



Project Summary Information

Date of Document Preparation: November 11, 2024	
Project Name	Generating Resilience, Opportunities, and Wealth for a Thriving and Harmonious Egypt
Project Number	P000894
AIIB member	Egypt
Sector/Subsector	Others
Alignment with AIIB's thematic priorities	Green infrastructure; Private Capital Mobilization
Status of Financing	Under Preparation
Project Objective	<p>The Program is the first in a programmatic series of three single-tranche climate focused policy-based financing (2025-2028).</p> <p>The Program Objective is to (i) enhance economic competitiveness through increased competition and an improved business environment for more private sector participation; (ii) build macroeconomic resilience to external shocks, through higher domestic revenue mobilization, debt reduction and improved fiscal reporting; and (iii) support the green transition by strengthening resilience to climate change, promoting low carbon development, scaling up renewable energy and increasing electricity and water and sanitation sectors efficiency. The Bank's support is focused on the third objective of the Program which is directly aligned with the eligibility criteria of the AIIB's policy on Climate Policy-based Financing.</p>
Project Description	<p>The Program comprises of three reform areas.</p> <p>The Bank's support is focused on the Reform Area 3 which is directly supporting the Member's implementation of the National Climate Change Strategy 2050 to achieve the goals of the Nationally Determined Contributions.</p> <p>Reform Area 1 Enhancing economic competitiveness through increased competition and an improved business environment for more private sector participation.</p>

	<p>Prior Action 1 The Borrower has submitted to Parliament the draft law 179/2024 to regulate its ownership in state owned companies.</p> <p>Prior Action 2 The Borrower has issued a Prime minister decree amending Executive Regulations of Law 152/2022 with provisions on competition and prohibition of monopolistic practices to implement merger control, and limit anticompetitive effects through remedies.</p> <p>Prior Action 3 The Borrower has submitted the draft Law 125/2024 on Small Claims to Parliament.</p> <p>Reform Area 2 Building macroeconomic resilience to external shocks, through higher domestic revenue mobilization, debt reduction, improved fiscal reporting, and redistributive effectiveness.</p> <p>Prior Action 4 The Borrower has (i) promulgated Law 159/2023 that eliminates tax and fees exemptions to State entities in economic and investment activities; and (ii) issued MoF Decrees to gradually roll-out the system that standardizes the principles and criteria for calculation of wages and salaries tax.</p> <p>Prior Action 5 The Borrower has issued a Primary Dealer Decree including rules and incentives to improve competition, transparency and increased secondary market trading.</p> <p>Prior Action 6 The Borrower has promulgated amendments to the Unified Public Finance Law to improve fiscal reporting by including economic authorities in the definition of the general government.</p> <p>Reform Area 3 Supporting the green transition by strengthening resilience to climate change, promoting low carbon development, scaling up renewable energy, and increasing electricity, water, and sanitation sectors' efficiency.</p> <p>Prior Action 7 The Borrower has issued decree no. 415 of 28 December 2023 for the establishment of a working group to support the national monitoring reporting, and verification system (MRV), and to allow Egypt to collect data on GHG emissions, track progress on mitigation and adaptation measures.</p> <p>Prior Action 8 The Borrower has issued three decrees on the main Building Blocks of the domestic carbon markets: (i) the requirements for validation and verification bodies (VVBs) approved by FRA for both international and domestic bodies; (ii) the requirements for domestic voluntary carbon credit registries approved by FRA; and (iii) the listing and delisting rules for voluntary carbon credits.</p>
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	<p>Prior Action 9 The Borrower, through the board of directors of the Egyptian Electric Utility and Consumer Protection Regulatory Agency, has issued a circular agreed at its 14th session of 28 March 2024, governing direct renewable electricity supply between private producers and consumers (private-to-private) including the use of transmission networks.</p> <p>Prior Action 10 The Borrower, through a decision of the board of directors of the Egyptian Electricity Holding Company, has approved a loss reduction plan with annual distribution loss reduction targets for the distribution companies owned by EEHC, and mandating said electricity distribution companies to achieve set targets.</p> <p>Prior Action 11 The Borrower has submitted to the Parliament a draft law on regulating drinking water and sanitation utilities, which brings in reforms to strengthen the regulator's role, implement cost reflective tariffs, and enable private sector participation.</p>
Expected Results	<p>The expected results under the Reform Area 3, at the end of this programmatic series include:</p> <ul style="list-style-type: none"> - Number of sectors with regulatory framework in place and sector specific MRV protocols implemented and consultations to be systematically conducted with non-Governmental actors including local communities, CSOs, and academia to establish and measure monitoring indicators and benchmarks related to the established management system. - Capital in USD mobilized to invest in projects generating Voluntary Carbon Credits (VCCs) in Egypt under the new regulatory framework. - Capacity of renewable energy in the generation mix (MW) and share of the private sector in the capacity of renewable energy in the generation mix (percent). - Reduction of distribution losses (in percentage); financial viability plan of the sector implemented; and number of electricity State-Owned-Enterprises with performance agreement signed. - Reduction in required per capita water consumption rate used in the production of water supply. The rate was greater than international best practice leading to overproduction of water supply and higher production cost and over-requirement of freshwater, the availability of which has been declining.
Environmental and Social Category	Not applicable
Environmental and Social Information	Applicable Environmental and Social Policy AIIB's Environmental and Social Framework (2024) introduces provisions for environmental and social (ES) management for the Climate-Focused Policy-Based Financing (CPBF) instrument. AIIB's Environmental and Social Policy (ESP) including the Environmental and Social Exclusion List (ESEL), is applicable to the program.

	<p>Strategic Environmental and Social Assessment. The safeguards assessment by IMF in 2023 concluded that the current legal environmental framework in Egypt has adequate requirements to address the potential environmental impacts associated with the PAs under this Program. However, for large-scale development projects, the existing legal structure needs to be complemented with good international practices to conduct SESAs to address high-level environmental and social risks associated with the PAs. To mitigate this potential downstream investment risk, with the Technical Assistance from the World Bank, the Government of Egypt has agreed to carry out a strategic environmental and social assessment (SESA) in the selected area to address the potential ES adverse impacts associated with the Program.</p> <p>Environmental and Social Aspect Based on the impact assessment conducted by the project team, there would be ES risks and impacts associated with the implementation of prior actions (PAs) under this Program. The environmental impacts and risks associated with actions under PA7 to PA11 of Reform Area 3 are expected to have a net positive environmental impact. However, the potential downstream investment in renewable electricity from the implementation of the PA9 may have potential environmental impacts in a specific location such as air, water, occupational health and safety, land contamination, and biodiversity (terrestrial and avifauna biodiversity due to large land occupation and to possible migratory bird flyways. Additionally, potentially adverse social impacts are anticipated with the downstream implementation of the PA9 including land acquisition and involuntary resettlement of local people for the installation of overhead transmission lines and associated infrastructure. If actual project investment in renewable electricity happens to be materialized in the selected area, the findings from the SESA will inform the scope of an appropriate ES assessment and corresponding instruments to manage relevant ES risks.</p> <p>Information Disclosure, Monitoring and Reporting Arrangement AIIB will disclose a summary of the SESA and the applicable grievance redress mechanism (GRM) at the program level in a timely manner. The Ministry of International Cooperation will be responsible to report to AIIB semi-annually the implementation progress of the Reform Area 3, including the ES aspects – if needed - based on agreed format with AIIB.</p>
Cost and Financing Plan	<p>Single tranche disbursement based on agreed prior actions. The Program is paralleled co-financed with the World Bank.</p> <p>Total Program Loan Amount: USD1,000 million</p> <p>WB: USD700 million (approved in June 2024)</p> <p>AIIB: USD300 million</p>
Borrower	Arab Republic of Egypt

Implementing Entity	Ministry of Planning, Economic Development, and International Cooperation, Arab Republic of Egypt			
Estimated Date of Loan Closing	December 2026			
Contact Points:	AIIB	World Bank	Borrower	Implementation Organization/Sponsor
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Date of Concept Decision	October 17, 2024			
Date of Appraisal Decision	November 7, 2024			
Estimated Date of Financing Approval	December 11, 2024			

Independent Accountability Mechanism	<p>Individuals and communities who believe that they are adversely affected by the Program may submit complaints to the responsible government authorities and the appropriate local/national grievance mechanisms, including the Unified Government Complaints System (or the government's e-portal) hosted by the Prime Minister's Office.</p> <p>Project-affected people who believe they have been adversely affected by AIIB's failure to implement the AIIB's Environmental and Social Policy, in situations where their concern cannot be addressed by the appropriate local/national grievance mechanisms or by AIIB Management, may submit their complaint to AIIB's PPM. For information on AIIB's PPM, please visit: https://www.aiib.org/en/policies-strategies/operational-policies/policy-on-the-project-affected-mechanism.html.</p>
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