

Arab Republic of Egypt

Client Perspectives on Elements of World Bank Support

Working Paper for
Development Results in Middle-Income Countries
An Evaluation of the World Bank's Support



ACRONYMS AND ABBREVIATIONS

AAA	Analytical and Advisory Activities
CAE	Country Assistance Evaluation
CAPMAS	Central Agency of Public Mobilization and Statistics
CAS	Country Assistance Strategy
ECES	Egyptian Center for Economic Studies
EHDR	Egypt Human Development Report
EIA	Environmental Impact Assessment
ESW	Economic and sector work
EU	European Union
FDI	Foreign direct investment
FSAL	Financial Sector Adjustment Loan
GAFI	General Authority for Investment and Free Zones
GDP	Gross domestic product
GEF	Global Environmental Facility
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group (formerly the Operations Evaluation Department)
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
KFAED	Kuwait Fund for Arab Economic Development
KfW	German Development Credit Agency
LIC	Low Income Countries
LMIC	Low Middle Income Countries
MDG	Millennium Development Goals
MENA	Middle East and North Africa Region
MIC	Middle-income country
MIGA	Multilateral Investment Guarantee Agency
MISA	Ministry of Insurance and Social Affairs
NGO	Nongovernmental organization
NPL	Nonperforming loans
OED	Operation Evaluation Department
OECD	Organization for Economic Cooperation and Development
PA	Poverty Assessment
SAL	Structural Adjustment Loan
SFD	Social Fund for Development
SOE	State-owned enterprise
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNICEF	United Nations Children Fund
USAID	United States Agency for International Development
WDI	World Development Indicators
WHO	World Health Organization

Egyptian Center for Economic Studies

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PREFACE

The Independent Evaluation Group (IEG) of the World Bank has conducted an “Evaluation of the World Bank’s Support to Middle-Income Countries”. As a contribution to that evaluation, IEG commissioned national experts in several countries to undertake background research on the topic. The aim was to use a client perspective drawn from in-country consultations—to shed light on the experiences of the Bank with its Middle-Income Country (MIC) partners.

This working paper draws upon responses from a selection of interviews conducted in mid-2006 with in-country stakeholders and a review of the relevant analytical and evaluative material. It provides valuable insights into selected issues faced by many MIC clients, and has been used as a background to the IEG evaluation. As with any research of this type, there may be contrasting views from other commentators, and this report is not intended to be a comprehensive assessment of the Bank’s country program and nor should it be considered as a formal report of the type produced by IEG in its country assistance evaluations.

The findings, interpretations, and conclusions expressed here are those of the authors(s) and do not necessarily represent views of the IEG, or the Board of Executive Directors of the World Bank or the governments they represent.

1. INTRODUCTION

1. The present study summarizes the findings of a study on the World Bank (Bank) operations in Egypt. It aims at gathering knowledge and information from Egypt and the clients in Egypt on the relevance and effectiveness of the Bank operations in meeting Egypt's development objectives and reducing poverty, how effective does the Bank use knowledge sharing in its engagement with the country, and to what extent has the Bank support helped Egypt to contribute to identified global priorities and initiatives. To conduct this study 12 people; representing government officials, the business community, university professors, the media, and other donors to Egypt; were interviewed during the period June 27th to July 1st and September 5th, 2006.¹ Those people are a cross-section of the type of opinion-formers with whom the Bank interacts. The study is based on these interviews, the key Bank reports, plus some additional sources from The International Monetary Fund (IMF), United Nations Development Program (UNDP), Egypt Human Development Report (EHDR) 2005, the Ministry of Planning and the Kuwait Fund for Arab Economic Development (KFAED) appraisal reports.

2. THE RELEVANCE OF THE BANK

2.1 DEVELOPMENTS OF INCOME AND BANK LENDING

2. The stabilization efforts of the early 1990's were accompanied by a structural adjustment loan (SAL) from the Bank, a stand-by arrangement with the IMF, and a Paris Club debt reduction that reduced Egypt's public debt from \$52.7 billion in 1988, to around \$28 billion by the end of June 1997. These efforts resulted in lower real growth rate of the GDP (see Table 2.1). They set the stage, however, for sustained GDP increase during the period 1996-2000. There has been some slow-down in economic growth, during the period 2000-2003, but it started to pick-up again², for details (see Annex iii, Table 1).

Table 2.1: Average Annual Growth Rates of the GDP in Egypt

Period	Average Growth Rate (percent)
1990 – 95	3.8
1996 – 2000	5.5
2001 – 03	3.2
2004 – 05	4.9
2005 – 06	5.6

Source: CAS for Egypt. 2001.p.2, CAS for Egypt. 2005. p.1 and IMF, ARE, Country Report No.06/253, p.22.

3. Egypt has shifted, since June 1999, from low income countries (LIC) category to low middle income countries (LMIC) category, and, therefore, has been ineligible for International Development Association (IDA) lending anymore. This has its implications on the type of Bank lending to Egypt. Previously, almost all IDA resources to Egypt have been utilized in the social sectors and in technical assistance due to the high grant element

¹ A detailed list of the interviewees is shown in annex ii.

² IMF (2006), A.R. of Egypt: 2006 Article IV consultation- Staff Report, p.22.

associated with these funds. During the period from 1995 up to June 1999, IDA provided 53.5 percent of the Bank loans to Egypt to the social sectors. Egypt's total call on Bank financing has actually increased in the period 2000-06 compared to the 1995-99 period when IDA funds were available. But with the unavailability of these funds, the government was reluctant to borrow from the IBRD to finance projects in these sectors because the grant element is much lower. Since July 1999, Egypt has borrowed \$1586.5 million from the IBRD, out of which, \$75.5 million only (less than 5 percent), were devoted to the social sectors, Table 2.2. These developments have made it difficult for the Bank to pursue poverty issues in Egypt than previously.

**Table 2.2: IBRD and IDA Lending to Egypt
1995-2006**

Year	IBRD		IDA		Total
	SS	OS	SS	OS	
1995/99		146.7	278.7	95.4	520.8
2000/06	75.5	1511	0	0	1586.5

Source: World Bank. 2006, Egypt List of Projects.
SS: Social sectors; OS: Other sectors.

4. The abovementioned developments had their impact upon income poverty in Egypt. Using the poverty line definition of those who get less than US \$1 a day, evaluated at purchasing power parity, the data showed an improving trend where the poverty incidence rate declined from 8.241 per cent of the population in 1990/91 to 2.497 per cent in 1995/96, then to 0.682 per cent in 1999/20003. In more recent years the poverty incidence rate has deteriorated again up to FY 2004 since the average growth rate of the economy has been lower than in the late 1990's and inflation has been somewhat higher4.

2.2 EGYPT AND THE MILLENNIUM DEVELOPMENT GOALS (MDG)

5. There has been an ongoing process of collaboration between the Ministry of Planning and the Bank to put in place a strategy for poverty reduction in Egypt. The government and the international donors are all concerned, at present, with putting in place a detailed poverty reduction action plan that will lead towards the achievement of MDG's by 2015. Annex iii, Table 2 shows the developments that have been achieved in the indicators of each of these goals and the prospects of achieving them by 2015.

6. **Eradication of Extreme Poverty and Hunger:** The Egypt Human Development Report, 2004, showed that poverty existed basically in some rural and urban areas, especially in Upper Egypt, in addition to some poverty pockets mainly on the fringes of major cities5. It has been advocated, therefore, that the goal of the government, the international donors' community, the private sector, and the civil society should be focused on channeling resources to the needy social groups and the deprived geographic areas to proceed to the level that achieves sustainable growth. Some practical solutions were suggested in order to reduce poverty which should be implemented in various areas to encourage the redistribution of

³ United Nations and the Ministry of Planning in Egypt, Millennium Development Goals Second Country Report, Egypt 2004, p. 12. It should be noted that most poverty analysis in Egypt relies on household expenditure and income surveys. See also, The World Bank (2003), Poverty and Economic Growth in Egypt, 1995-2000, p. 20.

⁴ The World Bank (2004), A Poverty Reduction Strategy for Egypt, pp: 1-2.

⁵ UNDP and INP, Egypt, Human Development Report, 2005, pp: 25-39.

labor among various activities, to improve the performance of the agricultural sector with emphasis given to agricultural exports⁶ and to increase productivity in industry through increasing investments in human capital.

7. **Achieve Universal Primary Education:** International development assistance needs to focus on meeting the major challenges of quality and equity within the Egyptian educational system through assisting in improving the quality of teachers, increasing the literacy classes, the one classroom schools, and the community schools as well as a targeted subsidy program to help decrease the household cost of education for poor families.

8. **Promote Gender Equality and Empower Women:** International donors' assistance should be directed to improving access of poor girls to education through expanding the awareness campaign and the targeted subsidy programs, and promoting more active women participation in socio-economic and political life.

9. **Reduce Child Mortality:** The noticeable difference between urban and rural areas and between the delta and Upper Egypt regions has to be handled. The priorities for development assistance should be directed towards improving access to quality health care services, develop public/ private partnerships and strengthen NGO's to provide basic child health services.

10. **Improve Maternal Health:** Donor's assistance is required in this regard to develop the capacity of the health team and expand the programs on emergency to reduce maternal mortality, as well as targeting groups with highest needs for family planning, especially in Upper Egypt and to improve the quality of family planning services delivery.

11. **Combat HIV/ AIDS, Malaria and Other Major Diseases:** While Egypt is characterized by a very low prevalence of HIV/ AIDS, there are, however, risk factors that must be adequately addressed in order to prevent any possible outburst in the future. A major health challenge that Egypt faces at present is the epidemic of hepatitis C. Achieving the goal of reducing its prevalence requires several coordinated efforts. Development assistance can help in developing the capacity of service providers to diagnose report and manage these major diseases and provide support for the NGOs to expand their role in this regard.

12. **Ensure Environmental Sustainability:** The international community efforts should be directed to support capacity building for environmental planning, bridging geographical disparities and guaranteeing equal access to resources and services, and to increase efforts on water demand management.

13. **Develop a Global Partnership for Development:** Development cooperation should achieve consistency between ODA allocations and national priorities and needs. Also more resources should be directed to the establishment of an efficient transport infrastructure and to improve Egypt's access to information and communication technology.

2.3 ROLE OF THE BANK ASSISTANCE TO EGYPT

14. There has been a general consensus among the interviewees concerning the relevance and importance of the Bank assistance⁷. The role the Bank plays in the development process

⁶ The World Bank, (2001), Toward Agricultural Competitiveness in the 21st Century, pp: 1-7.

in Egypt is important because: (1) it gives special attention to two of the most important sectors, namely, infrastructure and social services. The notion regarding the decline of IBRD lending to infrastructure projects during the late 1990's- early 2000's has been observed in the case of Egypt, as a result of a considerable fall in demand for IBRD loans in Egypt during the period 1995-2003, where these loans totaled only US\$ 258.7 million, and were directed to education, agriculture and rural development sectors. (2) It acts as a catalyst to attract other donors and investors. (3) It insists on the existence of a feasibility study which increases the opportunity of success, even if this is not necessitated by the government. (4) There is a built-in process of follow up of the required procedures and tenders to get the best offers. (5) There is also a follow up of the implementation of the projects which reduces gestation periods. (6) Most of the projects have a social component. (7) The Bank emphasis on the social and equity issues helped to direct the attention of the government to the importance of these issues. (8) Finally, the good team of experts available to the Bank guarantees the minimum quality of work required during the various stages of the project cycle, and the provision of the various studies whether required by its own operations or demanded by the government.

15. Some interviewees, on the other hand, raised the following shortcomings in this regard: (1) The Bank officers are keen to achieve their target concerning the volume of lending regardless of its social or economic impact. (2) The priorities of the Bank depend on its own theory of development, which may not take the special conditions of the country. Projects, therefore, should be tailored according to the needs of each country. (3) Required procedures are sometimes lengthy and there is a need for simplification to increase efficiency. (4) The private sector needs the Bank to reveal its opinion regarding government policies, instead of just supporting the government. (5) Finally, the graduation of any country from IDA should depend on making significant progress in the basic indicators related to poverty reduction, education and health performance, and not on the level of per capita income alone.

3. THE OVERALL EFFECTIVENESS OF THE BANK'S WORK

3.1 EFFECTIVENESS AT THE MACROECONOMIC LEVEL

16. In the early 1990's IBRD lending to Egypt was well below expectations while IDA lending was on target and more concentrated than in the past on social sectors: education, health, rural development and SFD support. The relations between the Bank and the government got strained, after 1995, partly as a result of the Bank insistence on meeting privatization targets stipulated as a condition for the SAL tranche release. The cross conditionality imposed by the Bank and the IMF at the time slowed the implementation of many projects. One interviewee mentioned, however, that, generally, the disagreement was only on the timing and the speed of actions required to be taken.

17. During the period 1998-2001, there were some important developments that affected the operations of the Bank in Egypt. (1) When Egypt was able to reduce its debt by 1997, the government, soon after, stipulated that the external debt stock should be kept around \$28 billion. This meant that new borrowing depended upon the size of debt repayment. (2) Cheaper sources of finance from bilateral donors were, at the same time, available to Egypt, especially from the USAID, Germany and France, that reached US \$1686.5 million in 1998 (see Annex iii, Table 3). Egypt was, therefore, unwilling to borrow on the IBRD terms, especially with its graduation from IDA in June 1999. (3) In addition, the government started,

⁷ For the details of these views in this and the following sections, see Annex iv.

in 2000, to require a 40 per cent grant element for new loans. The grant element in IBRD loans is much smaller since it is close to commercial terms. This requires the cooperation between the Bank and other donors to provide parallel and joint finance so that this condition can be satisfied for the project as a whole and not necessarily for each and every financier. (4) Finally, there were a need of both an analysis of the nature and incidence of poverty, and an assessment of the financial sector.

18. Working within these constraints, the Bank focused its operations, during the 2002-2004 CAS, on human resource development, agricultural and rural development, and infrastructure and environment protection. Planned lending was set at 9 loans that equaled \$500m, but the actual outcome was the approval of 3 loans only for \$68 million up to May 2004. Two of these approved projects were substantially reduced in size. The other 6 proposed projects were, either, dropped, delayed or postponed. IBRD lending volumes were, again, well below expectations which may reflect the impact of the rapid transformation to a market economy which reduced investment demand by the government, inadequate project preparation, too stiff conditionality clauses, and insufficient coordination with other donors. The Airport loan, approved on May 2004 and not included in the CAS, for \$335 million helped to bring total approvals close to target⁸.

19. Bank assistance to Egypt during 2002-04 achieved little success with regard to the main objective related to reducing poverty and unemployment. The unemployment rate increased from 8.9 percent in 2000 to 11 percent in 2003 and has exceeded the average in MENA countries.⁹ The rate of growth of the economy decreased and poverty deteriorated. The poverty headcount index (percent of population) has increased from 18.4 percent in 2001/02 to 19.6 percent in 2004/05¹⁰. On the other hand, the Bank support had positive impact on the volume of investment in human resources(where the Bank provided US\$ 50 million for higher education and US\$ 5.5 million for skills development) and natural resource management(where the Bank provided US\$ 12.4 million for Matruh resource management-2).

20. The fall in the rate of growth during 2002-2003 was due to difficulties related to 9/11 events, the Iraq war, uncertainties about foreign exchange policies (which reduced FDI and remittances), the continuous decline in the volume of donors' assistance (from US \$1955 million in 1998 to US \$894 million in 2003) and the slow pace of reforms. Faced with these developments the government tended to increase its dependence on Bank assistance, where it concluded 3 loans for more than US \$1 billion between March 2004 and June 2006: the Airport Development Project (2004), The El Tebbin Power (2006), and the Financial Sector Reform (2006). One interviewee mentioned that these developments have been facilitated by the fact that the Bank has come a long way from applying ready-made policies, and it gives more recognition now to the social and political aspects of different problems.

21. The financial sector reform project, which is a part of the Financial Sector Reform Program that is financed also by the African Development Bank with the expected participation of the USAID, shows the emphasis the Bank has been giving, recently, to "blending" its resources with those of other donors to provide joint and parallel finance to

⁸ The World Bank (2005), Egypt: CAS Completion Report: OED Evaluation, pp: 2-6.

⁹ Egypt Human Development Report, 2005

¹⁰ IMF, ARE, Country Report, No 06/253, p.22.

major projects, and to satisfy the grant element requirement for these loans. This reflects also the role played by the Bank in the harmonization and coordination among various donors.

3.2 EFFECTIVENESS AT THE SECTORAL LEVEL

22. Looking at the operations of the Bank in Egypt since 1995, one can find that 41 projects were approved, out of which 9 projects were dropped, 14 were closed, and the rest, 18 projects, are still active¹¹ (see, Annex iii, Tables 4 and 5 for the operation portfolio as of 30/6/2005 and project list). The dropped projects occurred mainly in the second half of the 1990's, and a large number of these projects were dropped late in the project cycle, after considerable resources have been spent.¹² This reflected both the reluctance of the government to borrow, and its ability to find grants to finance projects identified with Bank support. A new procedure, however, has been established to minimize the likelihood of projects being dropped.

23. In the following paragraphs, the important investment projects that were partly financed by the Bank will be discussed with regard to their impact on poverty reduction, on sector by sector basis¹³.

24. **The Social Fund for Development:** The Bank financed projects to provide social safety nets for the poor people in Egypt, especially those affected by structural adjustment. It played a leading role in the establishment of the SFD in 1991 and in convincing other donors to provide joint finance. The SFD received US \$ 1.725 billion from donors in three phases. The Bank (IDA) provided a total of US \$ 310 million, in three loans in 1991, 1996, and 1999.

25. **Performance:** Some major issues regarding the performance of the SFD were raised. 1) Sustainability: in the first two phases finance was entirely provided to the SFD by donors. However, in the third phase the financial performance improved¹⁴ and there has been some self-financing. 2) Lending terms: the Bank and some other donors insisted on the elimination of the hidden subsidy in the rate of interest on the loans provided by the SFD. Currently, a reasonable part of the loans provided, depending on donors' conditions, has no such subsidy. 3) The public works program of the SFD, which aims at generating employment while constructing infrastructure, suffers from the inadequacy of the maintenance allowances. Starting 2001, the SFD set aside 10 percent of the program loans in a separate deposit, to use its yield for maintenance.

26. **Assessment:** While there is general approval concerning the role and impact of the SFD, it cannot handle alone the problems of poverty and unemployment in Egypt. The poverty reduction strategy document prepared by the Bank has indicated, also, that there is a need to redefine the mandate of the SFD to more narrowly focus on the poorest. This would enable it to better set priorities and assess ongoing and proposed programs¹⁵. Some interviewees have, finally, pointed out that the strategy of the SFD, suffers from many shortcomings: (1) even if the repayment rate is high, some of the very small projects

¹¹ For a detailed list of these projects, see The World Bank (2006), Egypt Project List.

¹² The World Bank, (2000) Country Assistance Evaluation, P.12.

¹³ The World Bank, Middle East and North Africa Region: Egypt, Report on the Status of Projects in Execution- FY04, pp: 8-15 and FY 05, pp: 1-17.

¹⁴ SFD (2004), Annual Report, p.13.

¹⁵ The World Bank, (2004), A Poverty Reduction Strategy for Egypt, p. 48.

disappear shortly, or immediately, after repayment. (2) Around 40 percent of the new loans usually go to the same borrowers, so the coverage is not as it appears. (3) Training centers financed by the SFD are not well equipped. (4) Finally, the values of some of these loans are extremely small, between 500-700 LE, to have any real impact on the borrowers.

27. **Social Protection:** the Bank was responsive, in June 29, 1999, to the Government's request for a fast track project in the social sectors to use the last IDA funds available to Egypt, (\$ 5 million). The objective of the Social Protection Initiative Project was to develop and test integrated programs for children with disabilities and youth at risk, through a range of providers, and to use the experience of these programs to develop a new strategy for improving services. The Ministry of Insurance and Social Affairs (MISA), which is the responsible ministry for programs for the vulnerable poor, lacked, at the time, implementation capacity and had minimal experience with donors. It started only recently to receive support from UNDP and the United Nations Children Fund (UNICEF) to strengthen its policy making capacity. Developing and implementing a social development agenda for vulnerable children, however, is a multi-stakeholder responsibility that is shared by central ministries and regional authorities as well as NGOs and communities.

28. **Education, Health and, Population.** The Bank started, from the mid 1995, to focus its attention to projects in these sectors. Since that time there have been five projects in education, where the Bank provided five loans with a total value of US \$ 202.9 million. In population, there has been one project, approved on 1996 and closed on March 2005, (\$ 17.2 million / IDA), to stimulate additional demand for family planning services especially among poor women in rural Egypt. Another project has been in health, health sector reform, approved on May 1998, (\$ 90 million / IDA).

29. In these social sectors emphasis was on improving quality of service delivery. The education projects also aimed at enhancing access in poorer areas and for poorer boys and girls through the establishment of schools in these areas, with emphasis given to Upper Egypt, to reduce costs of educating children for poor families. While Egypt has made substantial progress in its social indicators (see Annex iii, Table 1), it was mentioned by some interviewees that it is still too soon to evaluate the outcome of these recent interventions by the Bank. Finally, the vast majority of interviewees reported that the monitoring and evaluation methods built into the Bank supported projects were not really adequate or timely enough. For example, in the Bank's Higher Education Enhancement project, it was argued that some components of this project, especially the training component, were not up to the standard. They also suggested that because of this weakness, it was difficult for them to give an overall assessment of the Bank's contribution across these key sectors.

30. **Agriculture and Rural Development:** The Bank has focused its interventions in the rural areas on six projects in the areas of irrigation, drainage, rural finance and rural and area development. Since 1995, six loans were provided by the Bank with a total value of US \$ 409.9 million. The Bank support for irrigation and drainage, and rural development projects has been successful with satisfactory outcome and likely sustainability, aside from the East Delta Agricultural Services Project. This last project aimed at improving agricultural production for 29,000 families through provision of essential infrastructure and agricultural support services. Since July 2004 the project has been under investigation by the authorities, and disbursements were suspended on April 2005. Here rises again the lack of proper ways

for monitoring and evaluation during implementation¹⁶. It is not sufficient that the Bank relies on the government's monitoring systems to measure the impact of Bank interventions and whether CAS objectives are being attained. Rather, the Bank should assist the government to put in place frameworks for monitoring the key development programs and outcomes. The NGO's could play a useful role in this process.

31. **Environment:** The two main Bank projects in this sector are Egypt Pollution Abatement 1 and 2. The first (approved on December 1997 and closed on March 2005 (\$20 million/ IBRD and \$15 million/IDA)) aimed to assist the Government in reducing industrial pollution by providing subsidized loans to 25 industrial establishments, ranging from \$5 million to \$200 thousand each, in Greater Cairo, Alexandria, Suez and Ismailia. The finance that the Bank provided for the second stage of the same project, Egypt Pollution Abatement-2, amounted to \$20 million, and was signed on 23/3/06. The main development objective of this project is to demonstrate the applicability of market-based solutions to achieve significant pollution abatement in selected "hot spot" areas in and around the Alexandria and Greater Cairo areas. It will also be a vehicle for supporting government in its effort to take advantage of the opportunities offered by the emerging carbon market established after the entry into force of the Kyoto Protocol in February 2005. The main complaint by some respondents here is that the terms of the Bank loans, (i.e. the interest rate and the grace period), were relatively more expensive compared to loans and grants provided by other donors.

32. **Other Sectors:** This category includes traditional Bank projects, the most important of which are the Egypt- Airports Development Project which was approved in 30/3/2004 with an IBRD loan of \$ 335 million. The project aims to stimulate growth by eliminating bottlenecks at airports and to boost tourism. This project shows that the Bank, in order to reach its lending target, was ready to lend wherever the government was willing to borrow, in spite of the fact that it was not directly related to the factors governing project selection stipulated in CAS 2002/04. The IFC was involved in the preparation of this project at the start, but the government, because of the economic and political conditions at the time preferred IBRD financing. The Bank financing of this project was questioned by one interviewee since its impact on poverty reduction is doubtful, at least in the short run. Another interviewee mentioned that it is possible to improve services at these airports, which are a major handicap, and remove bottleneck at the same time with much smaller amounts of investments. He also asserted that regarding the priorities in the transport sector, the drastic rehabilitation of the Egyptian railways, which has huge poverty reduction implications, will surely come ahead of that concerning this project. This last remark, however, is questionable since determining priorities is basically the responsibility of the government.

33. The second project is the Egypt-El Tebbin power, approved on 16/2/06 (\$ 259.6 million / IBRD). This project is required to meet the increasing demand for power from the various sectors. There has been no involvement for the IFC, as the government moved against BOT projects, especially in the electricity sector to avoid the negative impact of transferring profits on the balance of payment.

34. A third project, the Egypt- Financial Sector Reform, which was concluded only in 15/6/2006, with an IBRD development policy loan of \$ 500 million, to support the authorities in the priority areas of the financial sector reform program which addresses salient financial

¹⁶ The World Bank (2005), 2004 Annual Review of Development Effectiveness, pp: 25-26.

sector weaknesses and enhance the system's capacity of financial intermediation and the provision of financial services¹⁷. The estimated cost of the program is US\$ 8.7 billion, and it will also be funded by the African Development Bank (US\$ 500m loan, concluded on 26/07/2006), USAID, and the government. The big size of the loan is attributed to the nature of the program itself, the increasing deficit in the government budget, and the realization that adequate foreign finance is required to achieve the planned high rate of economic growth. One respondent questioned whether this is the only way to handle the problems of the financial sector (the high levels of non-performing loans, low levels of competition and the consolidation of small and joint venture banks, and privatization of state-owned banks) because of the large liquidity of the banking system at present. Another interviewee thought that this kind of projects will have no impact on poverty alleviation, and that it is only a window dressing for public sector banks. It has been asserted by two interviewees, also, that the Bank officers are usually driven by the desire to achieve their lending target, and that this loan alone is almost equivalent to all loans that the Bank provided to finance infrastructure projects in Egypt.¹⁸ Some saw that the real purpose of the loan was to encourage the government to undertake other reform measures and to speed-up the privatization process, while others thought that using the proceeds of the loan to improve the balance sheet position of some of the public sector banks may not be a good idea.

4. IMPORTANCE AND IMPACT OF BANK LENDING

35. New commitments fluctuated widely since FY 95, due to the reluctance of the government to increase the volume of foreign debt more than US \$28 billion, and depending on the availability of other sources of funds provided by other donors. It ranged between a maximum value of US \$ 550 million in 1999 and 0 in 2001. If the repayment of principle and the payment of annual interest and fees are subtracted from the annual gross disbursement, the annual net transfer of resources to Egypt from IBRD/IDA has been negative during the period under study, with the exception of FY 05. For details, see Annex iii, Table 6.

36. IDA lending projections were met from 1995 until the graduation of Egypt from IDA in June 1999. New commitments from the IBRD fluctuated widely, but started to take significant magnitudes with the conclusion of the airport project loan in FY 04, the El Tebbin power and the financial sector projects loans in FY 06.

37. The interviewees agreed that the Bank offers a good value for the various reasons mentioned previously. Two interviewees, however, mentioned that the terms of Bank assistance are relatively more expensive than other sources of finance available to them. Two ideas were suggested to increase the effectiveness of Bank assistance, especially with regard to poverty alleviation: 1) it is better to concentrate on specific sectors so that there will be a noticeable impact on their development, and 2) that the Bank should play a leading role to jointly channel the efforts of various donors towards the development of the most important sectors based on a master plan to be prepared for this reason.

38. The impact of the Bank lending at the macro level is not significant if compared to the volume of gross domestic investment in the relevant years or to the volume of aid Egypt receives from the USAID or the EU. Yet the impact on certain sectors is significant especially in human resources, agriculture, SFD, environment, the financial sector, and

¹⁷ The World Bank, (2006), Program Information Document (PID), Appraisal Stage, Report No.: AB2097.

¹⁸ Total gross commitments provided by the Bank to the infrastructure sector totaled US \$ 513.7 million for the period FY 1959-1999.

infrastructure. Many Bank loans to Egypt were directed to education, where they participated in improving the access to, and the level of, education for the most vulnerable groups in rural areas and thereby helping them to increase their future earning capacity, and to agriculture and rural development where it is going to increase the income and improve the quality of services provided to the population of rural communities.

5. THE COORDINATION OF SERVICES ACROSS THE BANK GROUP

39. With Egypt apparently reluctant to borrow IBRD funds since the mid 1990's, the 1997 CAS was the first to be prepared jointly with the IFC. The investments flows of the IFC¹⁹ have increased steadily during this period and IFC committed portfolio has increased from about \$196m at end FY97 to US\$ 250m at end of FY00 (see Annex iii, Table 7). The IFC activities during the second half of the 1990's were broadly consistent with the strategy articulated, they focused on delivering technical assistance, increasing its investment in infrastructure, financial sector, oil and gas, tourism and industrial sectors, and providing assistance to the privatization program through individual transactions. IFC focuses on supporting private participation in infrastructure initiative, assisting the development of new financial sector institutions for the private sector, catalyzing new private sector investment in the industrial and services sector and supporting the small and medium size initiatives.

40. During the period 1999-2003 there has been significant changes in the economic and political environment in Egypt that affected the relative roles of the operational arms of the Bank: IBRD, IFC and MIGA. These developments have led to some slowdown in the rate of growth, an increase in inflation, a fall in the volume of FDI and also to some slowdown in the pace of privatization where some important transactions were taken off the table²⁰. While the IFC participated in the project preparation of the Airport and Pollution Abatement projects, the government, in order to give a signal for FDI of its continued commitment to economic growth and reform, decided later not to have private sector investment in these projects so, it depended totally on IBRD funds²¹. Nevertheless, the IFC is participating at present in the process of private management of the top 5 airports in Egypt, and in the project preparation phase in the railway sector and in the west delta private sector irrigation project. In addition, the IFC continues its activities in Egypt with equity and loan investments in a number of sectors including manufacturing, financial sector, gas production and infrastructure.

41. The operations of the Multilateral Investment Guarantee Agency (MIGA) in Egypt are just in the beginning. Some respondents did not hear about it yet. In 2003 MIGA provided technical assistance to the General Authority for Investment and Free Zones (GAFI) for capacity building services to improve its ability to bring foreign investment into the country²². In FY 04 MIGA provided its first political risk guarantee in Egypt for an amount of US\$ 6.41m in coverage for a project to help modernize Cairo's waste management sector.

42. The present CAS (FY06- FY09), considered the enormous opportunities for improved coordination across the Bank group on investment climate issues and the exploitation of the synergies between the agendas for private sector development and public sector reform. The

¹⁹These depend on the investment climate, the availability of suitable transactions and partners, and the level of competition in funding from the local banks.

²⁰ The World Bank (2001), Egypt: Social and Structural Review, pp: 30-32.

²¹ The IFC is participating at present in the process of private management of the top 5 airports in Egypt, and in the project preparation phase in the railway sector and in the west delta private sector irrigation project.

²² The World Bank (2005), CAS for Egypt, FY 06 -FY 09, pp: 66.

economic environment at present is more favorable to private sector activities and to FDI and the achievement of the planned growth rate will require additional resources to those already available to the economy. Within this frame there has been an increased coordination between the IBRD and the IFC, in terms of joint policy advice, technical assistance, capacity building, workshops, and reports in the domains of financial sector reform, financial sector supervision, gender policy, investment climate assessment, city development strategy in Alexandria, Avian Influenza, etc. In terms of joint projects, the Bank staff is working with IFC to prepare a new Health project that will be implemented by the IFC. Also, IFC will provide the technical assistance support for improving business climate and company registration under the forthcoming Alexandria Growth Pole Project that will be carried out by the Bank in FY07. At the same time, MIGA will remain available to provide guarantee instruments to facilitate new private sector investments if required.

43. In this regard, the views of the interviewees ranged between emphasizing the role of IFC and MIGA to encourage private sector development, and the need, therefore, to encourage increased coordination and cooperation among Bank Group. It has been claimed, also, that the mediocre achievements of some of the IBRD projects are due to the fact that the ideas of these new project generally come from governmental agencies, whose administrative and financial capabilities are in doubt. It has also been mentioned that corruption is more prevalent in the investment operations of the public sector compared to that in the private sector. More attention has to be given by the Bank officers, therefore, to increase the cooperation with the private sector and NGO's. On the other hand, another view asserted that moving too fast in privatization needs to be checked in accordance with actual experience. There are many other alternative forms of handling the problems of state-owned companies beside privatization. Many of these forms could be also as efficient.

6. THE USE AND SHARING OF BANK KNOWLEDGE

6.1 MAGNITUDE AND RELEVANCE

44. The Bank has been conducting many studies concerning Egypt, whether to serve its own operations or in reply to government requests. A recent document from the Analytical and Advisory Services showed that out of the 80 studies that were made since the 1950's, 33 were economic reports about the country's economic developments. Three CAS documents were prepared, in 1997, 2001, and 2005. Only one Country Assistance Evaluation report was prepared in June 2000, and another one, Country Assistance Strategy (FY 02 - FY 04) Completion Report Review in June 2005. Also, the Bank has conducted 40 sector studies, some of which upon the request of the government. Presently, the government has been utilizing the Bank office in Cairo as a think tank. The demand for such services at present is exceeding the capacity of the Bank office. The general consensus among the interviewees was that they rate these studies highly, they use them, and the major complaint was about the ease of getting copies of these studies.

45. Two types of studies are, generally, undertaken by the Bank in Egypt: (1) Economic and Sector Work (ESW) which deals with policy reports, sector studies, technical advice, etc. Some of these studies are done by local experts under the Bank supervision. The other part is done by international experts hired by the Bank, where they always cooperate with local experts. (2) Other Technical Studies, such as sector assessment, project studies, etc. These

studies are rather technical and are mostly done by local experts with clear terms of reference and follow-up by the Bank staff.

46. The CAS of 1997 witnessed the undertaking of several knowledge based activities (analytical work, workshops, etc.), which have been greatly appreciated by the authorities and the interviewees. These sector activities focused on education, health, social safety nets, water sector, renewable energy and urban transport. In addition, the five taskforce reports, carried out jointly by the government and the Bank, were even more important. These reports aimed at providing the authorities with plans of action in: 1) export promotion, 2) improving business environment, 3) training and skills development, 4) social safety nets, and 5) private provision of infrastructure. These reports provided considerable help for the government in formulating its policies in these sectors. For example, the government has started depending on the private provision of schools in the FY 2006-07 for the first time.

47. The CAS of FY 02- FY 04 had focused the Bank's non-lending assistance on discrete deliverables with a limited time horizon. During CAS implementation, the government's interest was in a more sustained and lengthy process of engagement, (e.g. in poverty analysis and strategy design). Substantially less Analytical and Advisory Activities (AAA) were undertaken than proposed in the Strategy. Despite the successful completion of a joint poverty assessment in FY02, the absence of core diagnostics as public expenditure review, and a social and structural review was noticeable. A review of the likely impact of the work of AAA suggested that the Bank carries out an integrative analytical document such as Development Policy Review drawing in a coherent way the various policy issues and allowing a more convincing demonstration of the actions with the highest pay off. The share of resources allocated to Egypt's Economic and Sector Work (ESW) averaging 16 per cent a year- was below the MENA average (21 per cent) and Bank-wide average (18 per cent). To overcome these shortcomings, the non-lending assistance during the present CAS (FY 06- FY 09) is going to be focused on a long term programmatic engagement with focused outputs (e.g. the public expenditure or the poverty and social impact analysis).

48. Another area that requires special attention is the assessment of the country's capacity of measuring and managing performance. In order to achieve results, information on performance has to be useful to the government and the Bank. A recent Bank document²³, asserted that because knowledge is associated with success, the Bank should assess the country's performance measurement capacity and identify actions needed to strengthening it. The Bank has to provide the required technical assistance in this regard.

6.2 ASSESSMENT

49. There is general agreement among the interviewees that the Bank has been acquiring and sharing knowledge that is relevant to the particular needs of the country. For example, The SFD benefited from the studies that the Bank undertook especially the framework of monitoring and evaluation pilot project, and from the country assessment studies (CAS) as well as the environmental studies. There were some complaints, however, concerning the ease, timing and availability of some of these studies to the concerned parties. Some mentioned that some publications are kept mostly in the government offices without proper distribution. Some studies were not available on the internet, and still others required governmental approval which may not occur or could take some time. The case of Toshka

²³ The World Bank (2006), Annual Review on Operation Evaluation, pp: 39-40.

project, one of the mega projects that the government started implementation in the second half of the 1990's, was specifically mentioned. The Bank representatives, when asked about their views in the beginning, did not show any reservation on starting implementation before conducting any detailed technical and economic feasibility studies. When, the Bank was asked by the government to conduct such studies later on, the results were negative. When other donors demanded these studies from the Bank, they were referred to the government. Those donors had to wait about 6 months, until the Bank got clearance from the government, to share them. To avoid all these difficulties, it is suggested that all the studies be available on the internet, and sensitive studies requiring governmental approval should be released within a specified period of time for the purposes of transparency and dissemination of information.

50. The rating of the interviewees to the Bank knowledge services was quite high. The idea of the increasing importance of the non-lending services especially in the field of knowledge services and technical expertise is well accepted by the interviewees. As for the effectiveness of the Bank use and sharing of the knowledge services in its engagement, it was judged to be moderately effective. The airport project was not originally mentioned in CAS. At the same time the financial sector reform project was concluded two years after the completion of the financial sector reform study. This study was considered by one respondent as the best contribution by the Bank in this sphere. The delay in finalizing the project was due to the fact that conditions, at the time, were not ripe to apply its recommendations. As for the sharing of knowledge, it was felt that competition with other international organizations duplicates efforts and wastes money. Some coordination will be helpful in this regard especially with the UNDP, United Nations Conference on Trade and Development (UNCTAD), and other UN specialized organizations.

51. Regarding the partnership with local counterparts, the interviewees acknowledged that the Bank makes frequent use of local experts in various fields, when necessary. Many ESW's have been done by Egyptian experts under Bank supervision. An example of this are the two reports on poverty reduction in Egypt published on June 2002 and September 2004²⁴. While this partnership has a positive impact on the training of local experts, it helps at the same time in reducing the cost of these studies²⁵. The general view was to strengthen this partnership and try to increase the dependence on local experts especially that Egypt is well endowed with specialists in various disciplines that can be of help in this regard. This partnership will, in turn, help the Bank to gain ideas which can be transferred to LIC.

52. To overcome the problem of the large number and high cost of dropped projects, there is a need to direct the knowledge services to the possible areas of intervention of the Bank so that knowledge services and lending activities will support each other rather than substituting each other. This will help in overcoming the problem of the increasing cost of doing business²⁶.

53. A last point that deserves mentioning is the frequency of Country Assistance Evaluation (CAE) reports. Only one CAE report was done for Egypt, in June 2000, and a CAS Completion Report Review in June 2005. Evaluation at the country level needs to be done more often since it yields a more complete picture of the outcome of the assistance

²⁴ The World Bank (2002), Poverty Reduction in Egypt: Diagnosis and Strategy; and The World Bank (2004), A Poverty Reduction Strategy for Egypt.

²⁵ The average cost of ESW reports was considered to be a bit higher than the bank average. See CAE, June 26, 2000, p.12.

²⁶ The World Bank (2005), Improving the World Bank Development Effectiveness, p. vii.

program, due to the fact that project intervention may not be addressing key constraints. The timing of the CAE is crucial since it should be early in the CAS process, as the Bank's country team should be involved in midterm reviews of future CAE to receive early feedback on emerging findings and recommendations.

7. GLOBAL ENGAGEMENT

7.1 GLOBAL PROGRAMS

54. There has been mixed response among various interviewees concerning the benefits to the country from the Bank involvement in global partnership programs. Some mentioned that the Bank got involved in many beneficial global programs, that Egypt has been benefiting from them and that the Bank has been successful in representing the country's priorities with regard to the governance arrangements for those global programs that are managed or sponsored by the Bank. However, it has been claimed by others that due to the fact that poor countries are overwhelmed with their internal problems, the Bank concedes to the pressures coming from the part of developed countries. It has been mentioned also that in the past the Bank has been leaning on the side of developed countries and that the burden of such programs on LIC and LMIC was not well taken care of by the Bank. Following are examples of some of these global or regional programs and their direct benefits to the country.

55. **Global Environmental Facility (GEF):** it is a partnership among UNDP, United Nations Environment Program (UNEP) and the Bank. It operates as a mechanism for providing new and additional grant and concessional funding to member countries to meet the agreed incremental costs of measures to conserve, sustainably use and, thereby achieve agreed global environmental benefits in the five focal areas—climate change, biological diversity, international waters, ozone layer depletion, and persistent organic pollutants. The agreed incremental costs of activities concerning land degradation as they relate to these focal points are also eligible for funding.

56. **Carbon Finance Program:** In February 2005, the Kyoto Protocol came into force, and as a result a viable carbon market has been developed which will make a major contribution to addressing global climate change and enhancing sustainable development through emission reduction projects. The Bank uses the protocol's flexible market mechanisms, which allows rich countries to meet some of their commitments, related to cutting their greenhouse gas emissions, through the purchase of project-based greenhouse gas emission reductions from developing countries **through** various mechanisms such as the Clean Development Mechanism (CDM). The Egypt Second Pollution Abatement Project, that has been active since March 06, aims to reduce pollution generated in the regions of Alexandria and Cairo. The Project introduced for the first time in Egypt a combination of IBRD lending, GEF, and revenues from the sale of carbon emissions reductions in the CDM markets. Total investments in the project equals US \$ 165.97 million, where the share of the Bank is US \$ 20 million, and the rest will be provided by other donors(The European Investment Bank and the French Agency, €40 million each, and the Japan Agency for International Cooperation (JICA) US \$40 million. One interviewee asserted that the Bank has been influential in helping the Ministry of Environment to get in touch with the other donors. It has also been mentioned that the terms of Bank assistance are more expensive relative to other donors. There has been some idea about providing an IFC credit facility for the project, but the final decision was for the provision of IBRD money alone.

57. **Avian Flu:** The Bank, jointly with the UN system has been working to help countries put in place a system of needs assessment so that the technical requirements are properly identified, and to provide funding support to these country programs. Egypt benefited from these efforts, and was able to respond quickly to the limited outbreaks of bird flu. Egypt followed WHO guidelines that call for countries to address bird flu at the highest political level, to begin intense surveillance to catch as many cases as possible, to cull flocks as soon as **outbreaks** are reported, to compensate farmers who lose birds this way and to quickly treat human victims. IBRD and IFC have been helping in the provision of institutional mechanism support for the Ministries of Agriculture and Health. There has also been some reallocation of funds(between US \$7 to 8 million) from the health sector reform project to provide clinics in the affected areas with the required public health help including preventive medicine and required equipments. The SFD has, also, supported its clients of small and medium poultry enterprises affected by the crises through re-financing these projects or re-scheduling their loan installments²⁷.

7.2 REGIONAL PARTNERSHIP PROGRAMS

58. These programs arise when: 1) all the appropriate and potential partners need to ensure development **effectiveness** of the program, 2) there are a clearly identified or deliverable new products or services, shared objectives shared responsibilities for governance, or shared resources, and 3) that the partners' roles, responsibilities, and accountabilities are consistent with their comparative advantages.

59. **Egypt and the Nile Basin Initiative (NBI):** The initiative has been launched in 1999 as a new regional partnership, supported and facilitated by the Bank and others. Within the NBI, the 10 countries of the Nile basin have united in the common pursuit of the river's sustainable development and management. Egypt is the most downstream of these 10 countries and is totally dependent on the flows of the Nile which account for 96-98 per cent of the country's renewable fresh water resources. The NBI has made significant progress since its inception in 1999. A basin wide program of projects is under implementation, and it is now pursuing a joint multi-track investment strategy at the sub-basin level, involving investments in irrigation, fisheries, flood control, hydropower and power interconnection²⁸. Egypt, who is playing an active role in all the basin-wide and the sub-basin programs, will achieve significant economic and political benefits in the medium term in spite of the fact that this regional agenda may slow its own plans in the short run.

8. CONCLUSIONS AND LESSONS LEARNED

60. With the high rate of **economic** growth that Egypt was able to achieve in the latter half of the 1990's, the country moved from the LIC category to the LMIC category by June 1999. The growth rate of the GDP has declined in the 2001- 2003, but recovered again. With these developments Egypt was able to achieve some of the MDG's especially those related to water, sanitation, infant and under 5 mortality, and maternal mortality. Yet there are some differences between rural and urban areas, and Upper Egypt and the Delta. The development in the areas of illiteracy eradication and women empowerment is behind schedule. The phenomenon of poverty still exists in some rural and urban areas and on the fringes of major

²⁷ Based on information gathered in the interview with the SFD representatives on 27/6/2006.

²⁸ The World Bank, (2004), CAS for A. R. of Egypt, p.11.

cities. To overcome all these problems, Egypt, with the cooperation of the international community, is required to direct more resources to improve the quality of education and health services, rural development, and social insurance. More attention should be given also to the issues of community driven development, and women empowerment.

61. With the availability of cheaper sources of finance from other international donors, the reluctance of the government to increase its foreign debt from its level in 1997, and the requirement that new loans should have a grant element of at least 40 percent, the volume of operations of the Bank has fluctuated, especially after Egypt graduated from IDA in June 1999. More recently, the volume of operations started to rise again. To increase the relevance and effectiveness of the operations of the Bank in Egypt, the Bank needs to continue its emphasis on education, health and rural development sectors, and to concentrate its operations on a limited number of projects so that its intervention will be noticeable. More cooperation is required with other donors to improve the average lending terms for the country, and channel the efforts of other donors to the important interventions in these sectors. The case of the SFD is a good example, where the Bank took the initiative for its establishment and convinced other donors to participate. More attention should also be given by the Bank to provision of institutional support, increase the dependence on NGOs and on increasing the participation of the local communities in the implementation and operation of the new projects. Finally, more attention has to be given by the Bank to monitoring and evaluation during implementation and to the improvements of the country's capacity in this regard.

62. The Bank has been providing considerable knowledge services to Egypt, and the demand for such services is increasing by time. To increase effectiveness in this regard the Bank needs to: 1) prepare new sector strategy papers for the education, health, rural development, and social insurance sectors. These studies should help the country, the Bank, as well as other donors in channeling available resources to the most important areas of interventions. 2) The CAE reports should be undertaken on a more regular basis and should be ahead of the time of the preparation of the new CAS. 3) To guarantee the distribution of various studies to the concerned parties in Egypt there should be more dependence on e-mail announcements, easy access to these documents on the internet, and time limits to the availability of sensitive documents to the public. 4) Last, but not least, more cooperation is needed with other international organizations working in the same fields as the Bank to avoid duplication of efforts and to improve the quality and increase the coverage and scope of various knowledge services provided to the public.

63. There has been general agreement that the Bank got involved in many beneficial global programs, and that Egypt has been benefiting from them. The Bank has been successful in representing the country's priorities with regard to the governance arrangements for those global programs that are managed or sponsored by the Bank.. However, the Bank should be careful not to concede to the pressures coming from developed countries, as the poor countries themselves may be overwhelmed with their internal problems.

ANNEX 1: LIST OF CONSULTEES

This field assessment conducted interviews with development practitioners across a spectrum of in-country institutions. Most of the counterparts were at a senior level—typically playing a significant role in the organization’s management team. The sample also includes some counterparts with practical operational roles. The interviews were drawn from the following diverse range:

- Social Fund for Development (SFD)
- Social Fund for Development (SFD)
- Al Ahly for Development and Investment
- TAM Consulting
- Cairo Center for Economic Information
- Alexandria Businessmen Association
- Zagazig University
- Center for Economic and Financial Research and Studies (CEFRS) Cairo Univ.
- KFAED

On occasion, the references in the working paper appropriately are associated with particular institutional vantage points, which allow the reader to see the richness of the debate. Noting this, the appendix therefore does not identify respondents by name.

ANNEX 2 : TABLE 1: MACROECONOMIC AND SOCIAL INDICATORS: 1995-2004

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Average
GDP growth (annual %)	4.7	5.0	5.5	6.2	6.1	5.4	3.5	3.2	3.1	4.2	4.7
GNI per capita, Atlas method (current US\$)	940.0	1040.0	1160.0	1240.0	1350.0	1460.0	1480.0	1390.0	1310.0	1250.0	1262.0
GNI per capita, PPP (current international \$)	2792.4	2932.8	3087.1	3254.3	3436.8	3631.5	3776.2	3886.3	4002.8	4199.7	3500.0
GDP per capita growth (annual %)	2.7	3.1	3.5	4.3	4.1	3.4	1.5	1.2	1.1	2.2	2.7
Agriculture, value added (% of GDP)	16.8	17.3	17.0	17.1	17.3	16.7	16.6	16.5	16.7	15.1	16.7
Industry, value added (% of GDP)	32.3	31.6	31.2	30.9	30.9	33.1	33.3	34.8	34.5	36.9	33.0
Services, etc., value added (% of GDP)	50.9	51.1	51.8	52.0	51.8	50.1	50.1	48.7	48.8	48.0	50.3
Exports of goods and services (% of GDP)	22.5	20.2	18.8	16.2	15.1	15.8	17.5	18.3	21.6	28.6	19.5
Imports of goods and services (% of GDP)	27.5	26.0	24.9	25.7	23.3	22.3	22.3	22.7	24.2	28.9	24.8
Current account balance (% of GDP)	-0.4	-0.3	-0.9	-3.0	-1.8	-0.9	-0.4	0.7	4.5	5.0	0.2
Total debt service (% of exports of goods, services and income)	13.2	12.2	9.6	10.6	10.7	8.5	9.5	10.3	11.7	7.6	10.4
External debt (% of GNI)	55.6	46.3	37.9	37.7	33.8	28.3	29.7	34.1	37.9	38.5	38.0
Total reserves in months of imports	10.7	11.1	10.5	10.2	8.0	6.9	7.5	8.3	8.6	6.6	8.8
Gross domestic savings (% of GDP)	12.2	10.8	11.5	12.0	13.4	12.6	13.5	13.9	14.3	16.2	13.0
Inflation, consumer prices (annual %)	15.7	7.2	4.6	3.9	3.1	2.7	2.3	2.7	4.5	11.3	5.8
Immunization, DPT (% of children ages 12-23 months)	88.0	90.0	88.0	91.0	94.0	98.0	99.0	97.0	98.0	97.0	94.0
Improved sanitation facilities (% of population with access)	..	..	..	..	..	..	..	68.0	..	..	68.0
Improved water source (% of population with access)	..	..	..	..	..	..	..	98.0	..	..	98.0
Life expectancy at birth, total (years)	66.1	..	67.6	..	..	68.8	..	69.6	69.9	70.2	68.7
Mortality rate, infant (per 1,000 live births)	56.0	..	..	..	..	40.0	..	..	..	26.4	40.8
School enrollment, preprimary (% gross)	..	..	..	..	10.5	11.4	12.3	13.1	13.9	..	12.3
School enrollment, primary (% gross)	..	..	..	..	101.3	100.5	100.1	100.3	100.5	..	100.5
School enrollment, secondary (% gross)	..	..	..	..	80.8	83.4	85.9	86.2	86.9	..	84.6
Population, total million	61.2	62.4	63.6	64.8	66.0	67.3	68.6	69.9	71.3	72.6	66.8
Population growth (annual %)	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Urban population (% of total)	42.8	42.7	42.5	42.4	42.3	42.1	42.2	42.2	42.2	42.2	42.4

Source: WDI as of July 25, 2006

ANNEX 2 TABLE 2: EGYPT-MILLENNIUM DEVELOPMENT GOALS

	1990	2004	Target 2015
1. Eradicate extreme poverty and hunger			
Population below \$1 a day (%)	8.2	.94	4.1
Poverty gap at \$1 a day (%)	7.1	3.9	3.6
Percentage share of income or consumption held by poorest 20%	9.9	8.3	5
Prevalence of child malnutrition (% of children under 5)	25.6	8.6	12.8
Population below minimum level of dietary energy consumption (%)		14	
2. Achieve universal primary education			
Net primary enrollment ratio (% of relevant age group)	85.5	94	100
Percentage of cohort reaching grade 5 (%)	83.9	86.8	100
Youth literacy rate (% ages 15-24)	73	87	100
3. Promote gender equality			
Ratio of girls to boys in primary and secondary education (%)	81.3	90.9	100
Ratio of young literate females to males (% ages 15-24)	84.7	86.4	100
Share of women employed in the nonagricultural sector (%)	19.2	20.6	50
Proportion of seats held by women in national parliament (%)	4	2.6	50
4. Reduce child mortality			
Under 5 mortality rate (per 1,000)	56	3	18.7
Infant mortality rate per 1,000 live births	37.8	5.4	12.6
Immunization, measles (% of children under 12 months)	81.5	28.2	100
		95.6	
5 Improve maternal health			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	174	67.6	43.5
Births attended by skilled health staff(% of total)	40.7	69.4	100
6. Combat HIV/AIDS, malaria and other diseases			
Prevalence of HIV, female (% ages 15-24)	..	..	See below
Contraceptive prevalence rate (% of women ages 15-49)	47.6	..	
Number of children orphaned by HIV/AIDS	..	..
Incidence of tuberculosis (per 100,000 people)	18.6	14	
Tuberculosis cases detected under DOTS (%)	..	58	
7. Ensure environmental sustainability			
Forest area (% of total land area)	0.1	..	..
Nationally protected areas (% of total land area)	6.5	10	17
GDP per unit of energy use (PPP \$ per kg oil equivalent)	3.9	6.3	See below
C02 emissions (metric tons per capita)	2	3.1	
Access to an improved water source (% of population)	94	98	
Access to improved sanitation (% of population)	87	98	
Access to secure tenure (% of population)	..		
8. Develop a Global Partnership for Development			
Youth unemployment rate (% of total labor force ages 15-24)	..	..
Fixed line and mobile telephones (per 1,000 people)	83	212	See below
Personal computers (per 1,000 people)	12	22	

Goal 6 targets: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into county policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 targets: Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Source: World Bank, CAS Completion Report, June, 2005, P. 13, and UNDP and INP, Egypt HDR, 2005, p.28.

ANNEX 2, TABLE 3: EXTERNAL ASSISTANCE TO EGYPT, TOTAL NET ODA DISBURSEMENTS, 1998-2003, IN US\$ MILLION

	1998	1999	2000	2001	2002	2003	Total
Denmark	32.1	40.4	42.4	25.2	16.1	41.2	197.3
France	308	254.1	241.7	201.5	100.1	100	1205.4
Germany	111.9	103.6	65.2	106.3	61.9	98.4	547.2
Japan	85.3	132.1	85.9	52.7	12.9	21.7	390.5
Netherlands	24.1	18.6	17.5	20.3	17.1	9.6	107.0
United States	810	666.83	634.82	630.08	845.85	441.76	4029.34
Other Bilateral Donors	315.1	155.67	105.28	115.62	100.54	95.34	887.96
Total Bilateral Donors	1686.5	1371.3	1192.8	1151.7	1154.4	808.0	7364.7
AfDF	18	18.4	9.89	14.16	2.23	12.25	74.93
EC	189.82	150.85	72.5	70.97	44.19	58.83	587.16
Other Multilateral	60.54	41.59	53.19	19.83	37.91	14.68	227.74
Total Multilateral	268.36	210.84	135.58	104.96	83.33	85.76	889.83
ALL Donors, Total	1954.86	1582.14	1328.38	1256.66	1238.73	893.76	8254.53

Source: World Bank, CAS Completion Report, June, 2005, P. 15.

ANNEX 2
TABLE 4: OPERATIONS PORTFOLIO (IBRD/IDA/GRANTS)
AS OF 30/6/2005

Active Projects		Last PSR									Difference between Expected and Actual Disbursements		
		Supervision Rating			Original Amount in US\$ Million								
Project ID	Project Name	Development Objectives	Implementation Progress	FY	IBRD	IDA	IFAD	JPN	Grant	Cancel.	Undisb.	Orig.	Frm Rev'd
P005169	Education Enhancement Program			1997		75.15					16.81	54.56	
P005173	Irrigation Improvement			1995	26.70	52.09					8.58	65.18	
P045175	Health Sector Reform			1998		97.47					61.90	36.02	
P045499	Second National Drainage			2000	50.00						27.80	22.20	
P049166	East Delta Agriculture Services			1997		16.20					9.48	6.62	
						25.24					11.37	13.41	
P049702	Skills Development			2003	5.50						5.42	0.09	
P050484	Secondary Education Enhancement			1999		52.24					32.09	18.87	
P052705	Third Social Fund			1999		53.84					1.14	52.6	
P056236	Higher Education Enhancement			2002	50.00						36.84	13.16	
P040858	Sohag Rural Development			1999		27.14					10.00	16.78	
							27.5				20.58	6.7	
								0.10				0.10	
P041410	Third Pumping Stations Rehabilitation			1999	120.00						67.87	52.13	
P073977	Integrated Irrigation Improvement and Management			2005		120.0					120.00		
						0.45					0.19	0.26	
P082914	Airports Development			2004	335						300.03	34.97	
P082952	Early Childhood Educational Enhancement			2005	20.00						20.00	0.00	

Source: World Bank. 2005. Status of Projects in Execution – FY05, Egypt, Operation Policy and Country Services, September 23.

ANNEX 2: TABLE 5
WORLD BANK PROJECTS IN EGYPT SINCE 1995

No.	Active projects	Closed projects	Dropped projects
1	Education Enhancement	Egypt Population	Priv Sec Thermal Power
2	Sohag Rural Development	Pollution Abatement	Priv Sec Solarl Power
3	Pumping Stations Rehab. 3	Capacity Build. Women in Ag	Transp. Infrastructure
4	Health Sector Reform	Social Fund 2	Landfill Gaz Mgmt
5	2 nd National Drainage	Social Fund 3	Priv Sec Wind Power
6	East Delta New lands Ag. Serv.	Private and Ag. Develop.	ICT Develop Support
7	Skills Development	Pollution Abatement	Eco. Recovery Loan
8	Secondary Educ. Enhancement	Port sector Reform	Policy Based Loan
9	Higher Educ. Enhancement	Social Protection Initiative	Policy Based Loan 2
10	Integrated Irrigation Improv.	Cairo Traffic (Instit Supp.)	
11	Matruh Resource Mgt.	2 nd Matrouh Resource Mgt.	
12	Airports Development	Capacity Build.Pub. Invest.	
13	Support National Council of Wom.	National Water Res. Planning	
14	Early Childhood Educ. Enhanc.	Foreign Trade Instit. Support	
15	Financial Sector Reform		
16	Institute of Directors		
17	El Tebbin Power		
18	Second Pollution Abatement		

Source: World Bank, Egypt: List of Projects, 2006.

ANNEX 2, TABLE 6
IBRD/IDA NET DISBURSEMENT AND CHARGES SUMMARY REPORT

FY	Commitment	Gross Disb.	Repay	Net Disb.	Interest	Fees	Net Transfer
1995	80	130	215	-48	122	1	-207
1996	172	132	198	-67	112	1	-180
1997	75	132	187	-55	90	1	-146
1998	142	249	220	29	69	1	-41
1999	550	76	127	-51	63	0	-114
2000	50	78	116	-38	55	0	-94
2001	0	49	107	-57	45	2	-105
2002	50	51	99	-48	32	7	-87
2003	12	71	112	-40	35	1	-76
2004	341	98	116	-18	32	1	-51
2005	20	100	73	26	17	3	6
Total	1492	1166	1570	-1203	672	18	-1107

Source: Egypt CAS Completion Report: OED Review, June 16, 2005, P.12.

ANNEX 2, TABLE 7: EGYPT IFC LIST OF PROJECTS

1. Cmt Date Actual	2. Project Short Name	3. Institutional Legal Name	4. Secondary Sector Name	5. Orig Cmt IFC Bal (\$000)	6. Total LN Amount
11/10/95	Phoenix Resource	Apache Corporation	Oil and Gas	20,000	
01/26/96	PRC Qarun	Phoenix Resources Company of Qarun	Oil and Gas	20,000	20,000
02/06/96	ANSDK-RMF95	Alexandria National Iron & Steel Company S.A.E., (ANSDK)	Iron and Steel	17,000	17,000
02/21/96	Apache Qarun	Apache Qarun Corporation LDC	Oil and Gas	10,000	10,000
07/17/96	Abu Soma (II)-RI	Abu Soma Development Company	Accommodation & Tourism Services	589	
08/06/96	Egypt Trust	The Egypt Trust	Foreign Portfolio Funds	5,000	
08/30/96	ACB Expansion	Alexandria Carbon Black Company S.A.E.	Basic Chemical Manufacturing	6,473	5,000
09/24/96	ORIX Leasing EGT	ORIX Leasing	Rental & Leasing Services	884	
03/17/97	Orascom (OTE)	Orascom Projects and Touristic Development S.A.E.	Accommodation & Tourism Services	25,000	20,000
05/19/97	NBE-Risk Mngmt	National Bank of Egypt	Merchant Bank	10,000	10,000
05/22/97	MGDK	Messer Gases Dikheila Company, S.A.E.	Basic Chemical Manufacturing	5,500	4,000
01/12/98	Unipak-Nile	Unipak Nile Limited	Pulp & Paper	5,000	5,000
07/16/98	ECC	Egyptian Cement Company S.A.E.	Cement	35,000	35,000
08/04/98	ANSDK-FLAT	Alexandria National Iron & Steel Company S.A.E., (ANSDK)	Iron and Steel	71,300	60,000
08/05/98	Abu Soma RI-2	Abu Soma Development Company	Accommodation & Tourism Services	295	
11/20/98	ACB Expansion II	Alexandria Carbon Black Company S.A.E.	Basic Chemical Manufacturing	7,500	7,500
12/17/98	Orascom RI	Orascom Projects and Touristic Development S.A.E.	Accommodation & Tourism Services	845	
07/18/99	CIL	Commercial International Life Insurance Company S.A.E	Insurance	1,747	
10/22/99	HCSI	Hussein Choucri Securities & Investment	Securities Markets	1,404	
12/21/00	ECC-Guarantee	Egyptian Cement Company S.A.E.	Cement	34,392	34,392
02/28/01	FF WLB EGT	MENA Forfaiting Facility	Commercial Banking		
03/04/01	Suez Gulf	E.D.F. Suez Gulf Power S.A.E.	Electric Power	45,000	45,000
03/04/01	Port Said	E.D.F. Port Said East Power S.A.E.	Electric Power	45,000	45,000
03/18/01	IT Worx	IT Worx, Inc.	Software	2,500	
03/28/01	EFG Hermes - CL	EFG Hermes Holding SAE	Securities Markets	30,000	30,000
04/02/01	Unipak-Nile 2	Unipak Nile Limited	Pulp & Paper	3,000	3,000
07/01/01	OLE - CL	ORIX Leasing	Rental & Leasing Services	6,000	6,000
10/17/01	AAC	Amreya Casting Company	Transportation Equipment	4,951	4,951
01/28/02	Gava Sanitary	Al-Amir for Sanitary Ware Production, S.A.E.	Brick, Tile and Ceramic	6,000	6,000
02/27/02	OCI Debt	Orascom Construction Industries S.A.E.	Cement	25,000	25,000
01/16/03	SEKEM	Sekem Holdings	Pharmaceuticals	5,000	5,000
02/28/03	Unipak-Nile 3	Unipak-Nile Limited	Pulp & Paper	354	354
06/04/03	ETF -Citibank	CITIBANK	Trade Finance Intermediary	30,000	30,000
06/15/03	Metro	Metro Markets	Wholesale	15,000	15,000
06/20/03	ACB Expansn III	Alexandria Carbon Black Company S.A.E.	Basic Chemical Manufacturing	5,000	5,000
07/16/03	CIL Rights Issue	Commercial International Life Insurance Company S.A.E	Insurance	330	
01/26/04	EHFC	Egyptian Housing Finance Company	Housing Finance	1,618	
01/26/04	Lecico	Lecico Egypt (S.A.E.)	Brick, Tile and Ceramic	9,750	9,750
01/26/04	Lecico II	Lecico Egypt (S.A.E.)	Brick, Tile and Ceramic	5,250	5,250
04/15/04	SPDC	Sokhna Port Development Company	Transport Service	20,000	20,000
06/08/04	Merlon Egypt	Merlon Petroleum Company of Egypt	Oil and Gas	30,000	30,000
06/30/04	ACB Acrylic	Alexandria Fiber Co., SAE	Textiles - Others	8,000	8,000
03/23/05	Merlon Swap	Merlon Petroleum Company of Egypt	Oil and Gas	1,000	1,000
06/02/05	Factoring Egypt	Egypt Factors	Trade Finance Intermediary	3,000	
06/24/05	Wadi	Wadi Holdings	Animal Production	15,000	15,000

Source: The World Bank.

ANNEX 3: QUOTATIONS

- In 2005/06, SFD undertook an impact assessment study on its infrastructure, community development and micro finance components. The quantitative survey was carried out by CAPMAS. The preliminary results were positive.
- The agreement of the “Alex growth Pole project.” {\$100m from the Bank and \$ 30 m from the borrower) is supposed to start in 2007, where 30 areas will be developed.
- The SFD realized the importance of maintenance. Since 1997, the SFD requested from different NGOs to include a budget for maintenance. Since 2001, the SFD required that 10 percent of its infrastructure loans be kept in a deposit to use its yield for maintenance.
- Several donors, like the Kuwait Fund required that some of the funds should be allocated to women and newly graduates. The SFD supported SMEs during the Avian Flu crisis, through re-financing these projects or re-scheduling their loans.
- The studies the Bank undertook were useful especially the framework of monitoring and evaluation pilot project, CAS and environmental studies.
- Different sources of finance with better conditions are now available compared to the Bank. Currently the Bank prefers to offer joint finance with other institutions.
- The renewal of Cairo Airport financed through the Bank, is an expensive project and it probably will not help in attracting more tourists. Provision of better services to the tourists is more important.
- The Bank is offering a \$500 m loan to support the financial sector in Egypt. This kind of project will not have an impact on poverty alleviation. It is only a window dressing for public banks. The Bank officers are usually driven by the desire to achieve their target concerning the volume of lending to the country, which could explain why the Bank is involved in projects that seem to have less social and economic impact. The banking sector in Egypt is facing major structural problems. Most of the foreign banks are working mainly in retail banking. Public banks suffer from financial problems. What the sector needs is structural reform.
- The environmental study by the Bank was very useful. The Bank should undertake sectoral studies that should be made available for the private sector.
- Egypt is suffering from a gap between the social services provided to the rich compared to those provided for the poor. It would have been better to allocate the airport funds to renew the transportation network.
- The Ministry of Environment got a grant, from the Global Development Fund of \$7.5m, to reduce pollution at Mariott lake. Work on this project has just started.
- The terms of lending of the bank loans are relatively higher compared to other donors.
- A lot of the Bank studies were done upon the request of the Ministry. It helped the Ministry to get in touch with other donors.

- The Bank supported the establishment of the SFD in February 1991, to reduce the impact of ERSAP. During its first phase which lasted for three years, the SFD established 5 projects, the cost was US\$ 715m offered by the World Bank and other donors. In 1996/97, phase two was approved and other donors joined such as UK and Japan, The funds increased to almost US\$ 1b.
- The Bank, KfW and some other institutions, demanded that the interest rates on the funds provided by the SFD should be at the market rate. There was another line of credit, financed through the Arab funds, where interest rate was subsidized.
- No independent impact assessment study was done up to now, but the rate of survival for SMEs financed through the SFD was high. The loans were recovered by almost 80 percent and this recovery rate increased later on. The insurance project must be evaluated. It is about time to evaluate the SFD and its projects.
- The loan of the financial sector reform is equivalent to all loans that the Bank provided to infrastructure projects. The real purpose may be to encourage the government to undertake other reform measures and to speed-up the privatization process.
- If the Bank is interested in changing the public opinion about its projects, more funds must be allocated to the social sectors that touch the people's lives.
- The private sector will be satisfied if the Bank revealed its opinions about subsidies, education, health and environment policies, instead of just supporting the government.
- It is thought that the Bank is implementing whatever the government is requesting without interfering. The Bank should have a different role.
- The Bank's projects should not be as diversified. It is preferred that the Bank select few sectors such as transportation, education, or health. This would create a feeling that the Bank supported the reform of a specific sector.
- The policy advice by the Bank, does not reach the public. It should be published in independent newspapers. If the Bank supported privatization and allocated enough resources to create public awareness about it, things would have been better. The Bank should not just support the status quo.
- Some of the problems come from the borrowing countries since the new project ideas generally come from governmental agencies, whose administrative capabilities are in doubt. More attention should be given to the cooperation with the NGO's and the private sector.
- The Airport project is important since it will help generate additional income, part of it in foreign exchange. But using the Financial Sector Reform Loan to improve the balance sheet position of some public sector banks may not be a good idea. Also, a part of the training component that was done through the Higher Education Enhancement Project wasn't serious. It will be a good idea if the trainers come to Egypt instead of sending our people abroad. The transfer of technology is very important. Finally, the suspension of the East Delta New lands Agricultural Services Project , and the investigation going on the alleged irregularities shows the importance of the increased dependence on the private sector, and the NGO's. If there is some corruption, it will be definitely less than that in the public sector.

- Provision of services free of charge is difficult, since these services require adequate funds to finance the operation. Otherwise work will not be done properly. This is another factor to increase dependence on the private sector.
- The Bank knowledge services are helpful. But at the same time it encourages the government not to listen to its own people. Sometimes it will be cheaper to make these studies locally. Dependence on the Bank in similar matters should be only on topics that can't be provided domestically.
- The role the Bank plays in global programs is beneficial to all concerned parties.
- The role the Bank plays with the LIC and MLIC is very important, especially that its role, unlike that of the IMF, is characterized with flexibility. The impact of the Bank finance is particularly important to the infrastructure and social sectors.
- Egypt's dependence on the Bank loans tended to diminish since 1991, as the interest on the bank loans are higher than what Egypt can get from other donors, and as the government tried to keep the public debt stock at or below \$ 28b. Thus new loans are limited to the amount of debt repayment every year.
- With the decline in the volume of lending it is important that the Bank increases focus on the choice of projects, and to control spending from the loans to guarantee proper use of money. The bank method of international competitive bidding is an excellent one. Any delay in the studies or implementation of those projects used to come from the part of the government. The Bank used to provide the government with a quarterly monitoring and evaluation report.
- The bank lending to the social sectors is relatively new, and thus its impact on those sectors is not apparent yet. The issue of economic pricing of social services is useful and important, but we have to reach it gradually. Usually the Bank conditioned withdrawals from its loans by making some institutional reforms. The delay in implementation was due to the delay in making these reforms. Sometimes the loan itself was suspended as a result. Dropped out projects might happen as a result of local pressures, or from outside pressures.
- The knowledge services provided by the Bank are very helpful and beneficial. The Bank used to respond positively and quickly for any governmental request.
- The bank role in global initiatives is very important to convince the developing countries of the importance of these initiatives to them.
- Project priorities are determined by the government. So if there are any mistakes it is on the part of the government. The priorities of the Bank depend on its own theory of development. This may suffer from some excesses as it may not take the special conditions of the state, and thus the projects have to be tailored according to the needs of each country. Required procedures are lengthy and there is a need for simplification to increase efficiency.
- Finance provided by the Bank is quite small, but is important since it acts as a catalyst for mobilizing financing packages two - three times that of its own loans.
- The role of the Bank is beneficial to the country as: (1) It insists on the existence of a feasibility study which increases the opportunity of success, even if this is not required by the government, (2)

a follow up of the required procedures and tenders to get the best offers, (3) a follow up to the implementation of the projects, and (4) most of the projects have a social component.

- The Bank has to give more attention to empowerment, and here the role of the NGO's is very important. Micro finance projects could be administered through these NGO's with greater flexibility, increased coverage and efficiency.
- The Bank has to concentrate on the process of project selection, its feasibility, and the cost effectiveness of investment expenditure. Examples: (1) while the Airport Project is necessary and required to increase efficiency, it should have located it far from the present airport for the purposes of urban development. (2) The use of the proceeds of the Financial Sector Reform Loan to improve the balance sheet position of a public sector bank (Alexandria Bank) to be able to privatize it, may not be a good idea. The banking sector has enough liquidity to handle this matter, and what is required is technical assistance only. (3) Some project components were not properly chosen (e.g., the training component in the Higher Education project), and/ or not properly monitored (e.g., the East Delta Agricultural Services Project), and thus investment expenditure, was wasted.
- The Bank studies are varied and beneficial. More dependence is on foreign experts than domestic experts, which increases costs and delays the completion of these studies, and project implementation.
- The new emphasis given by the Bank to social issues and projects is commendable. While the idea started with the UNDP in the early 1990's, the role played by the Bank with regard to the importance of poverty alleviation, and of equity as a source of growth helped to direct the attention of the governments to the importance of these policies. The role played by the Bank is continuous and comprehensive, which increases the effectiveness of its interventions. Also, the Bank is endowed with a good team of experts, which helps in this regard.
- Some important issues have to be considered during the project preparation phase: (1) Emphasis should be given to capacity building to guarantee continuity, (2) Adequate funds has to be guaranteed and proper training has to be provided during implementation so that projects will be properly maintained after operation, (3) Cost recovery issues has to be explained carefully to government officials, so that they can defend it. (4) It is important to put procedures and regulations to guarantee efficiency and prevent misuse of resources and/or corruption to avoid what happened in the implementation of some Bank Projects.
- One problem is the absence of coordination between the Bank and other donors. Every donor wants to impose his own agenda. Coordination is important specially that the amount allocated to various sectors by every donor is relatively small.
- The Bank has entered into diverse activities, actually more than it can handle. It might be more appropriate to reduce the areas of intervention and concentrate only on those where the Bank has a comparative advantage.
- The knowledge services the Bank provides are very important, as well as its impact on policy formation as in the fields of poverty reduction, education, or gender, etc. The credibility of the Bank with the governments enables it to achieve a considerable degree of success and persuasion more than other donors. This is the reason that the Bank has a political influence in the developing countries.

- The Bank studies in the areas of its expertise are excellent, as the public expenditure review. Other studies, where the experience is limited, are not as good, as in the case of investment horizon, or FDI. Here UNCTAD has more expertise and resources to handle these matters. So it is important to coordinate to increase efficiency and avoid waste and duplication.
- The Bank gives the studies to the government which keeps it within limited circulation. It is important to provide these documents to different parties to increase transparency and improve governance. An example of this is the position of the Bank office in Cairo where it first gave the impression that the Bank approves the implementation of Toshka project, which was not the case, and when the Bank sent a technical mission to study the project and the results were negative, these studies were sent to the government and it was difficult for other concerned parties to get them.
- Global Initiatives: The Bank has changed its position with regard to the industrial policy, and regional integration. This is commendable as a new direction in economic thinking and should lead to other regional programs.
- The strategy of the SFD, suffers from many shortcomings: (1) Even if the statement that the 98 percent repayment rate is true, some of these very small projects disappear shortly, or immediately, after repayment. (2) Around 40 percent of the new loans usually go to the same borrowers, so the coverage is not as it appears. (3) Training centers are not well equipped, and some get donor support for this purpose, but they concentrate on management with no emphasis on the technological aspects of the production process. (4) Finally, the values of these loans are extremely small, between 500-700 LE, which does not make any real impact on the borrowers. It should not be less than 10000 LE.
- The studies done by the Bank in Egypt is very valuable, domestic experts usually participate in it, but the main problem is the difficulty of obtaining these studies.
- The Bank supported privatization, a matter that proved not to make much difference. Actual developments showed that moving too fast in this direction is not a good thing. What is required is increasing efficiency, and this could be done through different ways: rentals, management contracts, selling of part or all of the enterprise, and not the last one only.
- The studies made by the Bank about Egypt are good, comprehensive, and up- to-date. Sometimes there is need for sectoral studies. Some of the project studies are not available on the Bank website. The restriction may come from the government.
- When the KFAED asked the Bank to get a copy of the Toshka studies, it asked for permission from the government, which took a relatively long time. Transparency about these studies is important for making decisions by various parties. To be useful, the Bank should make these studies available quickly.
- The role of the Bank in the implementation of global programs is beneficial, and the Bank has some tools to convince the developing countries to comply with these initiatives. Some poor countries try to depend on other donors to avoid the Bank requirements. There should be some coordination among various donors so that these countries will be faced by a unified position.
- The representation of the Bank of the interests of poor countries in global initiatives is ineffective and uncertain since the poor countries themselves are more concerned with their internal problems related to unemployment and poverty. In such circumstances the Bank concedes to the pressures coming from the part of developed countries.

- Loans to infrastructure and agriculture are easy to evaluate compared to loans to the social sectors, due to the lack of objective measures. Assessing the impact on social sectors through changes in the indicators is not easy.
- The policy advice by the Bank was reasonable and valuable, even though there was no agreement all the time. Disagreement was on timing and the speed of actions required to be taken. Conditionality used to slow down implementation. On the other hand the Bank has come a long way from applying ready made solutions. The Bank recognizes now the social and political aspects of the problems.
- The slow down in lending was due to a no. of reasons: 1) accumulated debts led to the reluctance to borrow even if it was on account of economic development. 2) FDI in Egypt slowed down compared to other countries. 3) Transformation to a market economy led to a reduction of government investment demand. 4) Graduation from IDA was another factor. Eligibility to IDA lending has to be changed from per capita income to poverty indicators.
- The big size of the loans commissioned recently was due to inflation factor, lack of funds on the part of the government, and the realization by the Bank that it has to go to areas they were not ready to enter before.
- The shift from project to programs to policy based finance was an improvement. In the late 1990's the Bank was not keen on lending unless it has a certain impact. The aim of the Bank officers, however, was on lending. Size was important while the development impact was not as important.
- There has been a blend of donors especially in the agricultural and social sector projects. The problem here, which existed on the two sides, is coordination. This used to be handled through parallel finance.
- Need for lending to the private sector will increase. This explains why the portfolio of the IFC has grown faster than previously. Very little impact for MIGA activities in Egypt up to now.
- There has been some evidence in the past that the burden of the international initiatives on the LDC was not well taken by the Bank. The Bank was leaning on the side of DC. This has to be rethought of for the benefit of the LDC.

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