginning in 2009. 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. These will gradually replace the country’s old plants, which operate with poor operational efficiencies and generate power at higher costs.

Located in the Suez resort town of Ain Sokhna, 120 kilometers east of Cairo, the plant uses two 650-megawatt gas/oil-fired units to generate power. While the electricity it injects into the national grid will benefit the whole population, its proximity to the growing industrial zone in Ain Sokhna also gives the plant strategic value, helping to meet the demand generated by that industrial growth.

But building it was not without its challenges, as Project Manager Ali Hussien of the East Delta Electricity Production Company (EDEPC) says. Despite this, work was completed just 10 months behind schedule—a remarkable achievement for such a large and complex infrastructure project.

“Ain Sokhna is a model power project. It’s an example for the ministry—everyone who comes here wants to see it. It uses more efficient technology, it produces less emissions than previous plants and it also helps ensure a reliable power supply for local industries, which is very important.”

Ali Hussien
Project Manager of the East Delta Electricity Production Company

The plant created some 3,000 direct jobs over its construction phase and up to 250 permanent jobs, in addition to indirect jobs due to the spillover effect.





FOSTERING RENEWABLE ENERGY AND ENERGY EFFICIENCY

With an abundance of natural resources, rising demand for electricity, and the need for sustainable long-term growth, Egypt is increasingly looking to renewable energy sources to bridge its energy gap. In 2008, the government committed to increasing the share of renewable energy—both wind and solar—to 20 percent by 2022 in order to meet growing demand and diversify its energy sources. The idea is to attract private investment to the sector through the introduction of a feed-in tariff in September 2014, among other policy reforms.

In line with our key strategic goal of fostering green growth, we leverage our expertise working across Africa to help Egypt green its energy sector. As well as supporting the preparation of new renewable energy projects and potentially mobilizing up to US\$100 million from the Clean Technology Fund (CTF) for these projects, we are also providing technical assistance to the government in the areas of renewable energy and energy efficiency.

These include:

- 1- A study on the Integration of Wind Energy into the Power System
- 2- A CTF Project Preparation Grant for the 200 MW Suez Gulf Wind Project
- 3- A CTF Project Preparation Grant for Kom Ombo Concentrated Solar Power
- 4- A study on Improving the Operational Efficiency of Existing Power Plants



REDUCING POVERTY & CHANGING LIVES

Spatial disparities and poverty reduction remain a challenge for Egypt, and Upper Egypt in particular, despite the country having made vast strides along a number of key human development indicators, from child mortality to literacy rates. The population has more than doubled over the last four decades, and some 40 percent are aged less than 35.

The government is taking a number of steps to address these challenges, and help break the cycle of unemployment, especially among young people. These range from developing a national social safety net program, the Takaful and Karama (Dignity and Solidarity) program to protect the poor through income support, which targets Upper Egypt first, to declaring 2016 as the Year of Youth, with a special push to finance small businesses owned by young people.

The Bank is also working on a number of fronts, from promoting financial inclusion for women and young people to improving financial access among small businesses and implementing agribusiness initiatives to improve the lives of the rural population. Our broad-based approach combines financing, advisory services and technical assistance, alongside project implementation.

To date, we have financed 20 operations in the social sector, including projects in the education, health, poverty alleviation, microfinance and gender sub-sectors, and some, like the Health Sector Support Program, focusing on policy reforms.

Our ongoing operations include:

- The Rural Income and Economic Enhancement Project (RIEEP), alongside two technical assistance grants supporting agribusiness.
- The Support to Micro and Small Enterprises in Organic Clusters project, which aims to help these MSMEs spur economic growth and employment.
- The Green Growth: Industrial Waste Exchange and SME Entrepreneurship Hub, to develop a sustainable, integrated industrial waste exchange system.
- The Franchising Sector Support program, which aims to support the growth of the franchising sub-sector within SMEs through lending programs with commercial banks.

In total, the Bank's investments in financial inclusion and supporting MSMEs have resulted in the creation of over **183,000 jobs** and increased access to finance for over **135,000 people**.

BOOSTING ACCESS TO FINANCE FOR SMALLER BUSINESSES

Micro, small and medium enterprises (MSMEs) are increasingly recognized as the engine of growth and job creation in many developing countries. These businesses form an important component of a country's economy, helping to generate private sector employment and drive GDP growth and domestic capital investments.

According to government figures, MSMEs constitute more than 97 percent of Egypt's private sector—an estimated 2 million enterprises, both formal and informal—and contribute more than 80 percent of its GDP. MSMEs also absorb up to 80 percent of the country's workforce, with a third of these jobs going to women. Many of these businesses operate in the manufacturing and service sectors, creating job opportunities for both skilled and unskilled workers.

The government is introducing reforms to market conditions and regulatory environments to support MSME growth. One of the biggest challenges MSMEs face is a lack of access to formal finance. Prohibitively high interest rates, high collateral rates and procedural hurdles in applying for loans make life difficult for many, while the availability of infrastructure services add to the challenges, constraining growth in the sector and in the economy at large.

To help address these issues, the Bank has invested about US\$400 million over the past few years to boost entrepreneurship and spur smaller businesses—from providing loans to promoting small-scale financing and agribusiness development to encouraging women entrepreneurs.

Projects include:

- The Micro and Small Enterprise Support Project, in which the Bank invested US\$87.15 million through the Social Fund for Development and its partners, resulting in more than 52,000 sub-loans, of which 17,451 were channeled to women, and 97,658 new direct jobs.
- The pioneering Women's Economic Empowerment Project, in which the Bank invested US\$9 million, which established the first dedicated line of credit for women within the Principle Bank for Development and Agricultural Credit (PBDAC). This resulted in 4,306 sub-loans and trained more than 24,000 women.
- Two loans totaling US\$340 million to the National Bank of Egypt (NBE) to provide funding to viable SMEs, as well as a technical assistance component of US\$450,000. The projects helped bridge the maturity gap between the demand for long-term loans and available deposits, and create more than 11,500 new jobs.



CASE STUDY

FROM RURAL HOUSEWIFE TO SUCCESSFUL POULTRY FARMER

MARIN'S STORY

Marin Boulis, 44, a housewife from Abshaq Village in El Minya, hit upon a novel idea to boost her family's income—raising chickens on the roof of her home.

With Marin's husband holding a low-income government job, the mother of three, who also holds a diploma in commerce, decided she needed to find a project she could carry out from her home. She started her poultry farm—raising chickens for poultry production with 100 chicks. Within five years, her stock had increased to 1000 chickens, requiring her to expand her space.

From her initial experience, the aspiring entrepreneur quickly realized she needed to improve her stock to boost her income, since local chicken breeds are less profitable. So she negotiated a deal with a local vendor to buy hybrid chicken breeds—paying half the money upfront and the other half on completion of the chickens' breeding cycle. The vendor would also be responsible for providing immunizations and veterinary care.

To do this, Marin needed funds, which is where the local Community Development Association of Abshaq, a small organization supported by the Social Fund For Development via the Bank's RIEEP project came in. They provided Marin with a loan for LE 7000, which enabled her to buy her hybrid chickens and also put a deposit down for the necessary fodder.

Marin also used the money to buy new and improved farm equipment, including a proper drinking system and feeders, and is in the process of arranging to install an air conditioning unit and employ an additional worker. The enterprising chicken farmer has also managed to gain the confidence of her suppliers—to the extent that she now only has to pay a 10 percent deposit for her purchases, which is enabling her to continue to expand.

TRANSFORMING LIVES: THE RURAL INCOME AND ECONOMIC ENHANCEMENT PROJECT

More than half of Egypt's population lives in rural areas, and many rely on small agricultural projects to make a living. The agri-sector currently employs more than 30 percent of the Egyptian workforce and has enormous potential to create more jobs. But obtaining funds to create or drive these smaller businesses is often a struggle – something the Bank's pioneering Rural Income and Economic Enhancement Project (RIEEP) set out to address in 2010.

The US\$70-million five-year project, implemented by the Social Fund for Development, focused on rural smallholder farmers in Upper Egypt, in line with our broader strategy to promote agri-business in Africa. Egypt has enormous potential in terms of agribusiness development, which would allow it to address food security concerns and growing consumption, and take advantage of vast opportunities for trade with Europe, Africa and the rest of the Middle East.

As well as the US\$70 million disbursed to MSMEs, a further US\$2 million was allocated in technical assistance and capacity building. Overall, the project aimed to create 60,500 jobs and provide financing to some 4,800 small enterprises and 20,000 micro-enterprises, while focusing on integrating MSMEs into the agribusiness value-chain, boosting knowledge and enhancing technical capabilities.

Although RIEEP was approved in 2010, the project effectively began operations in 2011 – during the Arab Spring uprisings and the transition that followed. Given the local context during the period between 2011-2014, it is remarkable that it not only continued operations but also achieved excellent results, surpassing the majority of its targets.

As of December 2015, RIEEP had funded nearly 80,000 SMEs—an increase of 317 percent on the target – and created more than 70,000 jobs. An estimated 43 percent of this funding went to women-owned enterprises.

Project highlights:

- Diversified access to finance by developing three dedicated agribusiness lending strategies—for the National Bank of Egypt, the Industrial Development and Workers' Bank, and the Social Fund for Development.
- Trained 409 staff of partner financial intermediaries on the specifics of agribusiness lending.
- Developed an initial study on a weather-based crop index micro-insurance product to help small farmers mitigate risk.
- Trained 29 farmers associations in Minya, Assiut, Sohag, and Beni Suef in entrepreneurship, marketing, and horticulture and dairy production.
- Trained 375 women producing homemade dairy products in 12 villages in Minya—some of these women have now started profitable micro-businesses.
- Organized farmers' markets in four governorates in Upper Egypt to promote produce.
- Organized policy dialogue and stakeholder consultations to discuss key issues.

CASE STUDY

ACCELERATING LOCAL ENTREPRENEURSHIP WITH THE NATIONAL BANK OF EGYPT

HELPING SMALLER BUSINESSES GROW

The Bank's two loans to the National Bank of Egypt—the first of US\$140 million and a further loan of US\$200 million—have helped nearly 200 small and medium businesses access vital funding and boost their product lines and sales, as well as creating more than 11,500 new jobs.

The Abdel Monem Ahmed Mesbah factory, a family business set up in 1964 in 10th of Ramadan City in Greater Cairo, is one example. Specializing in printing, designing and producing commercial packaging for companies like Bisco, the company applied for an LE22 million from the program in 2011 to help modernize its production line and introduce new technology.

The money helped fund new machinery at the factory, which has helped the company speed up its production process and boosted its competitiveness. According to financial manager Ibrahim Azouz, sales have almost doubled since the investment, and the company's market share has jumped to 25 percent, up from 10 percent before. The company has also taken on an additional 50 employees, pushing its total workforce to 200.

The Spanish Company for Food Production in New Cairo is another beneficiary. Company president Alaa Awara borrowed LE23 million under the scheme in 2011 to fund the construction of two state-of-the-art cold storage units that house a variety of food products for distribution around the country. The site uses the latest digitized ammonia refrigeration systems to control temperatures within the spaces and maintain product quality and freshness until the food is shipped.

Loading and unloading goods is also now automated, which has improved the company's turnover—the process takes just 15 minutes, as opposed to two hours before.

“Thanks to the funding, we've been able to provide an excellent, very competitive service to our clients, using the latest technology to ensure all our products are saved at the right temperature and improve loading and unloading so we can get more products out faster.”

Alaa Awara
Company president of The Spanish Company for Food Production

He adds: “We started operating in April 2014 and I am already at 90 percent of my capacity. I am confident we will reach our target of 100-percent capacity next month.”





BUILDING STRONG INFRASTRUCTURE AND BOOSTING COMPETITIVENESS

Developing infrastructure and improving access to basic infrastructure services are a core part of the Bank's strategy to spur economic growth and improve the quality of life for millions in Egypt. A strong and developed infrastructure enhances productivity and helps make firms more competitive, as well as helping to attract investors.

In the past half a century, Egypt has experienced remarkable progress in the provision of infrastructure in all areas, including transportation, telecommunication, power generation, and water and sanitation, achieving a status closely corresponding to its national income level. However, gaps in infrastructure investment remain, which have constrained economic growth.

Egypt's government has thus placed the development of infrastructure—social and transport, in particular—at the heart of its program to move the country forward. With a population of more than 80 million and a backlog of projects, the Egyptian infrastructure market has considerable potential but requires a combination of increased and more efficient investment to move forward.

We aim to help the government with this agenda. As well as our extensive work in the power sector, we have carried out a significant amount of efforts to develop Egypt's water infrastructure and address the country's challenge of water scarcity to increase access to basic services and improve the lives of millions.

Our projects include:

- US\$54.8 million supporting Egypt's National Drainage program (NDP) to boost agricultural production by draining excess irrigation water to reduce water logging and soil salinity. This will help make more land available for cultivation, increase crop productivity and farm income, improve food security, and reduce poverty.
- US \$140 million for the Sharm El-Sheikh Airport expansion project, including the development of a new runway and apron, with a new terminal building and control tower co-financed by other IFIs. When complete, the project will increase the passenger-handling capacity from 10 million to 18 million passengers annually and help develop national expertise in airport planning and management.



CASE STUDY

GABEL EL-ASFAR

A PIONEERING ECO-FRIENDLY WASTEWATER TREATMENT PROJECT

The Gabel El-Asfar Wastewater Treatment Plant is enormous—the site sprawls as far as the eye can see, over some 2000 acres of land on the eastern outskirts of Cairo. This pioneering wastewater plant, the second largest in the world and the first of its kind in Egypt, is already massively improving the environment, quality of life and health of millions of residents.

In 2010, the Bank invested US\$58 million in the second phase of the project's second stage, as part of its strategy to help shore up Egypt's essential infrastructure, protect the country's finite water resources and improve the environment. Already operational, by the time it is completed in 2017, Gabel El-Asfar will be treating and recycling about 2.5 million cubic meters of wastewater—sewage water which was previously disposed without treatment, adding to pollution and public health issues.

“ Thanks to the African Development Bank's support, this unique project is helping us improve the lives of millions of people in Egypt and provide them with a cleaner and healthier environment. ”

Abdel Wahab Helmy
Project Manager from the Construction
Authority for Potable Water & Wastewater

The improved water quality in the drainage system is already benefiting more than 8 million people living within the plant's catchment area, as well as improving the eco-system and reducing pollution in Lake Manzala and the Mediterranean Sea, where the water ends up. Some of this water is used for agriculture, while fishing is also a major source of income for those living along the shores of the lake.

But it's not just the surrounding areas that will benefit. Pioneering eco-friendly technology at the plant itself means that 60 percent of its electricity needs are being met by bio-gases produced by the sludge extracted from the wastewater, cutting both electricity costs and CO2 emissions from the plant. The digested, treated sludge will also be recycled and used to help reclaim land from the desert for planting trees.





STRENGTHENING THE PRIVATE SECTOR

A vibrant private sector is an essential component of economic development, generating jobs and creating opportunities for inclusive, green growth. While governments can empower through regulations, funding and providing public goods, private initiatives can also provide services and generate much-needed jobs.

A large and formal private sector can also be a strong advocate for policy reform and a force for good governance, establishing a virtuous circle in which an improved business environment boosts private sector growth, which in turn strengthens governance reforms.

Promoting good governance is a key part of our strategy in Egypt, though the country faces several challenges. Bureaucracy and red tape, citizenship participation mechanisms and access to public information have all hindered the government's ability to provide quality services to its citizens and remain accountable.

Rethinking the development finance approach and enhancing private sector participation was one of Egypt's main focuses over the past two years. Recognizing this as a priority, Egypt's government has taken steps to address these issues, with a strong reform agenda focused on promoting inclusive growth and restoring investor confidence, as well as gradual fiscal consolidation to restore macroeconomic stability and create a stronger and larger private sector.

Our work complements this, from strategic investments to knowledge work, as well as via a ground-breaking new Governance and Energy Support project that aims to support and strengthen the government's policy reform agenda.



PROMOTING REFORM: THE GOVERNANCE AND ENERGY SUPPORT PROJECT

As part of its mission to strengthen the private sector and contribute to inclusive, resilient and sustainable economic growth in Egypt, the Bank announced a generous US\$500 million loan to the government in December 2015 to shore up key policy reforms.

With the past few years taking a toll on confidence, economic activity, investment and tourism in the country, in 2014, the government committed to achieving inclusive growth and job creation through structural reforms, promoting investment and protecting the poor, as well as by implementing a tight monetary policy to contain inflation.

With this in mind, the Governance and Energy Support Project, carried out in partnership with the World Bank, will target the three most critical areas of reform:

- Advancing fiscal consolidation through revenue enhancement and measures to contain the wage bill.
- Ensuring energy security through improved governance in power and gas sectors and subsidies reforms.
- Enhancing the business environment by improving environment for investment and industrial growth, and fostering open competition, transparency, good regulatory governance and financial inclusion.

As Egypt's Minister of International Cooperation Sahar Nasr says: "The approval of this programmatic project is a message of trust from the African Development Bank Group's Board in the Egyptian economy."

CASE STUDY

THE EGYPTIAN REFINING COMPANY A STATE-OF-THE-ART OIL REFINERY

Located in Mosterod, on the outskirts of Cairo, the US\$3.7-billion Egyptian Refining Company is a project on a remarkable scale. Here, a 5-million-ton per year petroleum processing facility is being built under rigorous environmental and social criteria, aiming to refine the country's surplus fuel oil to meet its rapidly increasing demand for lighter petroleum products and transport fuels, such as diesel and Liquid Petroleum Gas (LPG).

The Bank invested US\$276.9 million in the project in 2010, alongside other private sector partners, as part of its commitment to strengthening Egypt's private sector and providing vital infrastructure. Built alongside the state-owned Cairo Oil Refining Company (CORC) and the Petroleum Pipeline Company (PPC), ERC, which is due for completion in 2017, is a Public-Private Partnership, highlighting the benefits of the public and private sectors working together.

“The world has a surplus of fuel oil, which is not being used effectively. By refining this product, we get rid of a lot of the hazardous substances, so both environmentally and job-wise, the project is a plus. Thanks to the support of our partners, this will be a world-class area in terms of environmental technology.”

Adel Al Najjar
ERC Deputy CEO

The government's Egyptian General Petroleum Company (EGPC), which owns CORC and PPC, will supply most of the stock to the project and receive most of its production, which would otherwise have to be imported. The bulk will go directly to Cairo, the largest market in Egypt. EGPC estimates the country will save about US\$300 million a year through saved costs and income generated in the process. ERC is also providing the money for a much-needed eco-friendly upgrade of the two older facilities.

As well as bringing in about US\$3 billion\$ into the country in foreign direct investment, the complex has created thousands of jobs—an estimated 10,000 over the construction process and more than 700 permanent ones. Among the first major projects in Egypt applying international standards and best practices based on the World Bank's environmental, health and safety guidelines, the company also spends US\$3 million a year on training, education and public services in the local community.





THE KNOWLEDGE BANK

In addition to our lending activities, the Bank, as the “Premier Knowledge Bank for Africa,” is cementing its role as a leading agent for change to boost the sustainable socio-economic development of the continent.

We are focused on deepening our analytical capacity, building partnerships and increasing our collaboration with universities, think tanks, and relevant external institutions. By enhancing this process, we also aim to strengthen our operational and development effectiveness and focus on policy dialogue with governments.

Currently, we have technical assistance grants in fields ranging from preparing feasibility studies for the renewable energy sector (wind and solar power) to piloting studies and projects in industrial waste management and SME entrepreneurship development as well as supporting Parliament and the rule of law.

In Egypt, we have conducted studies on a wide range of projects and often focus on technical assistance and capacity building alongside our lending activities. Recent studies and reports include:

- **The Use of Renewable Energy for the Irrigation Sector**

Exploring the connection between water management and renewable energy, as part of the Bank’s continued support of water management and the agricultural sector, this paper aims to ultimately boost employment generation, and align gender streaming and poverty reduction in Egypt’s rural sector.

- **Promoting North African Women’s Employment through SMEs inclusion**

Women entrepreneurs in the region face a number of challenges, including legal and cultural barriers, a lack of access to training, limited access to property and credit, and a lack of effective social networks. This paper explores the challenges and offers potential solutions.

- **Egypt Addressing Informality**

Escalating informality was one of the main drivers of the Arab Spring in 2011, and must be addressed if Egypt is to enjoy a peaceful transition. This means putting in place measures to unleash its potential for generating growth, productivity and employment, combined with policies to temper its negative impacts.

- **Changing the Way We Educate Students in the Middle East and North Africa**

The Arab Spring brought to the foreground a number of political and socio-economic problems, including the very high unemployment rate among graduates. This paper suggests a new educational approach focused on fostering innovation, technology and entrepreneurship to boost their job prospects.

- **Does Foreign Direct Investment Improve Welfare in North African Countries?**

Using net per capita foreign direct investment flows inflows and the UNDP’s Human Development Index as the principal variables, this study confirms the important relationship between net FDI inflows and welfare improvement in the region, while also outlining significant differences among countries.

- **Trade Volume and Economic Growth in MENA: Goods or Services?**

Trade barriers not only have a negative impact on service trade but also impact the competitiveness of manufacturing, especially because some services are complementary to goods production and exports. This paper studies the effects of trade in goods and trade in services on the economies of MENA.

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