

Arab Republic of Egypt**Household Natural Gas Connection Project****Chair Summary*****July 24, 2014**

The Executive Directors approved a loan in the amount of US\$500 million to the Arab Republic of Egypt for the Household Natural Gas Connections Project on the terms and conditions set out in the President's Memorandum. The Minutes will reflect that Ms. Aviel wished to be recorded as abstaining.

Directors acknowledged Egypt's ongoing challenges with regard to security, macroeconomic stability, and its urgent need to restore growth. They underscored the importance of continued engagement to promote inclusion and equality in light of the World Bank Group twin goals of eliminating extreme poverty and boosting shared prosperity. Directors supported the project's objective to promote access to natural gas, which is considered more cost effective, environmentally sound, and socially sustainable than the highly subsidized and largely imported Liquefied Petroleum Gas (LPG). They welcomed the project's intended transformational impact on the poor, by expanding the natural gas network in neighborhoods with poverty rates above the national poverty line, and providing a mechanism to support connection charges for poor households. Directors welcomed the potential job opportunities that the Project will create. More broadly, Directors encouraged efforts to create tangible social benefits for disadvantaged groups, particularly youth and women.

Directors encouraged the Egyptian authorities' commitment to energy pricing and subsidy reforms, and looked forward to implementation of further reforms in Egypt's energy sector, including institutional arrangements, utility regulations, governance, pricing and subsidy reforms. In this light, they commended the recent announcement of comprehensive reforms for pricing of petroleum products and electricity. Directors underscored the importance of financial and operational sustainability of the gas sector as a critical component of Egypt's energy security. In this regard, Directors welcomed project activities that will help improve the transparency of financial management and liquidity in the gas sector. Directors also emphasized the importance of environmental and social safeguards and stressed the importance of meaningful citizen engagement and consultation, as well as effective grievance redress mechanisms. They encouraged the Bank to ensure close results monitoring and robust supervision of implementation. Directors expressed the need for capacity building for distributors and a robust mechanism to raise users' awareness and to ensure maximum safety of the supply network.

Directors appreciated that the project design leverages Bank assistance with donor partnerships that will provide co-financing, technical assistance and advisory services. They encouraged strong institutional coordination as well as IFC's engagement in the energy sector. Directors highlighted the value of South-South learning as part of client support and encouraged staff to build upon this experience to benefit other World Bank Group clients.

* This summary is not an approved record.