Report Number: ICRR0022202

1. Project Data

Project ID	Project Name
P146244	Promoting Innovation for Inclusive FA
Country	**Practice Area(Lead)**
Egypt, Arab Republic of	Finance, Competitiveness and Innovation

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IBRD-83450	31-Dec-2019	299,948,105.82
Bank Approval Date	**Closing Date (Actual)**	
01-Apr-2014	31-Dec-2019	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	300,000,000.00	0.00
Revised Commitment	300,000,000.00	0.00
Actual	300,000,000.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Antonio M. Ollero	J. W. van Holst Pellekaan	Christopher David Nelson	IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

According to the Loan Agreement (page 9) and the Project Appraisal Document (page 8), the project development objective of the Arab Republic of Egypt Promoting Innovation for Inclusive Financial Access Project was "to expand access to finance for micro- and small enterprises using innovative financing mechanisms, with a special focus on youth and women as well as under-served regions."

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project had a single component.

Line of Credit to the Micro, Small and Medium Enterprise Development Agency (MSMEDA) to Finance Micro- and Small Enterprises (MSEs) (US$300 million estimated at appraisal, and US$300 million was disbursed) supported the establishment and operation of a line of credit by the MSMEDA, formerly Social Fund for Development (SFD), for the purpose of providing financing to participating financial institutions (banks, non-government organizations, microfinance institutions, financial leasing companies, factoring companies, and venture capital firms) for MSEs. The MSMEDA, acting as the project implementing entity, would provide financing to participating financial institutions under the terms of participation agreements and the participating financial institutions would provide sub-financing, in the form of loans or equity or convertible debt, to MSEs for sub-projects under the terms of sub-financing agreements with the MSEs.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost. The estimated and actual cost of the project was US$300 million.

Project Financing. The project was financed with a loan in the amount of US$300 million from the International Bank for Reconstruction and Development to the Arab Republic of Egypt. The whole amount was disbursed

Borrower Contribution. There was no financial contribution to the project from the borrower.

Dates. The project was approved on April 1, 2014, became effective on July 22, 2014, and closed as scheduled on December 31, 2019.

Restructuring. The project was restructured on October 29, 2017, with US$270.1 million disbursed (90 percent of the original financing), to change the project implementing entity to the MSMEDA, established under Prime Ministerial Decree No. 947 of 2017, from the SFD, established under Presidential Decree No. 40 of 1991. Prime Ministerial Decree No. 947 dissolved the SFD and created the MSMEDA as its replacement.

3. Relevance of Objectives

Rationale

The project objectives aimed to address a market failure in the Egyptian economy --- the limited access to finance for MSEs, especially for women-led and youth-led MSEs and MSEs in under-served regions of the country.

- MSEs were vital contributors to overall economic development in Egypt, accounting for more than 98 percent of all enterprises, more than 85 percent of employment in the non-agriculture private sector, and 40 percent of total employment in 2013.
- In an economy where financial intermediation remained low (private sector credit dropped from 36 percent of GDP in 2009 to 28 percent in 2014), MSEs suffered disproportionately --- only 11 percent of micro enterprises and 17 percent of small enterprises had bank loans, compared to 38 percent of large enterprises, according to the *Egypt Investment Climate Assessment Update of 2012*. Access to non-bank finance remained even more limited --- only 2.5 percent of MSEs tapped non-bank finance.
- Banks were reluctant to lend to MSEs; the value of collateral required for a loan was 88 percent of the loan size for small enterprises. Among non-banks, micro finance institutions held only 8 percent of the potential micro finance market, financial leasing and factoring companies were under-developed and provided limited services to MSEs, and venture capital companies and loan investors had a limited presence in the country.
- Women entrepreneurs, constrained by limited control over their assets (due to guardianship rules), faced more challenges with access to finance than men, being required to post higher collateral for loans than men entrepreneurs. Disparities with access to finance also persisted between and within regions of the country. Among governorates, Upper Egypt ranked lowest in access to finance. Among urban metro regions, Port Said and Suez accounted for barely three percent of total financing while Cairo and Alexandria combined for 30 percent.

The project objective to expand access to finance for MSEs was consistent with the development priorities of Egypt at appraisal and at completion.

- After three years of prolonged political transition and slow economic growth following the Arab Spring and the fall of the Mubarak government in 2011, Egypt moved to advance its economic plan centered on structural reform and investment promotion to raise growth and create jobs, and fiscal adjustment to bring the budget deficit and public debt under control. According to the International Monetary Fund (IMF) *Staff Report on the Arab Republic of Egypt 2014 Article IV Consultation*, strategies to restore the country's economic growth prospects centered on: (a) improving the business climate, including through an ambitious overhaul of the regulatory framework; (b) developing the financial sector, by increasing access to finance for SMEs, and encouraging higher investment; and (c) strengthening the social safety net to address poverty and social needs. Growth could be made inclusive and sustainable by integrating women and the youth in the economy and by increasing and improving the quality of social spending. The project objectives were consistent with the second and third of these strategies.
- *Egypt Vision 2030* articulates a long-term strategy focused on "three main areas": (a) restoring macroeconomic stability; (b) improving public sector delivery; and (c) fostering social justice and inclusion. The project objectives are consistent with the first strategy which vests the private sector with the leading role in restoring growth and providing sustainable job creation. The priorities include: supporting existing establishments and investors; improving access to markets; and improving the business environment through --- legislative reforms, focusing in particular on protecting investors; simplifying permits and licensing, easing access to land and construction

permits issuance; simplifying liquidation process; improving regulatory governance, and "improving access of micro and SMEs to finance, including microfinance."

The project objective was also aligned with the Bank Group strategy in Egypt at appraisal and at completion.

- The *Interim Strategy Note for the Arab Republic of Egypt 2012-2013* (ISN) focused Bank Group support on three pillars: (a) improving economic management through control of the fiscal deficit and initiating reforms to enhance transparency in government operations; (b) job creation, through direct emergency lending and initiating steps to improve the environment for private sector led growth and job creation; and (c) fostering inclusion, which involves ensuring broader access by disadvantaged segments of the population --- women, youth, the poor, and lagging geographical regions --- to infrastructure, finance, and social services, and enhancing citizen and community participation in the design, implementation, and monitoring of government operations. The project objective was aligned with Strategic Objective 2.2 under the ISN Pillar 2 to "broaden access to credit, in particular for micro, small, and medium enterprises, especially for women and the youth" and to "enhance access to finance for under-served and unserved segments of the economy", as well as with Strategic Objective 3.6 under ISN Pillar 3 to "improve women's access to finance."
- The *Country Partnership Framework for the Arab Republic of Egypt for the Period FY2015-2019* (CPF) committed Bank Group support to Egypt's development strategy focused on three pillars: (a) improving governance; (b) improving opportunities to private sector job creation; and (c) advancing social inclusion. The project objective was aligned with the Objective 2.5 under CPF Pillar 2 to "enhance access to finance for medium, small-scale, and micro-enterprises." Having selected Egypt as a priority country for "achieving universal access by 2020", the Bank Group committed its support "to further improve financial inclusion in Egypt particularly in under-served areas", including through the development of SME-specific instruments for banks to help increase their SME outreach using long-term loans and risk-sharing facilities.

Rating
High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1
Objective
To expand access to finance for micro- and small enterprises using innovative financing mechanisms, with a special focus on youth and women as well as under-served regions.

Rationale
Theory of Change. Creating innovative financing mechanisms beyond the basic bank loan would help a wide range of financial institutions, including banks, microfinance institutions, financial leasing companies,

and venture capital companies to better meet the financing needs of MSEs. The provision of a line of credit to the MSMEDA, acting as the apex institution, would help support the financial intermediation process, allowing the financial institutions to service segments of the MSE market that are perceived as risky, including women-owned MSEs, youth-owned MSEs, and MSEs in under-served regions of the country.

Outputs. The project achieved all nine output targets, exceeding seven of these targets.

- Four financial leasing companies participated in the project, exceeding the target of three financial leasing companies.
- One venture capital company and angel investor participated in the project, exactly meeting the target.
- The portfolio at risk for participating lenders, 90 days, stayed under five percent, meeting the target.
- The volume of microfinancing from the line of credit to participating financial institutions reached Egyptian pound (LE) 1,870 million by the project closing date, exceeding the target of LE 630 million.
- The number of micro enterprise clients reached 167,677, exceeding the target of 126,000 micro enterprise clients.
- The volume of small financing from the line of credit to participating financial institutions reached LE 1,963 million by the project closing date, exceeding the target of LE 1,470 million.
- The number of small enterprise clients reached 6,911, exceeding the target of 4,900 small enterprise clients.
- The number of women served through the line of credit reached 73,856, exceeding the target for the line of credit to serve 38,500 women.
- The number of person-days of employment created reached 714,002,400, exceeding the target to create 23,688,000 person-days of employment.

Outcomes. The project achieved all five outcome targets, exceeding four of these targets.

- The number of direct project beneficiaries was 174,488, exceeding the target of 103,900.
- The outstanding MSE portfolio of the financial institutions participating in the project increased from LE 1.886 billion in the baseline to LE 35 billion by end-June 2019, exceeding the target that the MSED portfolio reach LE 15.529 billion by the project closing date.
- The participating financial institutions offered three innovative financial products to MSEs, exactly meeting the target.
- The percentage of women-owned businesses among the direct project beneficiaries served by the line of credit reached 42 percent by the project closing date, exceeding the target of 30 percent.
- The percentage of youth-owned businesses among the direct project beneficiaries served by the line of credit reached 44 percent by the project closing date, exceeding the target of 40 percent.
- There was no results indicator or results target defined for the focus on MSEs in lagging regions of the country, but the ICR reported on this anyway, quoting data from the Implementation Status and Results Reports filed by the Bank supervision missions. The percentage of businesses operating in lagging regions of the country (principally, Upper Egypt and the Sinai) among the direct project beneficiaries served by the line of credit reached 40 percent by the project closing date.

Rating

Substantial

OVERALL EFFICACY

Rationale

The project met all output and outcome targets for the objective to expand access to finance for micro- and small enterprises using innovative financing mechanisms, with a special focus on women and the youth as well as on under-served regions of the country. Eleven banks, four microfinance institutions, four financial leasing companies (one more than the target), and one venture capital company (as targeted) participated as financial intermediaries in the line of credit, with the MSMEDA acting as the apex institution. Three new financial products for SMEs were introduced (as targeted) --- the financial lease, factoring, and venture capital investment. The volume of micro enterprise financing from the line of credit was three times the target and served 40,000 more micro enterprises than planned. The volume of small enterprise financing from the line of credit was 1.3 times the target and served 2,000 more small enterprises than planned. The outstanding portfolio of all participating financial intermediaries grew from LE 1.9 billion in the baseline to LE 35 billion, more than twice the target of LE15.5 billion; the number of direct project beneficiaries reached more than 174,000, exceeding the target by over 70,000; and the project generated an estimated 71.4 million-days of employment, more than thrice the target. Around 42 percent of project beneficiaries were women-owned SMEs, more than the target 30 percent; 44 percent were youth-owned SMEs, more than the target 40 percent; and 40 percent were SMEs in under-served regions of the country.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic Efficiency. The Project Appraisal Document and the ICR did not conduct a formal economic analyses and compute economic rates of return for the project. Nevertheless, both the Project Appraisal Document and the ICR argued that there were potentially substantial economic benefits from the proposal to provide lines of credit to Egypt's financial institutions for on-lending to MSEs.

- According to the Project Appraisal Document, MSE sub-projects that would be financed by the line of credit to the MSMEDA were as yet unidentified at the appraisal stage. The Project Appraisal Document (pages 6-7) therefore argued that the project would yield various economic benefits: (a) provide liquidity to a significant sector of the economy that was deprived of adequate financing; (b) encourage the MSMEDA to enhance access to finance to start-ups; (c) support the evolution of innovative financing tools and mechanisms, including financial leasing, factoring, and venture capital financing; (d) overall, benefit some 125,000 micro-enterprises, 5,000 small enterprises, and 100,000 individuals, including 35,000 women, with MSE financing.
- According to the ICR, the data did not allow for a calculation of the economic and financial return of the project. Like at appraisal, the ICR (pages 48-49) argued that the project: (a) decreased the cost and risk

of credit to MSEs; (b) enabled MSEs to improve their competitiveness and increase employment and incomes; (c) improved governance, with the MSEs gaining access to finance using transparent selection criteria; and (d) decreased informality in private business.

Operational Efficiency. The operational efficiency of the project was high.

- Participation by financial institutions in the project was robust. A total 33 participation agreements were signed with financial intermediaries for LE 2.593 billion, representing a hundred percent of the project value. The total amount disbursed to these financial institutions was LE 2.578 billion, representing 98 percent of the project value.
- The participating financial institutions provided LE 2.836 billion in financing to beneficiaries, including in the form of revolving credit, amounting to 147 percent of the project value, for some 174,588 sub-projects.
- When the project was declared effective in July 2014, some 69 percent of the project funds were disbursed to the MSMEDA. Within the first year of project implementation, the MSMEDA had signed 12 participation agreements with financial institutions for LE 1.57 billion. Within the second year of project implementation, about 90 percent of the project funds had been disbursed to the MSMEDA.
- The project loan was fully disbursed, and the project closed as scheduled in December 2019, four years and eight months after Board approval.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The project objective was highly relevant to addressing a market failure in the Egyptian economy, namely the limited access to finance for MSEs, especially women-led and youth-led MSEs and MSEs in under-served regions of the country, and was consistent with and aligned to both the development priorities of the government and the strategy of the Bank Group in the country. The efficacy of the project was substantial, with the MSE line of credit meeting all, if not exceeding most, output and outcome targets set for the number of participating financial intermediaries, the number of innovative SME financial products, the volume of financing for, and the number of micro and small enterprises served, and the focus on women-owned and youth-owned MSEs and

MSEs in the under-served regions of the country. While the economic efficiency of the project was not formally analyzed, the operational efficiency of the project was well evident in the high disbursement rate, the speed of disbursement, leveraging financial contributions from financial institutions for loans to beneficiaries, and the completion of the project on schedule.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

The risks to the sustainability of the development outcome of this operation appear to be moderate.

Political Risk. Government commitment to access to finance objectives and to MSE lending is historically strong, beginning with the comprehensive Financial Sector Reform Program launched in the early 2000s and supported by the Bank Group with development policy loans valued at around US$1.5 billion. Other evidence of commitment include the launch of the Central Bank of Egypt SME Initiative in 2016, the ready passage of the Financial Leasing and Factoring Law in 2018, and the enactment of the SME Law in 2020. The efforts by the government to expand access to finance have been actively supported by international development organizations, including the Arab Fund for Economic and Social Development, the European Bank for Reconstruction and Development, the Kreditanstalt für Wiederaufbau, the Islamic Development Bank, the United Arab Emirates Khalifa Fund for Development, and the Agence Française de Développement, further reinforcing the government's commitment to the project objective.

Macroeconomic Risk. Egypt had a strong track record of successfully completing its economic reform program supported by the IMF under the Extended Fund Facility in 2016-2019. Egypt posted strong growth, falling unemployment, moderate inflation, a buildup of strong reserve buffers, and a significant reduction in public debt over the period. The authorities were looking to broaden and deepen structural reforms begun under the Extended Fund Facility before the COVID-19 pandemic struck. Growth is expected to slow considerably in 2020/21 as tourism is at a standstill and domestic activity is expected to significantly slow. The external accounts are expected to deteriorate from portfolio outflows and the shock to tourism and remittances, resulting in an urgent balance of payments need.

COVID-19 Crisis Risk. The government responded to the crisis with a comprehensive package that supported health care needs, the economy, and the most affected individuals and sectors; the Central Bank of Egypt also took several actions to support economic activity and borrowers. The Bank approved US$50 million under the Fast-Track COVID-19 Facility in May 2020 to strengthen the response to the pandemic . Separately, the IMF approved the government's request for a purchase of SDR 2.037 billion (US$2.772 billion) under the Rapid Financing Instrument in May 2020 to help address balance of payments financing needs arising from the COVID-19 crisis. Additionally, the IMF approved a 12-month Standby Arrangement for Egypt in June 2020 for SDR 3.76 billion (US$5.2 billion equivalent, with US$2 billion available for immediate disbursement).

Mitigation Measures from a Follow-on Project. The risks to the sustainability of the development outcome of this project are also expected to be partly mitigated through the Catalyzing Entrepreneurship for Job Creation Project, which became effective in January 2020. The new project aims to foster job creation and improve economic opportunities for targeted beneficiaries and consists of financial support to MSMEs (through a line of credit to the MSMEDA), risk capital for innovative start-ups and high-growth SMEs, and business and capacity development for financial institutions, risk-capital intermediaries, and MSMEs.

8. Assessment of Bank Performance

a. Quality-at-Entry

The design of the project was informed by analytical work produced by the Bank and other authors on MSEs and MSE finance in Egypt, including the *Egyptian Private Enterprises in the Aftermath of the Revolution: An Investment Climate Assessment.* (2012), *The Future of Micro and Small Projects in Egypt* (2012), and *The Role of Micro and Small Enterprises in Egypt's Economic Transition* (2013). The design of the project was also informed by previous and ongoing Bank Group projects in Egypt on MSE finance, including the Egypt Enhancing Access to Finance for Micro and Small Enterprises Project (2010-15), the International Finance Corporation's Middle East and North America MSME Technical Assistance Facility, and the Egypt Inclusive Regulations for Microfinance Project (2014-21).

The project was planned with sufficient operational detail. The Project Appraisal Document (pages 38-47) lists: (a) the eligibility criteria for non-government organizations and microfinance institutions engaged in retail lending to MSEs; (b) the terms and conditions of participation agreements between the MSMEDA and non-government organizations and microfinance institutions; (c) the eligibility criteria for banks; (d) the terms and conditions of participation agreements between the MSMEDA and banks; (e) the eligibility criteria for the selection of venture capital companies; (f) the terms and conditions of participation agreements between the MSMEDA and venture capital companies; (g) the eligibility criteria for the selection of financial leasing companies; and (g) the terms and conditions of participation agreements between the MSMEDA and financial leasing companies.

According to the ICR (page 31), the Bank advised the MSMEDA at appraisal to consult extensively with stakeholders of the project, including private and state-owned banks, non-government organizations, microfinance institutions, leasing companies, and venture capital companies on the design of the line of credit. In response, the MSMEDA organized roundtable discussions in October 2013 (six months before the Board approval of the project) with various stakeholders, including local financial institutions and many international development organizations.

The Bank assessed the operational risks to the project, all of which it considered moderate, and proposed risk mitigation measures. To address institutional capacity risks at banks, microfinance institutions, and leasing companies, the Bank emphasized that the MSMEDA would weigh the institutional capacity of eligible lenders in selecting financial institutions to participate in the line of credit. To address the risk that the credit line might not necessarily sustain improvements in access to finance given deficiencies in credit information, the Bank stated that MSMEDA would focus on institutions capable of operating efficiently on a large scale and with the capacity to address information problems.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

The Bank employed qualified task team leaders for the project. The leadership changed twice, but the transition was always smooth, according to the ICR (page 28). In both cases, the replacement was drawn from the ranks of staff who had previously worked on a predecessor Bank project.

The Bank fielded supervision teams staffed by experts from headquarters and from the country office and by specialists in the financial sector as well as in environmental safeguards, social safeguards, procurement, and financial management. A labor economist reviewed the methodology used to measure the number of jobs created by the project. The methodology had been developed separately, with the assistance of the African Development Bank, and was found to be acceptable.

The Bank filed nine Implementation Status and Results Reports over the two-and-half-year duration of the project, or about three reports a year, more than the annual average of two reports for Bank investment financing projects. The Bank also filed two Aide Memoires, the first at the time of the mid-term review in May 2015 and the second covering the missions of December 2015 and January 2016. According to the ICR (page 28), reporting by the Bank through the ISRs and Aide Memoires was of high quality, "reflecting all issues and developments during the different phases of implementation."

The Bank responded appropriately to the dissolution of the SFD in 2017 and the creation of the MSMEDA as the replacement agency. Following the terms of the Loan Agreement, the Bank placed disbursements on hold, conducted the necessary due diligence, and restructured the project. Following the resolution of the pertinent legal issues (the MSMEDA used the old SFD bylaws to reinstall all previous operational and administrative procedures governing the operation), the Bank re-authorized the disbursement of project funds.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The project had a well-defined M&E plan.

- Following the theory of change, the Project Appraisal Document (page 20) defined nine output indicators and five outcome indicators to evidence the achievement of the project objectives. The indicators were well-defined and measurable, specified cumulative targets over five years, identified data sources, and assigned data collection and reporting responsibilities to specific agencies. Most data would be generated from the day-to-day business operations of the participating financial intermediaries. Additional data would be drawn from an impact evaluation and from follow-up surveys.

- However, the results framework plan lacked a results indicator for the expansion of access to finance for MSEs in under-served regions of the country. Moreover, the results indicator for women-owned MSEs was stated in three different versions in the Project Appraisal Document (page 20).
- According to the Loan Agreement (page 8), the MSMEDA, the implementing agency for the project and the apex institution for the line of credit, would monitor and evaluate the progress of the project and prepare project reports in accordance with the *International Bank for Reconstruction and Development General Conditions for Loans* of 2012.

b. M&E Implementation

According to the ICR (pages 29-30), the M&E design was implemented according to plan.

- The MSMEDA created an M&E unit with the responsibility of collecting key data from participating financial institutions, which were required, under the terms of their contracts with the MSMEDA to submit operational reports covering disbursements from the line of credit to the MSEs in addition to the results framework indicators and other M&E data requirements detailed in the Project Operations Manual.
- The MSMEDA produced the quarterly monitoring reports that were submitted to the Bank, following the terms of the Loan Agreement.
- While the M&E design lacked an indicator on MSE financing in under-served regions of the country, the MSMEDA was able to provide data to the Bank, which the Bank reported in Implementation Status and Results Reports filed over the duration of the project. The ICR (pages 52-57) cites these data in Annex 6.1 - Summary of Implementation Status and Outputs.

c. M&E Utilization

According to the ICR (page 27), the M&E data were used to "evaluate performance, guide implementation, and enable the effective management of the project." The MSMEDA M&E unit was also cited for being "responsive and cooperative" when the Bank conducted a due diligence of the project ahead of the project restructuring in October 2017.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

Environmental Safeguards. The project was classified as an Environmental Assessment Category "FI" (Financial Intermediation) at appraisal and was governed by the environmental safeguards provisions of the Bank's *OP/BP 8.30 – Financial Intermediary Lending*. The Bank reviewed and cleared an Environmental and Social Management Framework for the project, which was disclosed and posted at the Bank's *InfoShop* and at the MSMEDA's website in December 2013. Because sub-loans to MSEs were small- to medium-sized, it was expected that environmental risks --- the risks of using the sub-loans for activities detrimental to the environment --- would not be significant and that any environmental impact would not be irreversible. The Environmental and Social Management Framework essentially used the Environmental Management Plan prepared by the MSMEDA in 2009 for the Egypt Enhancing Access to Finance for Micro and Small Enterprises Project, following an assessment of national environmental laws and the institutional capacity of the MSMEDA to uphold environmental standards. According to the ICR (page 30), the project complied with all environmental safeguards policies during project implementation.

Social Safeguards. The social impact of the project was expected to be positive. Investment in MSEs would lead to the creation of job opportunities and help raise incomes, diversify livelihoods, and reduce poverty. The project would offer opportunities to women entrepreneurs and youth entrepreneurs with poor access to finance. The Project Operations Manual, which detailed the principles, criteria, procedures, and processes for screening sub-projects, also provided for a grievance redress mechanism to ensure that: (a) women had equal opportunities as men in gaining access to finance, (b) any labor, health, or safety issue would be adequately addressed; (c) any sub-project which involved land acquisition or involuntary resettlement would not be eligible for financing; and (d) any sub-project which affected indigenous people's communities or groups would not be eligible for financing. According to the ICR (page 30), the project complied with all social safeguards policies during project implementation.

b. Fiduciary Compliance

Procurement: The Loan Agreement (page 8) required that the procurement of goods under sub-financing and for sub-projects financed by the project follow the Project Operations Manual, which itself must follow the *Guidelines: Procurement of Goods, Works, and Non-Consulting Services for IBRD Loans and IDA Credits and Grants by World Bank Borrowers* of 2011. The ICR (page 30) did not raise any fiduciary compliance issues related to procurement during project implementation.

Financial Management: The Loan Agreement (page 8) required the government to maintain a financial management system following the *International Bank for Reconstruction and Development General Conditions for Loans* of 2012, including by preparing and submitting to the Bank quarterly interim financial reports and having the annual financial statements audited. The ICR did not raise any issues with financial management during project implementation. According to the ICR (pages 26-27): (a) the MSMEDA's Accounting Financial Department diligently performed the project financial management functions (including flow of funds, cash management, accounting, and reporting); (b) the MSMEDA's Internal Audit Department effectively evaluated all financial intermediaries participating in the project, with the department's staff in its regional offices performing the detailed assessments; and (c) the government hired an independent external auditor, whose work was considered satisfactory, based on the Bank's financial management standards.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

The first two lessons are drawn from the ICR (pages 34-35), with some adaptation; the third is offered by this ICR Review.

Technical assistance is especially valuable in SME finance projects, where the focus is on financial innovation and non-bank financial institutions. This project benefitted from the provision of technical assistance from the Bank's and the International Finance Corporation's Middle East and North America MSME Technical Assistance Facility as well as from "South-South" collaboration with India (the Small Industries Development Bank) and Malaysia (the MSE Corporation Malaysia, among others). The government enacted Law No. 176 in 2018 regulating financial leasing and factoring activities, replacing Law No. 95 of 1995 on financial leasing and Ministerial Decree No. 446 of 2003 on factoring activities. The lesson is that availing of expert advisory services, the MSMEDA established a specialized Investment and Venture Capital Department in 2015 and launched the Venture Capital Program to pilot venture capital activities.

Having a capable and experienced apex institution for a line of credit operation facilitates the expansion of the operation's scope and scale. The MSMEDA (then the SFD) was the implementing agency for the Egypt Enhancing Access to Finance for Micro and Small Enterprises Project from 2010 to 2015. That project aimed to contribute to a sustainable improvement in inclusive access to finance for MSEs on a commercial basis and provided US$300 million for MSE financing by banks and microfinance institutions. This project expanded the scope of the predecessor operation, embracing the participation of non-bank finance institutions, introducing leasing, factoring, and venture capital products, and focusing on women-owned and youth-owned MSEs and MSEs in lagging regions of the country. The lesson is that MSMEDA's previous experience and record as an apex institution for an MSE line of credit, including its familiarity with Bank standards and operations, helped with the design and implementation of this project.

This review suggest the following additional lesson.

Providing MSE financing on a commercial basis, even as the targets are the riskier segments of the market, remains vital to keep MSE financing sustainable. This operation placed a special focus on women-owned MSEs, youth-owned MSE, and MSEs in lagging regions of the country. In lending programs with social impact dimensions, it remains vital that financing be provided on a commercial basis and avoid introducing market distortions or promoting entitlement programs. This project successfully used commercial banks, microfinance institutions, leasing and factoring companies, and venture capital companies as financial intermediaries. The Bank also prescribed the use of participation agreements, sub-financing agreements, and a Project Operations Manual that emphasized sub-project appraisals as well as lending and investment decisions that were "in accordance with market principles."

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a fairly good record of the project which is consistent with the guidelines. With this operation aiming to build on the achievements of the Egypt Enhancing Access to Finance for Micro and Small Enterprises Project (2010-15), the comparison between the two projects in Annex 6.1 (pages 58-59) is highly informative. The summary of the findings and conclusions of nine Implementation Results and Status Reports, in Annex 6.1 (pages 52-57), is helpful to understanding the progress made during implementation and the links from action to results. The report submitted by the MSMEDA, summarized in Annex 6.3 (pages 60-63) and including the extensive dataset in Annex 6.4 (pages 64-76), is also very useful.

The ICR presents a candid assessment of the achievements of the project. All nine output targets and all five outcome targets were met. But it also helped that: (a) the project had a simple design; (b) the operation stood to gain from the experience and the lessons learned from the prior MSE finance project; (c) the operational details of the project were well planned; (d) the line of credit used a capable and experienced apex institution; (e) the innovations introduced benefitted from able technical assistance; (f) the implementing agency and the Bank were diligent with project supervision (the Project Management Committee and a Bank representative held weekly meetings). The lessons were generally useful.

The ICR had some minor deficiencies. It could have corrected for the repetitious statement of the target for women-owned MSEs --- the "number of project beneficiaries, female beneficiaries (percentage)", "women-owned businesses served by the line of credit (percentage)", and "number of women served through the line of credit" were measures of the same result. Some terms were drawn from the Project Appraisal Document were also left undefined in the ICR.

a. Quality of ICR Rating

Substantial