

## Arab Republic of Egypt

### Upper Egypt Local Development Program for Results

#### Chair Summary\*

September 29, 2016

Executive Directors approved the loan for the Upper Egypt Local Development Program for Results (P-for-R) for the Arab Republic of Egypt in the amount of USD 500 million on the terms and conditions set out in the President's Memorandum.

Directors welcomed the Program's full alignment with the Country Partnership Framework by supporting the pillars of improving governance, promoting private sector job creation, and ensuring social inclusion. They welcomed the program's focus on the lagging regions of the country to help address spatial inequality.

Directors emphasized the importance of keeping macroeconomic reforms on track and noted the complementarity of this program, as well as the previous Bank's Development Policy Financing and the program agreed with the IMF, with these reforms. In this context, they welcomed the critical structural reforms being supported by the Bank that aim to improve the business environment, simplify regulations, and implement energy subsidy reforms.

Directors commended the overall design of the program and the innovative elements such as using new transfer mechanisms to incentivize performance improvements at the governorate level and involving citizens in the design of the program. Directors welcomed the demonstration effect of the program in supporting Egypt's decentralization agenda and the potential for scale up. However, they expressed concern over the low implementation capacity at the subnational level and called on the Bank to strengthen implementation support.

Directors underscored the importance of results and sustainability. In this regard, they welcomed the use of performance grants to provide financing from the central government to the governorates, based on a set of clear and transparent criteria to incentivize institutional improvements, and urged the crowding in of private investments.

Directors encouraged enhanced coordination between the Bank and IFC. They felt IFC could play a bigger role in extending lines of credit to Small and Medium Enterprises and providing advisory services to promote private sector development and access to finance in general.

Directors took note of the overall high risk of the operation, including social and environmental risks, and welcomed the risk mitigation measures outlined. They called for strict enforcement, especially the inclusion of citizen feedback and grievance redress mechanisms.

Finally, Directors wished the authorities and the team success in implementation.

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\* This summary is not an approved record