

 Early Warning System

WB-P178324

Financial Sector Development and Stability Policy Loan



Quick Facts

Countries	Egypt
Financial Institutions	World Bank (WB)
Status	Canceled
Bank Risk Rating	U
Voting Date	2023-03-16
Borrower	Government of Egypt
Sectors	Law and Government
Investment Type(s)	Loan
Investment Amount (USD)	\$ 400.00 million
Loan Amount (USD)	\$ 400.00 million



Project Description

According to bank documents, the proposed program objective is to improve fiscal and financial sector resilience to external shocks and pave the way for more sustainable, inclusive and green growth.

1. Pillar 1 of the proposed DPF advances Egypt's preparedness towards (i) enhancing resilience in the face of compound climate risks and (ii) leveraging low carbon development opportunities while strengthening its competitiveness in the face of global decarbonization trends. Given the high uncertainty on future water availability, Egypt needs to minimize losses from climate change risks, reduce inefficiencies in how water and natural resources are used, allocated. Efforts to improve productivity of water should recognize the true value of water through better water allocation policies and a robust water pricing system. Further, institutional fragmentation and overlapping mandates in the water, agriculture, and environmental sector prevent innovation, private sector financing and lead to inefficiencies and wastage in the way resources are allocated and used. This will be addressed through prior actions 1, 2, 3, 4, and 5 of this proposed DPF.
2. Pillar 2 of this proposed DPF addresses the barriers to female labor force participation (FLFP), which are multifaceted and complex requiring an integrated vision that addresses the multiple obstacles. Leveraging the previous DPF on Inclusive Growth for Sustainable Recovery (P171311), this operation will further promote reforms to a) strengthen inclusion, non-discrimination and equal opportunities in employment and working conditions; b) remove gender discrimination in the judiciary sector and promote women's access to justice; and c) promote gender equality and inclusion through financial services, which is a key driver for sustainable transition, inclusive growth and the emergence of a modern, well-functioning market economy. These actions can be considered mutually reinforcing because having more women in the judiciary can encourage more women to join the labor force feeling safer and more comfortable to come forward in case of abuse of authority or sexual harassment whereas providing financial services for women can accelerate their overall economic activity and full integration in the economy. This will be addressed through prior actions 6, 7, and 8.
3. Pillar 3 of this proposed DPF encompasses actions addressing fiscal and financial sector resilience, which is a prerequisite for sound and sustainable socioeconomic development, and essential to absorb current existing economic shocks. Fiscal resilience can be defined as the ability for a government to withstand economic shocks and their consequences on the Government's finances. Financial sector resilience can be defined as the ability of financial intermediaries (chief among them the banks) to absorb economic downturn without jeopardizing depositors and, ultimately, the taxpayers. While the financial sector in Egypt has demonstrated good resilience to recent shocks since the 2016 Egyptian exchange rate crisis, and the COVID-19 pandemic, several reforms are still needed to supplement the stability toolbox of the monetary and financial authorities. With the recent external developments, additional reforms are even more important as the banking sector is expected to be under additional stress in the short (increased inflation on the background of the conflict between Russia and Ukraine, spillover effects from real economy downturn) and medium to long run (cybersecurity, climate change, crypto assets). Additional reforms in liquidity assistance, bank recovery plans, corporate governance, and changes to the capital markets law to authorize future cashflows securitization will be introduced in this proposed DPF. Through prior actions 9, 10, 11, 12, and 13, enhancements and development of Egypt's fiscal and financial sector resilience will be addressed.



Investment Description

- World Bank (WB)



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Bank Documents

- [Concept Program Information Document \(PID\) - Green, Inclusive and Resilience Development Policy Loan](#) [Original Source]
- [Project Information Document \(Arabic\)](#) [Original Source]