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Report No: ICR00005212

IMPLEMENTATION COMPLETION AND RESULTS REPORT

LOAN 83450

ON A

LOAN

IN THE AMOUNT OF US$300 MILLION

TO THE

ARAB REPUBLIC OF EGYPT

FOR THE

PROMOTING INNOVATION FOR INCLUSIVE FINANCIAL ACCESS PROJECT

JUNE 27, 2020

Finance, Competitiveness, and Innovation Global Practice
Middle East and North Africa Region

CURRENCY EQUIVALENTS

Exchange Rate Effective June 27, 2020

Currency Unit = Egyptian Pounds (LE)

LE 16.16 = US$1

FISCAL YEAR

July 1 – June 30

ABBREVIATIONS AND ACRONYMS

ASA	Advisory Services and Analytics
CBE	Central Bank of Egypt
CGC	Credit Guarantee Company
CPF	Country Partnership Framework
DO	Development Objective
DPF	Development Policy Financing
DPL	Development Policy Loan
ESMF	Environmental and Social Management Framework
FM	Financial Management
GDP	Gross Domestic Product
GoE	Government of Egypt
IAC	Investment Appraisal Committee
ICR	Implementation Completion and Results Report
IFC	International Finance Corporation
IMF	International Monetary Fund
IP	Implementation Progress
IPF	Investment Project Financing
ISN	Interim Strategy Note
ISR	Implementation Status and Results Report
IVCD	Investment and Venture Capital Department
M&E	Monitoring and Evaluation
MFI	Microfinance Institution
MSE	Micro and Small Enterprise
MSMEs	Micro, Small, and Medium Enterprises
MSMEDA	Micro, Small, and Medium Enterprises Development Agency
NBFI	Nonbank Financial Institution
NGO	Nongovernmental Organization
PAD	Project Appraisal Document
PDO	Project Development Objective

PFI	Participating Financial Institution
PforR	Program-for-Results
PLR	Performance and Learning Review
PMU	Project Management Unit
RCI	Risk Capital Intermediary
SCD	Systematic Country Diagnostic
SFD	Social Fund for Development
SMEs	Small and Medium Enterprises
TA	Technical Assistance
TIEC	Technology Innovation and Entrepreneurship Center
TTL	Task Team Leader
UC	University of California

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DATA SHEET

BASIC INFORMATION

Product Information

Project ID	Project Name
P146244	Promoting Innovation for Inclusive Financial Access
Country	**Financing Instrument**
Egypt, Arab Republic of	Investment Project Financing
Original EA Category	**Revised EA Category**
Financial Intermediary Assessment (F)	Financial Intermediary Assessment (F)

Organizations

Borrower	Implementing Agency
Arab Republic of Egypt	MSME Development Agency (Formerly The Social Fund for Development)

Project Development Objective (PDO)

Original PDO

The project development objective (PDO) would be to expand access to finance for MSEs in Egypt, using innovative financing mechanisms, with a special focus on youth and women, as well as underserved regions.

FINANCING

	Original Amount (US$)	Revised Amount (US$)	Actual Disbursed (US$)
World Bank Financing			
IBRD-83450	300,000,000	300,000,000	300,000,000
Total	**300,000,000**	**300,000,000**	**300,000,000**
Non-World Bank Financing			
Borrower/Recipient	0	0	0
Total	**0**	**0**	**0**
Total Project Cost	**300,000,000**	**300,000,000**	**300,000,000**

KEY DATES

Approval	Effectiveness	MTR Review	Original Closing	Actual Closing
01-Apr-2014	22-Jul-2014	24-May-2015	31-Dec-2019	31-Dec-2019

RESTRUCTURING AND/OR ADDITIONAL FINANCING

Date(s)	Amount Disbursed (US$M)	Key Revisions
29-Oct-2017	270.71	Change in Implementing Agency

KEY RATINGS

Outcome	Bank Performance	M&E Quality
Satisfactory	Satisfactory	Substantial

RATINGS OF PROJECT PERFORMANCE IN ISRs

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US$M)
01	30-May-2014	Satisfactory	Satisfactory	0
02	03-Dec-2014	Satisfactory	Satisfactory	81.25

03	15-May-2015	Satisfactory	Satisfactory	134.92
04	06-Oct-2015	Satisfactory	Satisfactory	205.95
05	08-Jul-2016	Moderately Satisfactory	Moderately Satisfactory	270.16
06	29-Jun-2017	Moderately Unsatisfactory	Moderately Unsatisfactory	270.71
07	02-May-2018	Moderately Satisfactory	Moderately Satisfactory	295.66
08	24-Dec-2018	Satisfactory	Satisfactory	295.66
09	14-Jul-2019	Satisfactory	Satisfactory	298.62

SECTORS AND THEMES

Sectors

Major Sector/Sector	(%)
Financial Sector	**100**
Banking Institutions	74
Other Non-bank Financial Institutions	26

Themes

Major Theme/ Theme (Level 2)/ Theme (Level 3)	(%)
Private Sector Development	**130**
Jobs	100
Enterprise Development	30
MSME Development	30
Finance	**70**
Financial Stability	40
Financial Sector oversight and policy/banking regulation & restructuring	40
Financial Infrastructure and Access	30
MSME Finance	30

ADM STAFF

Role	At Approval	At ICR
Regional Vice President:	Inger Andersen	Ferid Belhaj
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I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

A. CONTEXT AT APPRAISAL

1. **At the time of preparation of the Promoting Innovation for Inclusive Financial Access Investment Project Financing (IPF), the overall country context was still affected by the 2011 revolution, and the subsequent unrest carried on until the political developments of 2013, when former President Morsi was removed.** Egypt was still undergoing a major political, economic, and social transformation, which had negative repercussions on the micro and small enterprise (MSE) sector. The first quarter of FY2013/14 saw an economic growth rate of 1.6 percent, compared to 2.9 percent in the same period a year earlier. The slow growth was exacerbated by poor performance in various sectors and a contraction in the extractives and tourism sectors. The overall macroeconomic and political instability had adversely affected investments, notably by the private sector. Domestic investments fell to 14.2 percent of gross domestic product (GDP) and foreign direct investments dropped to 1.3 percent of GDP in FY2012/13, from 19.5 percent and 3.1 percent, respectively in FY2009/10, before the 2011 revolution. Foreign reserves were depleting rapidly and severe shortages in foreign currency were intensifying, leading to the emergence of a parallel rate of exchange. The sluggish economic activity deteriorated public finances, resulting in higher government financing needs. These factors, along with the drop in both domestic and foreign investments and the acute distortions in the foreign exchange market, had adversely affected the creation and growth of MSEs.[1]

2. **These factors affected the macroeconomic environment, contributing to an increase in unemployment and poverty rates, as well as affecting the enabling business environment, including for women and youth.[2]** In addition, there was an increase in the budget deficit and decrease in private lending. Unemployment increased from 8.9 percent in October–December 2010 to 13.4 percent in July–September 2013; with female unemployment at 25 percent and youth unemployment at 42 percent. The poverty rate also increased to 26.3 percent in 2012/13, up from 25.2 percent in 2010/11 and 21.6 percent in 2008/09.[3] Headline urban inflation climbed to a three-year high of 13.0 percent in FY2012/13 and continued to rise to 13.4 percent in FY2013/14. The overall budget deficit reached 12.9 percent of GDP in FY2012/13, almost 5.0 percent of GDP higher than the ratio only three years earlier (before the 2011 revolution). This widening deficit entailed larger domestic financing, which in turn distorted the incentives of the banking system. Banks started heavily purchasing less risky, high-yield government bonds and treasury bills that represented 41 percent of the banking system assets, accounting for 58 percent of GDP in 2013, thus leaving little loanable funds available. Claims on the government-to-total domestic credit increased to 60 percent, while claims on the private sector credit dropped to 37 percent in June 2013, as opposed to 54 percent and 42 percent in June 2012, respectively.

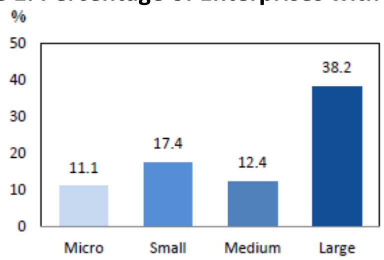
[1] Project Appraisal Document (PAD), Promoting Innovation for Inclusive Financial Access (P146244).
[2] According to the FINDEX 2014 survey, only 14 percent of adults in Egypt owned a transaction account in a formal financial institution, while only 7 percent of women had an account at a formal financial institution.
[3] The national poverty rates are based on a benchmark consumption basket that is revised to reflect the changing pattern of households' consumption. Thus, the poverty estimates based on the various rounds of the national household survey may not be comparable.

3. **During project design, MSEs in Egypt were suffering from limited access to finance through formal financial institutions, which focused on serving larger established companies.** This occurred despite the fact that MSEs constituted more than 98 percent of the private sector. Egypt boasted the largest microfinance market in the Arab world in terms of client outreach, with approximately 1.1 million borrowers and 263 million loans outstanding in 2013. However, the sector was only 8 percent of the total potential market size.[4] Microfinance institutions (MFIs) were having difficulties weathering the political transition and in parallel, banks were reluctant to lend to MSEs, especially young and new ones due to the perceived associated risk.[5] MSEs suffered from low financial intermediation and banks continued to lend based on collateral (88 percent of loan size for small enterprises) as opposed to cash flow. Therefore, this narrowed the opportunities for MSEs that often did not have sufficient collateral.

4. **On the financial sector front, sectoral analysis showed that low financial intermediation is a key binding constraint for firm development in Egypt (more acute to firms that are smaller in size).[6]** The loans-to-deposit ratio declined from 50 percent in 2011 to 46 percent in January 2014, which reflected low financial intermediation. This was compounded by the increase in the banking sector's risk aversion, as evidenced in the decline of private sector credit-to-GDP from 36 percent in June 2009 to 27.5 percent in January 2014. MSEs in particular, suffered disproportionately from low financial intermediation and were offered a limited range of financial products. The Investment Climate Rapid Assessment Survey (2012) revealed that only 11.1 percent of microenterprises and 17.4 percent of small enterprises had bank loans, as opposed to 38.2 percent of large enterprises (figure 1). More than 70 percent of the surveyed firms raised concerns regarding the rapid increase in the cost of finance post revolution. As a result, they often resorted to alternative sources of finance, relying on personal savings (79 percent) or inheritance (15 percent) to raise capital, while only 4 percent accessed the formal market (figure 2). Only 2.5 percent of MSEs tapped into nonbank financial institutions (NBFIs) in 2013, and MSEs faced problems obtaining finance from other market-based instruments and stakeholders. Venture capital and angel investors had a limited, yet growing, presence in the Egyptian market and their operations were not easily tracked in terms of magnitude, due to lack of a comprehensive regulatory and reporting framework governing their operations. In addition, financial leasing and factoring were underdeveloped and nascent at the time of project preparation and provided limited services to MSEs.

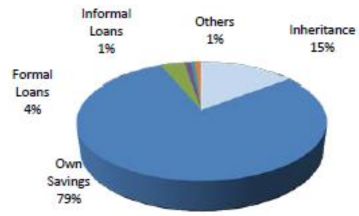
[4] PAD, Promoting Innovation for Inclusive Financial Access (P146244).
[5] Data from: Microfinance Information Exchange (MIX): www.themix.org/ and Sanabel (the Middle East and North Africa region's microfinance network).
[6] Although banks were liquid, there was a preference not to lend to MSEs due to the low-risk appetite of banks and to serve larger corporates.

Figure 1. Percentage of Enterprises with Bank Loan



Source: World Bank Survey 2012.

Figure 2. Small Enterprises Financing Sources

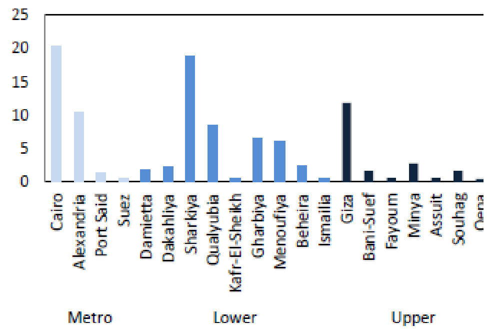


Source: Center for Economic and Financial Research Studies 2013.

5. **Gender disparities in access to finance, existed within and between regions in Egypt at the time of project preparation.** Gender disparities were prevalent, with women entrepreneurs facing more challenges in accessing finance than men. In some cases, traditions gave women little control over their own assets, and in many cases, women were unable to use assets as collateral, being under the guardianship of a male member of the family. In addition, banks considered female entrepreneurs riskier and imposed higher collateral requirements for women, particularly due to the traditions that placed them as the key family members responsible for taking care of the household, with limited time for work. Moreover, cultural barriers and norms limited women's mobility, constraining their entrepreneurship opportunities. Enhancing women's access to finance and providing them with an equal opportunity proved to be critical during appraisal. Therefore, funds were allocated to their most productive uses with no discrimination by gender. At appraisal, empirical evidence demonstrated that economic empowerment of women generates benefits to the whole family and improves the standard of living of their children.

6. **During project preparation, geographical disparities in access to finance were also highlighted.** Appraisal showed that Upper Egypt was the region that was lowest in terms of distribution of financing, with large disparities among the different governorates. Other regions, such as Giza, had the highest share of enterprises with access to credit (11.8 percent). The share of enterprises with access to loans in Cairo was almost double that of Alexandria, which had the second highest access in the country, with the percentage in the other governorates not exceeding 1.5 percent (figure 3). Therefore, there was a need to address underserved segments residing in lagging regions, mainly Upper Egypt.

Figure 3. Distribution of Financing by Governorate in 2013



Source: Investment Climate Survey.

7. **Youth-owned businesses faced challenges in terms of access to finance.** While the issue of limited access to finance for entrepreneurs was widespread, youth-owned businesses in particular faced specific challenges. These challenges included (a) restrictive collateral requirements, (b) inadequate loan sizes and terms, (c) lack of awareness of and understanding available financing mechanisms, (d) lower access to networks of investors, and (d) the perception of women and youth-led enterprises as risky investments due to lack of business experience. With over 17.8 percent of Egypt's large population characterized as youth at the time of preparation and effectiveness, this project had a wide pool of beneficiaries who needed to be reached.[7] Therefore, serving expanding financial access to this segment of Egypt's population would facilitate growth, decrease unemployment, and improve the overall business climate at a time of economic volatility and political transition. Thus, there was an urgent need to reach out to this underserved segment.

8. **Responding to the challenges outlined, in July 2013, the Government announced the development of micro, small, and medium enterprises (MSMEs) as a key pillar in its national program to enhance job creation, with a focus on youth.** Another important pillar of the program was the empowerment and restructuring of the former Social Fund for Development (SFD) (which is now the Micro, Small, and Medium Enterprises Development Agency [MSMEDA]),[8] to improve its effectiveness as a national apex organization. In that context, MSMEDA, under its new management, had undergone major restructuring and modernization to improve its performance and governance structure. As a result, the Government requested World Bank support in that space.

Rationale for Bank Support

9. **The timing of the operation was opportune in supporting MSEs, with a focus on women, youth, and lagging regions.** Given the momentum of reforms during that period and the Government's objective

[7] UNFPA (United Nations Population Fund). 2016. *Population Situation Analysis Report: Egypt 2016.* UNFPA.
[8] The Government's Prime Ministerial Decree No.947 dissolved the former SFD and established MSMEDA as its replacement on April 24, 2017. On August 10, 2017, MSMEDA's Board of Directors, chaired by the Prime Minister, conducted its first meeting and approved all administrative, financial, and operational aspects using the former SFD bylaws. It is worth noting that the new legal mandate for MSMEDA widened its scope to cover MSMEs. In addition, MSMEDA was mandated to be the main coordinating national body for the MSME and entrepreneurship sectors. In the context of this Implementation Completion and Results Report (ICR), the implementing entity will be referred to as MSMEDA.

of attaining a more inclusive financial system, the World Bank Group's intervention was timely. This intervention showcased how the World Bank Group supported Egypt during difficult and uncertain times to protect struggling MSEs, which were critical to the economy. Building upon prior engagements in that space, this intervention had a special focus on the most underserved segments. This was part of a broader comprehensive World Bank Group support package of lending and advisory services and analytics (ASA) for Egypt. The project reflected the high-level priorities of the Egyptian authorities, and it reinforced more inclusive economic growth by unleashing opportunities for underserved segments of society.

10. **In that context, the Government of Egypt (GoE) requested the World Bank to support the sector through this operation, with a focused intervention on addressing access to finance, because this was a key challenge hindering job creation, enterprise growth, and economic growth in the economy.** The project was complemented by parallel financing from the Arab Fund for Economic and Social Development from its MSME Special Account and the United Arab Emirates' Khalifa Fund for Development. It was an opportunity for the World Bank Group to build upon the previous engagement with MSMEDA[9] and support Egypt during critical times of transition, a period in which citizens were demanding decent jobs, a level playing field, social justice, and equal access to markets. In addition, the operation was complemented by the Egypt MSME Development Facility, part of the broader Regional MENA MSME[10] Facility, which was a joint IFC-IBRD[11] Multi-donor Trust Fund ASA Facility. Part of this facility covered nonfinancial support and capacity-building activities associated with the operation.

Relevance to Higher Level Objectives:

11. **At preparation, the project was closely aligned with the Country Partnership Strategy's priorities and the 2012 Interim Strategy Note (ISN) for Egypt (FY2013/14) (Report No. 66443-EG), which was discussed by the Board of Executive Directors on June 28, 2012.** The ISN focused on economic management, jobs, and inclusion and entailed a different way of doing business. The ISN placed importance on attaining a level playing field and supporting MSE development by setting improving access to finance for MSEs as a priority. The project's objectives, which are discussed in the following sections of this ICR, achieved this through interventions in poor villages and marginalized governorates, while focusing on women and youth. The project also addressed the following three pillars of the ISN (FY2013/14):

(a) **Improving economic management.** The project focused on strengthening governance and enhancing transparency and accountability of public entities, private companies, and the financial system by requiring MSMEDA to disclose its financial statements, improve its governance structure, and set eligibility criteria for financial institutions.

(b) **Creating jobs and unleashing entrepreneurial potential.** The project's objectives were fully aligned with this pillar, as demonstrated in the following sections of this ICR (see section,

[9] This refers to the Egypt Enhancing Access to Finance for Micro and Small Enterprises Project (P116011), where the implementing entity was also MSMEDA (the former SFD).
[10] MENA = Middle East and North Africa.
[11] IFC = International Finance Corporation; IBRD = International Bank for Reconstruction and Development.

Project Development Objectives). The project was designed to enhance access to finance and thus fostered economic opportunity, competition, and innovation.

(c) **Fostering inclusion.** The project's objectives were aligned with this pillar by ensuring broader financial access for disenfranchised segments of the population (women, youth, and lagging regions).

12. **The project built on the preceding operation, the Egypt Enhancing Access to Finance for Micro and Small Enterprises (P116011).** The previous operation supported overall economic growth, poverty reduction, and financial stability. It focused on advancing financial inclusion among low-income communities in underserved areas across the country. It also unlocked the market for lending to MSEs and improved the access of job-creating enterprises to liquidity and needed funding at fair, market-driven costs. Through improving access to finance, the preceding operation contributed to creating sustainable and productive private sector jobs and expanded economic opportunities to MSEs and marginalized segments of the society.[12] However, this project addressed new challenges using novel tools and mechanisms, which is demonstrated in the comparison table in annex 6.3 of this ICR. Those included widening the options of financing for the beneficiaries by adding the NBFIs to the scope of the project. In addition, the project promoted economic inclusion by designing special products for women, addressing high youth unemployment, and expanding the network of beneficiaries by reaching out to the governorates of Upper Egypt and Sinai (lagging regions) through innovative mechanisms and tools including financial leasing, factoring, Islamic finance, and venture capital. The team also considered the lessons learned from the previous operation during the preparation phase of this project.

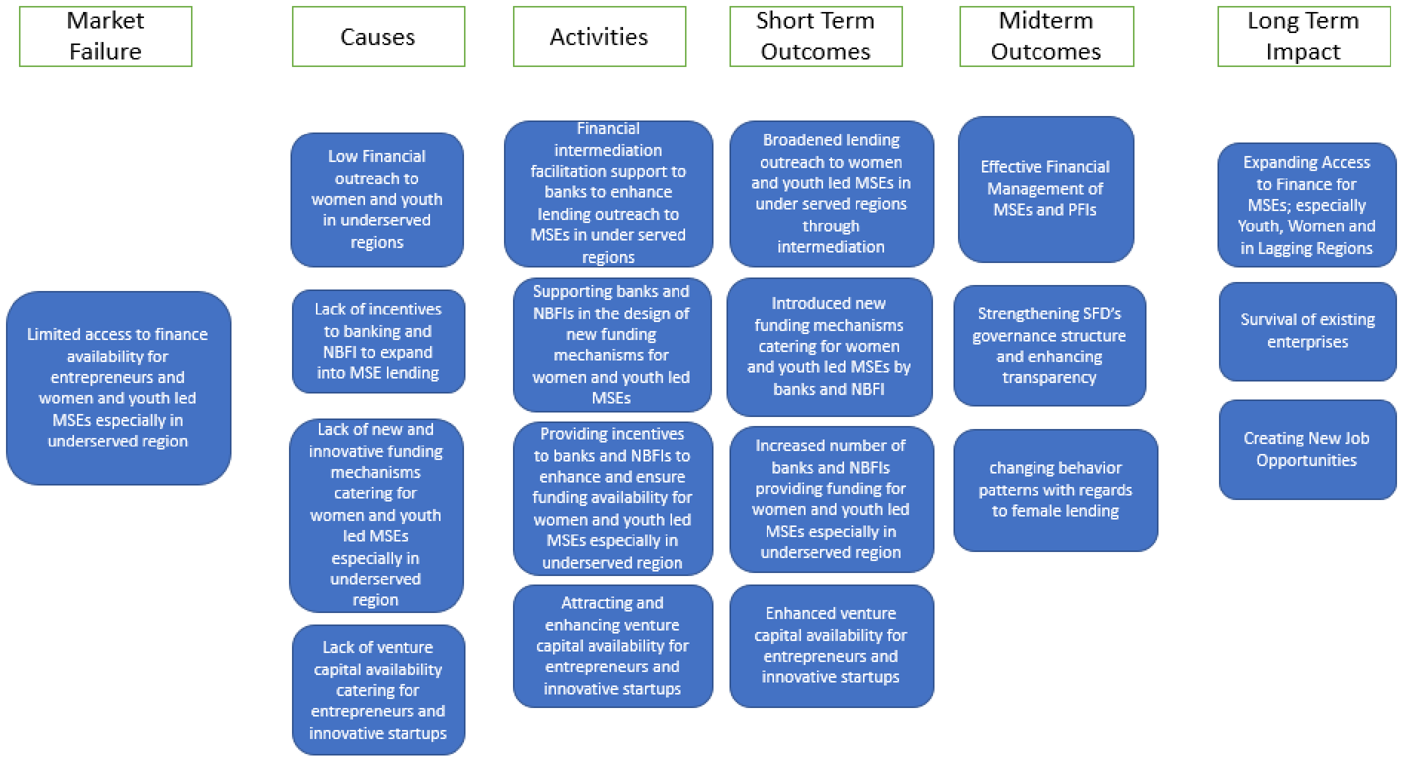
Theory of Change (Results Chain)

13. **The project introduced new products to the implementing entity, which were innovatively designed to meet the needs of targeted beneficiaries.** This approach ensured an impact on expanding access to finance for MSEs, using financing mechanisms beyond basic bank lending such as leasing, factoring, Islamic banking products, and venture capital/debt, with a special focus on youth, women, and underserved regions. Through these diversified financial offerings and clear demand, banks and NBFIs were encouraged to reach out to segments they perceived as risky. This helped develop the nascent leasing sector to small enterprises and introduced new products, mainly through MSMEDA's new venture capital unit.

14. **The Project Development Objectives (PDOs) were addressed through PDO-level indicators and underpinned by substantive prior experience in the sector.** While the Theory of Change was not explicitly presented in the PAD, outcomes over the short term, medium term, and long term were extensively discussed in the text.[13] The PDO was linked to the indicators in the Results Framework, as outlined in the reconstructed Theory of Change illustrated in figure 4.

[12] Implementation Completion and Results Report, Egypt Enhancing Access to Finance for Micro and Small Enterprises (P116011), June 30, 2016.
[13] It is worth noting that presenting a Theory of Change was not mandatory at the time of project preparation.

Figure 4. Theory of Change



Project Development Objectives (PDOs)

15. **The original PDO statement, as stated in the Legal Agreement, was to expand access to finance for MSEs in Egypt, using innovative financing mechanisms, with a special focus on youth and women, as well as underserved regions.** It is identical to the PDO stated in the PAD. The project consisted of a line of credit of US$300 million that was channeled through MSMEDA, the implementing entity. MSMEDA would then on lend to financial institutions that would ultimately reach the end beneficiaries, namely MSEs. A range of innovative mechanisms were tapped upon to enhance access to finance through new financial products for MSEs, including financial leasing, factoring, and venture capital.

16. **Progress toward achieving the project's objectives was measured by a series of quantitative and qualitative indicators at the PDO and intermediate levels (full Results Framework in annex 1).** Key results and indicators at the PDO level, were (a) number of direct project beneficiaries, of which female (percentage); (b) outstanding MSE portfolio of participating financial institutions (PFIs); (c) number of innovative financial products offered to MSEs; (d) percentage of youth-owned businesses served by the line of credit; and (e) percentage of women-owned businesses served by the line of credit.

Key Expected Outcomes and Outcome Indicators

17. **This project had a compound PDO with three interlinked dimensions.** According to the PDO, the project outcomes were:

(i) Expanding access to finance for micro and small enterprises in the Arab Republic of Egypt;

(ii) Using innovative mechanisms of financing; and

(iii) Focusing on youth, women and lagging Regions (in terms of expanding access to finance).

18. **The PDO indicators monitoring each of the outcomes were as follows:**

- **To measure outcome (i)**
  - (a) The number of direct project beneficiaries.
  - (b) Outstanding MSE portfolio of participating financial institutions.
- **To measure outcome (ii)**
  - (a) Number of innovative financial products offered to MSEs.
- **To measure outcome (iii)**
  - (a) The percentage of youth-owned businesses served by the line of credit.
  - (b) The percentage of women-owned businesses served by the line of credit.

19. It is important to note that while there was no PDO indicator assessing lagging regions in the Results Framework, the implementing entity consistently tracked beneficiaries by governorate

throughout implementation in recognition of tracking this vital PDO component. A detailed geographic distribution of beneficiaries is included in annex 6 of this ICR and a discussion on results in lagging regions is included in section 2 of this ICR.

Components

20. **The US$300 million IPF consisted of one component, which was a line of credit to MSMEDA to finance MSEs, provided through eligible PFIs**. MSMEDA was responsible for, appraising, negotiating, and overseeing implementation of contracts with banks, along with monitoring the quality of the portfolio. In addition, MSMEDA communicated the features of the loan to the PFIs. PFIs provided credit, equity participation, and/or convertible debt to MSEs according to the nature of the PFI. The targeted beneficiaries were (a) microenterprises with paid-in capital of less than LE 50,000 and up to five workers and (b) small enterprises with paid-in capital of between LE 50,001 and LE 1 million and up to 50 workers.[14] In line with the PDO, focus was mainly to potentially growing and job-creating firms, firms located in lagging governorates, and firms owned by youth or women.

21. **Project estimated and variable costs.** The Variable-Spread Loan had a final maturity of 28.5 years, including a grace period of 7 years with repayment linked to commitment. After deducting the front-end fees (US$750,000), the project cost and financing was estimated at US$299.25 million with the former SFD (currently MSMEDA) carrying the foreign exchange risk.

B. SIGNIFICANT CHANGES DURING IMPLEMENTATION

Other Changes

22. **The project underwent a Level II Restructuring on October 30, 2017.[15]** Neither the PDO nor the components were changed during the implementation of the project. The aim of the restructuring was to replace the SFD with the newly established MSMEDA as the implementing entity. As mentioned in section 1A (paragraph 8) of this ICR, this was done in accordance with the Government's Prime Ministerial Decree No.947, which dissolved the former SFD and established MSMEDA as its replacement on April 24, 2017. On August 10, 2017, MSMEDA's Board of Directors conducted its first meeting and approved all administrative, financial, and operational aspects using the former SFD bylaws. This was confirmed through a letter sent to the World Bank dated September 12, 2017. In this regard, the World Bank's financial management (FM) and procurement specialists conducted a due diligence review of the procedures and found that no changes were made to the internal procedures, manuals, roles, and responsibilities. Therefore, no changes to project design were required.

23. **During the midterm review and after extensive discussions with the Project Management Unit (PMU), the World Bank team decided to include the revolving microloans in the monitoring and evaluation (M&E) system.** MSMEDA requested the inclusion of revolving loans, as they would help capture the real impact of the project and demonstrate the actual number of beneficiaries benefiting from the project's funds; especially that a microloan can be granted and repaid in less than three months, after which the repaid loan can be granted as another loan. This request was made in the context of the legal

[14] This is according to MSMEDA's MSMEs definition, given that there was no unified definition in Egypt. More details on the definition are in paragraph 58 of this ICR.
[15] Restructuring Paper for the Promoting Innovation for Inclusive Financial Access Project (P146244), October 30, 2017.

change of implementing entity and subsequent restructuring, as referenced in the project's Implementation Status and Results Reports (ISRs).[16] Initially, the implementing entity requested a revision of targets in the Results Framework due to the currency devaluation, but World Bank management did not proceed with this request because the project was already 90 percent disbursed at the time. Therefore, the World Bank team agreed to include revolving microloans because there was no restriction from an operational perspective to count the additional beneficiaries.[17] This increased the number of beneficiaries receiving microfinancing through the project. In fact, the total amounts disbursed to end beneficiaries by the end of the project implementation amounted to LE 2.836 billion, including revolving microloans, and represented 147 percent of the total project value.[18] The use of revolving loans was documented in the related ISRs without a need to restructure the project, in accordance with World Bank guidance. Therefore, results were more reflective of the reality on the ground and captured the impact of the project's reach. This allowed for more efficient use of World Bank funds, since MSMEDA used the repaid loans to make other microloans.

Their Implication on the Original Theory of Change

24. **As previously mentioned, the restructuring was for the purpose of changing the implementing agency's name only,** after a Prime Ministerial Decree dissolved the SFD and established MSMEDA as a replacement.

II. OUTCOME

A. RELEVANCE OF PDOs

Assessment of Relevance of PDOs and Rating

25. **The relevance of the PDOs is rated High.** The PDO to expand access to finance for MSEs in Egypt using innovative financing mechanisms, with a special focus on youth, women, and underserved regions remains relevant in the context of the country's latest economic reform program, the Country Partnership Framework (CPF), and its contribution to the World Bank Group's twin goals and implementation of Middle East and North Africa's Regional Strategy.

26. **The project remained highly relevant to Egypt's development and national priorities at preparation, implementation, and closing.** At entry, the project was included as part of a comprehensive package offered by the World Bank Group to support Egypt during a period of political transition and economic volatility. This package included a Development Policy Loan (DPL) series (the First, Second, and Third Fiscal Consolidation, Sustainable Energy, and Competitiveness Programmatic Development Policy Financing [DPFs] P157704,2015; P161228,2016; and P164079,2017), and an Inclusive Housing Finance Program for Results (PforR) (P150993,2015). The elements of this project's PDO were aligned with some pillars of Egypt's ongoing Private Sector Development for Inclusive Growth DPF (P168630,2019) namely financial inclusion, access to finance, and job creation. Although Egypt's political and economic situation

[16] Implementation Status and Results Report, June 2017.
[17] According to the ISR filed in June 2017, the inclusion of revolving loans was not considered beforehand due to accounting and FM purposes.
[18] MSMEDA Progress Report, December 2019.

relatively stabilized since 2014, the project's objectives remain increasingly relevant to the Government's reform agenda. At closing, the Government's latest reform program still prioritizes job creation, mainly for youth. In this context, the Government requested the Catalyzing Entrepreneurship for Job Creation IPF (P162835), which was declared effective in January 2020. The new IPF's PDO is to foster job creation and improve other economic opportunities for targeted beneficiaries, which will build upon the successes of this project. In addition to being implemented by MSMEDA, it will also respond to the needs of the MSME and entrepreneurship sectors in Egypt.

27. **The project contributed to the implementation of the regional strategy and framework for Middle East and North Africa throughout implementation and closing.** Since 2014, the project was aligned with the Middle East and North Africa Regional Strategy, which evolved to respond to the aftermath of the Arab Spring and focused its engagement on inclusion, job creation, and sustainable private sector-led growth. This is primarily illustrated through the project's results, as it enabled 174,588 entrepreneurs to start their businesses, with 73,856 being women. Implementation was highly impactful and was successful in reaching underserved governorates (40 percent of beneficiaries in lagging regions), as well as creating 302,937 job opportunities (detailed discussion on results are addressed in the Efficiency and Efficacy sections of this ICR). At closing, the project remained relevant as it directly supported strategic pillars related to renewing the social contract and supporting economic recovery, demonstrating the project's contribution to these pillars before their formation.

28. **At the time of closing in December 2019, the project demonstrated its relevance by continuing to contribute to the World Bank Group's twin goals of ending extreme poverty and boosting shared prosperity.** The project was aligned with the Systematic Country Diagnostic (SCD, Report No. 99722); the Country Partnership Framework for Egypt for 2015–2019 (CPF, Report No. 94554); and the Performance and Learning Review (PLR, Report No. 135709-EG). The CPF for Egypt, which was discussed by the Board of Executive Directors on December 17, 2015, emphasized the improvement of opportunities for private sector job creation as a key priority in Focus Area 2, and outlined 'enhanced access to finance for MSMEs' in Objective 2.5. The project also addressed the gender gap and job creation, which are cross-cutting themes illustrated across the CPF. This has been confirmed by the PLR (Report No. 135709-EG), which continued to support access to finance for MSMEs and job creation as key priorities. Moreover, the project directly contributed to the World Bank Group's twin goals since extending finance to MSEs is a key tool to combat poverty for microenterprises and poor households, as well as improving their families' standards of living. This is aligned with relevant literature that suggested that financial sector development accelerated and sustained economic growth, and that financial inclusion is closely linked to poverty reduction and income equality (Fink, Haiss, and Vukšić 2005; Levine 1997; Levine 2005; and Wachtel 2001).[19]

29. **The project was also fully aligned with the IFC's regional priorities, which included small and medium enterprises (SMEs), as well as gender and youth employability.** With the objective of supporting the region's private sector, IFC aimed at promoting job creation and driving sustainable growth. Moreover, this project complemented IFC's priorities through consultations and collaboration in the context of the

[19] Fink, G., P. Haiss, and G. Vuksic. 2005. "Importance of Financial Sectors for Growth in Accession Countries." Conference on European Economic Integration 2005 (CEEI). Vienna; Levine, R. 1997. "Financial Development and Economic Growth: Views and Agenda." *Journal of Economic Literature* XXXV: 688–726; Levine, R. 2005. "Finance and Growth: Theory and Evidence." In *Handbook of Economic Growth* edited by P. Aghion and S. Durlauf. Volume 1, (865–934).10.1016/S1574-0684(05)01012-9; and Wachtel, P. 2001. "Growth and Finance – What Do We Know and How Do We Know It?" *International Finance* 4: 335–362.

Egypt MSME Development Facility TA[20]. In addition, the project design ensured alignment and complementarity with IFC activities where the venture capital subcomponent was targeting early-stage start-ups, and therefore built a pipeline of investment-ready start-ups for IFC investments. This was demonstrated through the establishment of MSMEDA's venture capital unit, and the funds offered for equity financing through this project. These funds served as a pilot and resulted in three successful deals, one of which was with a key accelerator in Egypt, Flat6Labs, worth LE 7.5 million and coinvested with private sector funds. This facilitated IFC's investments in the accelerator at a later stage, with private sector funding mobilizing LE 32.5 million through Flat6Labs.

B. ACHIEVEMENT OF PDOs (EFFICACY)

Assessment of Achievement of Each Objective/Outcome

30. **To evaluate efficacy, the PDO and intermediate indicators were used as the key measures of progress.** At project closing, the achievement of the PDO and intermediate indicators are summarized in table 1.

Table 1. Achievement of PDO and Intermediate Indicators

Indicator *(Target)*	**Status of Indicator at Project Closing *(Value Achieved)*[21]**
PDO Indicators:	
Indicator 1: Direct project beneficiaries *(103,900 beneficiaries)*	Exceeded *(174,488 beneficiaries)*
Indicator 2: Outstanding MSE portfolio of participating Financial Institutions *(LE 15,529 million)*	Exceeded *(LE 35 billion)*[a]
Indicator 3: Number of innovative financial products offered to MSEs *(3 financial products)*	Fully achieved *(3 financial products)*
Indicator 4: Youth-owned businesses served by the line of credit *(40 percent)*	Exceeded *(44 percent)*
Indicator 5: Women-owned businesses as a percent of total businesses served by the line of credit *(30 percent)*	Exceeded *(42 percent)*
Intermediate Indicators:	
Indicator 1: Volume of small financing from the line of credit to participating financial institutions *(LE 1,470 million)*	Exceeded *(LE 1,963 million)*
Indicator 2: Volume of microfinancing from the line of credit to participating financial institutions *(LE 630 million)*	Exceeded *(LE 1,870 million)*
Indicator 3: Number of participating financial leasing companies *(3 companies)*	Exceeded *(4 companies)*[b]
Indicator 4: Number of venture capital companies and angel investors engaged *(1 company)*	Fully achieved *(1 company)*

[20] TA = Technical Assistance.
[21] All information regarding the achievement of project indicators was extracted from MSMEDA's December 2019 Progress Report and the final Implementation Status and Results Report (ISR) filed in June 2019.

Indicator *(Target)*	Status of Indicator at Project Closing *(Value Achieved)*[21]
Indicator 5: Number of women served through the line of credit *(38,500 women)*	Exceeded *(73,856 women)*
Indicator 6: Person days (defined as 20 in a month) of employment created *(23,688,000 person days)*	Exceeded *(71,400,240 person days)*
Indicator 7: Number of microfinance enterprise clients *(126,000 clients)*	Exceeded *(167,677 clients)*
Indicator 8: Portfolio at risk for participating lenders, 90 days *(less than 5 percent)*	Fully achieved *(less than 5 percent)*
Indicator 9: Number of small enterprise clients *(4,900 clients)*	Exceeded *(6,911 clients)*

Note: a. According to the ISR filed in June 2019, the outstanding MSE portfolio of PFIs was worth LE 35 billion. This far exceeds the target of LE 15,529 million for this indicator. This was validated by the World Bank team through data shared by the implementing entity on the outstanding portfolio of MSE lending by PFIs.
b. The Government reaffirmed its commitment to support financial leasing companies, as evidenced by the financial leasing law of 2018. The Egyptian Parliament passed Law No. 176 of the year 2018 on August 15, 2018. It regulates both financial leasing and factoring activities, promulgating Financial Leasing Law No. 95 of the year 1995, which aims at steering economic volume and increasing production of SMEs.

31. **As illustrated in table 1, all PDO and intermediate indicators were either fully achieved or exceeded targets.** Out of the five PDO indicators, four exceeded their targets and one was fully achieved. Out of nine intermediate indicators, seven exceeded their targets and two were fully achieved. It is worth noting that the Results Framework did not include an indicator on the percentage of beneficiaries in lagging regions, however this percentage was consistently reported throughout implementation (see full Results Framework in annex 1; and annex 6.1 for a summary of ISR findings).

32. **The Level II Restructuring completed on October 30, 2017, did not affect the achievement of the PDO or intermediate-level indicators.** In the context of the dissolution of the former SFD (currently MSMEDA), an ISR was filed in June 2017 and downgraded the implementation progress (IP) rating from 'Moderately Satisfactory' to 'Moderately Unsatisfactory' and the PDO rating to 'Moderately Unsatisfactory' as precautionary measures until the World Bank team conducted its due diligence procedures, as requested by management. The downgrade in ratings was mainly triggered by the dissolution of the former SFD and replacement with the new entity, MSMEDA, as the World Bank needed to complete its due diligence and proceed with restructuring according to the Legal Agreements. The next ISR, filed in April 2018, upgraded the project ratings back to 'Moderately Satisfactory' since all legal and operational implications resulting from the change in implementing entity were resolved. In addition, although it was not part of the PDO, the World Bank team verified the job creation methodology used by the implementing entity as part of the due diligence process.

33. **The project had a diversified approach in terms of financial offerings, which included financial leasing, factoring, venture capital, and Islamic finance.** Through MSMEDA, the project invigorated financial leasing, an NBFI channel that facilitates access to finance for small firms, which was nascent in the Egyptian market at the time of project design. It also introduced a venture capital and venture debt pilot that benefited underserved segments, in addition to using Islamic finance to serve its targeted beneficiaries.

34. **Due to its diversified approach, the project was able to achieve impressive results through its novel and innovative offerings.** Regarding financial leasing, MSMEDA succeeded in completing six leasing contracts with four different companies, which made up 8 percent of total financing to small enterprises during the project's lifetime.[22] Because leasing is an NBFI channel, this enhanced financial intermediation, lowered transaction costs and promoted investment in the target groups that were not served by leasing companies beforehand. Regarding venture capital and venture debt, the Government engaged in a deal for the first time with the largest accelerator in Egypt, Flat6Labs.[23] The deal was worth LE 7.5 million and was a co-investment with private sector funds. As previously mentioned, this built a pipeline of investment-ready start-ups for IFC investments and mobilized private money worth more than LE 32.5 million. Venture capital and venture debt allowed the implementing entity to reach targeted populations that did not have access to finance beforehand, and banks would normally shy away from serving, such as renewable energy companies (for example, Karm Power and Empower). Moreover, the engagement with MSMEDA facilitated their engagements with other financial institutions later on. Regarding Islamic financing, MSMEDA succeeded in completing one Islamic *Musharka* contract, namely with United Bank.[24]

35. **The project and its complementary MSME Development Facility TA contributed to the capacity building and institutional strengthening of the implementing entity.[25]** This facility complemented the operation very closely through various capacity-building activities and collaborations, including educational programs and workshops. These included MSMEDA's participation in the University of California (UC), Berkeley Venture Capital Program, and the South-South collaboration with counterparts in India and Malaysia. In addition, the facility consistently leveraged local and international experts to expand the capacity of MSMEDA and provided entrepreneurship ecosystem support by supporting Rise Up, S3eedy start-up, and Egypt Ventures. Moreover, the facility contributed to raising awareness of potential beneficiaries through the launch of a finance application, *Tamweely*, with the Center for International Private Enterprise. The aim of this mobile Arabic language application was to educate MSMEs on alternative financing opportunities.

Justification of Overall Efficacy Rating

36. **Based on the achievements discussed in the previous section, the project's overall efficacy is rated Substantial.** All PDO objectives were fully achieved with 42 percent of beneficiaries being women, 43 percent of beneficiaries being youth, and 40 percent of beneficiaries living in the underserved and lagging regions of Upper Egypt and Sinai. This was illustrated in the implementing entity's final progress report shared in December 2019.[26] The project's main development objective to expand access to finance for MSEs in Egypt using innovative financing mechanisms, with a special focus on youth, women, and underserved regions was fully achieved, with every indicator either fully achieving or exceeding expected targets. By introducing financial leasing and venture capital as products, along with leasing and venture capital departments in MSMEDA, the project invigorated the nascent financing mechanisms in the Egyptian market and played a major role in its development. While indicators on lagging regions were not

[22] MSMEDA Progress Report, December 2019.
[23] In August 2019, Flat6Labs exited investment in Harmonica, an online matchmaking platform that uses technology to help users meet compatible life partners. It was the first major Flat6Labs exit with 16 times return on investment in over one year.
[24] MSMEDA Progress Report, December 2019.
[25] In addition to the capacity building activities supported by the MSME Development TA Facility, the capacity of MSMEDA was also expanded as the project implementation was conducted through a government institution and relied on the use of country systems.
[26] MSMEDA Progress Report, December 2019.

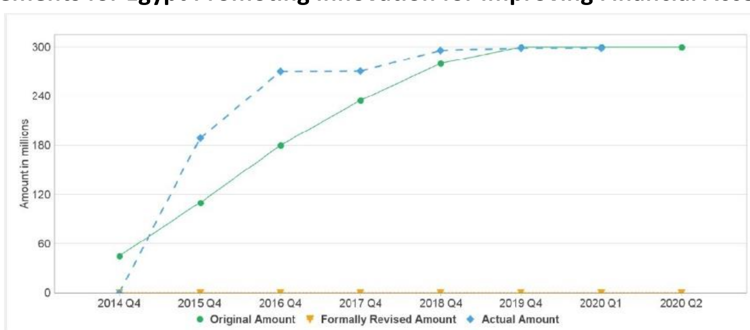
included in the Results Framework, the World Bank team and implementing entity remained focused on the PDO and consistently reported on their progress across Egypt's 27 governorates, demonstrating an expansion of access to finance in previously underserved regions (mainly the governorates of Upper Egypt and Sinai, where 40 percent of the beneficiaries were served). This illustrates the project's additionality due to its intervention in governorates with high unemployment rates and lack of economic opportunities. The full geographical distribution of beneficiaries is available in annex 6 of this ICR. The operation fully achieved its objectives and intended outcomes. These achievements were validated through consistent reporting from the implementing entity, roundtables, and several interviews and visits to project beneficiaries.

C. EFFICIENCY

Assessment of Efficiency and Rating

37. **The project's efficiency is rated High.** The project disbursed well above projections throughout its lifetime. According to the ISR filed in September 2015, the project was already 69 percent disbursed with effectiveness declared in July 2014.[27] Within the first year of effectiveness, the project had a total of 12 contracts worth LE 1.57 billion signed with PFIs in MSE components and reached 30 in the number of female-led MSEs with access to finance. In addition, more than 40,000 jobs were created in the first year, which set the stage for efficiency in the remaining years of the project. By June 2016, 90 percent of the loan was disbursed to financial intermediaries, and by June 2019, the project was 99 percent disbursed (see figure 5).

Figure 5. Disbursements for Egypt Promoting Innovation for Improving Financial Access IPF



Source: ISR, The World Bank, June 2019.

38. **Additionality was built into the project design, by promoting a diversification of the financial services and customer targets of PFIs, focusing on lagging regions and underserved segments of Egyptian society (women and youth).** Eligibility criteria and contracting requirements with PFIs encouraged banks to serve MSEs and marginalized segments, especially when specific targets for women and youth were set under the project. The project benefitted from the broad-based participation of financial institutions across Egypt's financial sector, including banks, leasing companies, microfinance companies, and nongovernmental organizations (NGOs). Overall, 18 diversified financial institutions participated in the project, compared to 11 banks in the preceding operation, the Egypt Enhancing Access to Finance for Micro and Small Enterprises Project. Contracts included eight banks for small enterprises

[27] ISR, September 2015.

lending, two banks for microlending, four leasing companies, four NGOs, one Islamic *Musharka* contract, and one equity investment. Also, as mentioned earlier, the venture capital and debt pilot facilitated access to finance for start-ups that were not served by the banking sector beforehand.

39. **Participation and performance by PFIs under the operation was high.** A total number of 33 contracts were signed with the PFIs, amounting to LE 2.593 billion and representing 100 percent of the project's total value. Total amounts disbursed to financial intermediaries amounted to LE 2.578 billion, representing 99 percent of the total project value. Moreover, total amounts disbursed to end beneficiaries amounted to LE 2.836 billion, which included revolving microloans, and represented 147 percent of the total project value. The total number of financed projects (including revolving microfinance) was 174,588. This illustrates the project's additionality in expanding the scope of MSE lending from banks to other financial institutions and the project's efficiency in expanding access to finance to MSEs, thus generating significant employment opportunities. Moreover, as previously mentioned, the additionality of the project is demonstrated through its expansion of access to finance in various underserved areas, as mentioned in section 2B of this ICR. This broad-based participation, in addition to satisfactory performance as measured by outreach and outstanding portfolio of the MSE lending of PFIs, emphasized the importance of the program.

40. **The project was consistent with international best practice for wholesale MSE lending facilities and complied with the World Bank's policies and standards for lines of credit, suggesting that the project did not introduce any pricing distortions in the market, but rather was a tool to improve overall market discipline.** Pricing was made clear to PFIs throughout project implementation and was in line with market prices. The assessment completed by the World Bank team concluded that MSMEDA was lending at market rates, with effective interest rates.[28] The line of credit was onlent on market terms, without creating market distortion, despite MSMEDA's contracts to PFIs becoming a bit unattractive and expensive after the Central Bank of Egypt (CBE) announced its five-year SME initiative in 2015, and further extended it in 2020. The initiative obliged banks operating in the Egyptian market to direct at least 20 percent of their loan portfolios to SMEs (worth LE 200 billion) at a 5 percent interest rate, which was below market rate, but also played a role in enlarged MSE portfolios. Despite this distortion, MSMEDA's on-lending rate was similar to or more expensive than the cost of alternative sources of funds for banks and NBFIs. Their rates were set to cover cost of funds, operating costs, and currency risk, and also to be competitive with market rates. Ideally, this would ensure a real positive interest rate to cover their repayment to the World Bank, their operational expenditures, and foreign exchange risk.

41. **Available data on the project do not allow calculating or estimating the financial additionality of the project in the context of the outstanding MSE portfolio.** However, discussions with PFIs and beneficiaries enabled the team to conclude that before the project, banks were reluctant to MSE lending and preferred bigger businesses. In the absence of the project and the implementing entity's contracts with the PFIs, there might have not been an improvement in their portfolio. In addition, the leasing companies received funding from MSMEDA, which helped them develop from a nascent situation in 2015, where 260 leasing companies were registered, only a few were operational, and were mostly the affiliates of banks. Regarding the economic additionality, literature on MSME access to finance does show that MSME sector employment and labor intensity is much higher than large firms, indicating that by

[28] For small enterprises, MSMEDA's lending rates are almost the same as the banking sector, from 12 percent to 13.2 percent per year, compared to 13.5 percent in the banking sector. For microfinance, lending rates are implemented according to market rates with a 16 percent flat rate.

supporting MSME access to finance, there is potential to generate jobs (Fink, Haiss, and Vukšić 2005; Levine 1997; Levine 2005; and Wachtel 2001).[29]

42. **The economic and financial analyses outlined a series of projected achievements for the project, which were achieved throughout implementation (details in annex 4).** According to the PAD, estimations for the economic rate of return and economic net present value could not be provided because the subprojects to be funded by the project were not identified at the time of preparation and design. However, the project directly addressed constraints faced by MSEs by offering access to finance. This allowed them to expand their capacity, adopt innovations, and take advantage of new market opportunities. Moreover, the project contributed to the survival of existing MSEs and promoted sustainable business, such as the renewable energy companies mentioned earlier (for example, Karm Power and Empower).[30] Moreover, as previously mentioned in section 2B of this ICR, this project also introduced new financial vehicles to the market.

D. JUSTIFICATION OF OVERALL OUTCOME RATING

43. **The project's overall outcome rating is Satisfactory.** The project was effective in supporting enhanced access to finance for MSEs and contributed to promoting MSE lending among PFIs. The operation was highly relevant to the financial sector development challenges facing Egypt, specifically at improving public support mechanisms at a time when Egypt's political and economic climate was undergoing transition. The project's efficacy rating is Substantial, with every PDO and intermediate indicator fully achieved or exceeding its targets. The project's efficiency is rated High because it exceeded disbursement projections and efficiently addressed various constraints faced by MSEs. The project demonstrated clear additionality that was ingrained in the project design and highlighted throughout implementation by promoting a diversified approach to financial services; in addition to widening customer targets for PFIs that placed emphasis on women, youth, and underserved regions. In terms of relevance, the project's rating is High because it remained increasingly relevant to the Government's reform agenda at closing, and aligned with the SCD, CPF, PLR, and overall Middle East and North Africa Regional Strategy.

E. OTHER OUTCOMES AND IMPACTS (IF ANY)

44. **The operation strengthened governance, transparency, accountability, and promoted formalization.** This was achieved by encouraging the participating enterprises and financial intermediaries to maintain regular accounting books and issue audited financial statements to facilitate their access to finance through the formal financial system. The eligibility criteria for banks, NGOs-MFIs, and financial leasing companies, as well as those set for enterprises incentivized effective FM and contributed to strengthening the country's systems of internal controls, management information, auditing, and transparency in the use of public funds. Working closely with MSMEDA during preparation and

[29] Fink, G., P. Haiss, and G. Vuksic. 2005. "Importance of Financial Sectors for Growth in Accession Countries." Conference on European Economic Integration 2005 (CEEI). Vienna; Levine, R. 1997. "Financial Development and Economic Growth: Views and Agenda." *Journal of Economic Literature* XXXV: 688–726; Levine, R. 2005. "Finance and Growth: Theory and Evidence." In *Handbook of Economic Growth* edited by P. Aghion and S. Durlauf. Volume 1, (865–934).10.1016/S1574-0684(05)01012-9; and Wachtel, P. 2001. "Growth and Finance – What Do We Know and How Do We Know It?" *International Finance* 4: 335–362.
[30] MSMEDA Progress Report, December 2019.

supervision, along with the provision of TA through the MSME Development Facility TA (P132470) contributed to further strengthening its governance structure and enhanced its transparency.

45. **The project also had a long-term impact beyond its lifetime.** The project changed behavior patterns by developing a more prudent institutional and regulatory framework to lend to MSEs and enhanced the outreach of innovative financial services as previously mentioned in sections 2B and 2C of this ICR, which directly contributed to the well-being of the most vulnerable and underprivileged segments of society. This was accomplished by (a) enhancing the financial system's capacity to evaluate the effectiveness of its MSE support; (b) improving incentives for banks to expand into MSE lending; (c) leveraging additional funds from banks matching the MSMEDA loan; (d) incentivizing and supporting the design of innovative financial products (venture capital and financial leasing for MSEs) and the provision of Islamic *Sharia*-compliant products; (e) broadening outreach to the remote, rural, and underprivileged areas meeting citizens' needs; and (f) establishing income-generating projects with the objective of achieving sustainable and balanced development. Through the complementary activities under the MSME TA Facility, activities supported the legislative and regulatory reforms to improve the frameworks governing the microfinance sector; and strengthened the governance and accountability of MSMEDA as the apex institution in Egypt.

46. **This project was the first of its kind to support early stage equity finance in MSEs in Egypt and the Middle East and North Africa region.** It has informed similar engagements in the region such as the projects in Jordan,[31] Tunisia,[32] and Morocco.[33] These types of engagements became central to the business of the Finance, Competitiveness, and Innovation Global Practice, and paved the way for IFC investments.

Gender

47. **The project had a positive impact on poverty, gender, and social development in Egypt.[34]** Regarding gender, 42 percent (73,856) of the total beneficiaries were women at the time of project closing. Enhancing the active participation of women in entrepreneurship activities and giving them access to financial markets was essential, because it led to a rise in the number of economically active members in Egyptian society, and ultimately resulted in sustainable economic prosperity and inclusive growth. In addition, increasing the number of woman entrepreneurs led to a rise in the percentage of women in the workforce. This was mainly due to women-owned enterprises hiring more women as opposed to male-owned enterprises because of various factors, including cultural traditions and the work environment.

48. **To complement the project, the World Bank Group started an awareness program for women entrepreneurs to improve their access to finance and facilitated the development of a manual for**

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[31] World Bank. 2017. *Jordan - Innovative Startups Fund Project (P161905)*. Washington, DC: World Bank Group. http://documents.worldbank.org/curated/en/264161498500277234/Jordan-Innovative-Startups-Fund-Project.
[32] World Bank. 2014. *Tunisia - MNA Micro, Small and Medium Enterprise Financing Facility Additional Financing (P124341)*.
[33] World Bank. 2017. *Morocco - Financing Innovative Startups and Small and Medium Enterprises Project (P150928)*. Washington, DC: World Bank Group. http://documents.worldbank.org/curated/en/805641489370466662/Morocco-Financing-Innovative-Startups-and-Small-and-Medium-Enterprises-Project.
[34] Below are video links featuring inspirational real-life beneficiaries showcasing how this operation transformed their lives. https://www.worldbank.org/en/news/video/2017/12/12/how-karate-costumes-changed-one-womans-life-in-luxor. http://www.worldbank.org/en/news/video/2018/05/03/from-1-worker-to-40-how-micro-finance-is-creating-jobs-in-egypt. http://www.worldbank.org/en/news/video/2019/03/07/empowering-micro-entrepreneurs-in-egypt-amlas-story. https://www.worldbank.org/en/news/video/2019/07/25/nagwas-story-empowering-micro-entrepreneurs-in-upper-egypt.

women microenterprises under the Egypt MSME Development Facility (P132470). With the assistance of the World Bank, MSMEDA prepared an extensive manual for women-owned SMEs, which covered all aspects of starting and managing a business. Policies were developed to encourage women entrepreneurship, targeted training for women, and building their capacity at the local and grassroots level. Activities included training women entrepreneurs in business plan preparation; business skills development; physical hosting; linking the start-ups with mentors; and forging partnerships between them and other businesses, government, and educational entities.

Institutional Strengthening

49. **The complementary MSME Development Facility, which was co-led with IFC, provided support to state-owned institutions including MSMEDA, to improve their effectiveness, manage new financing mechanisms, and scale up outreach to MSMEs.** Support was provided to MSMEDA to lead and coordinate the MSE development sector in Egypt in developing new financial products, promoting innovative partnerships, and encouraging the expansion into underserved market areas. The World Bank also supported the establishment of new units at MSMEDA, including M&E, innovation, which was responsible for the design of innovative financial products (venture capital), and gender. The World Bank also provided capacity building to MSMEDA to develop internal guidelines for Islamic financial systems. This included internal operating manuals, a credit approval process and credit review, and assessment guidelines for Islamic finance transactions. Activities were complemented by capacity building to relevant MSMEDA staff, specifically on adopting these guidelines to conduct risk assessment for transactions with Islamic finance financial intermediates and NGOs.

50. **Capacity building was also provided to enable MSMEDA to manage new financing mechanisms such as venture capital.** The TA addressed the new investment guidelines and policies, investment strategies, contract templates, and new financial products. This was followed by training to the venture capital unit members; and capacity building to the Investment Appraisal Committee (IAC) that later evaluated all venture capital-related matters (both debt and equity investments).

51. **In collaboration with MSMEDA, the World Bank Group organized the launch of the World Bank-MSMEDA Venture Capital Program, which was a subcomponent of the project, in May 2015.** The main stakeholders and potential beneficiaries of the venture capital industry in Egypt were invited to the event, where one of the first agreements between MSMEDA and the Technology Innovation and Entrepreneurship Center (TIEC) of the Ministry of Communication was signed to jointly catalyze venture capital investments from the private sector and to benefit from the technological infrastructure of the TIEC. Through this program, the project supported the pilot venture capital unit staff by providing them with the needed exposure to the sector and the technical knowledge needed for assessing and finalizing venture deals.

52. **The World Bank delivered capacity building to the implementing entity's staff responsible for providing financial services through innovative financial tools and mechanisms such as leasing, factoring, and venture capital.** This was achieved through contracting specialized financial sector experts. The World Bank team, in collaboration with MSMEDA, organized an introductory venture capital pre-training and outreach program in May 2015, which aimed to familiarize MSMEDA's staff with the basics and fundamentals of financial analysis and venture capital.

53. **A professional Venture Capital Executive Program was also conducted in May 2015 in cooperation with UC Berkeley's Center for Executive Education.** This program was designed and tailored to support the implementation of the World Bank-MSMEDA Venture Capital Program. The training included inviting venture capital companies from the Egyptian market for interactive discussions covering what they offer, their criteria for selection, their track record, and different means of collaboration. The World Bank also aided in the operationalization of MSMEDA's venture capital unit, with investment policies and procedures, eligibility criteria, and valuation methods. These were approved by MSMEDA's board.

Mobilizing Private Sector Financing

54. **The project was indirectly able to facilitate and mobilize private sector financing.** Banks were encouraged to leverage matching funds, to promote more lending to MSEs, and to ensure sustainability of the operation. Through this, the project was able to contribute in increasing the total number of MSE loans in the PFI portfolio by the end of the project, according to annex 1. In addition, as part of the project design, MSMEDA invested in Flat6Labs, one of Egypt's leading start-up accelerators, a total of LE 7.5 million as mentioned in previous sections of this ICR. This was then matched with private investments of LE 32.5 million.

Poverty Reduction and Shared Prosperity

55. **The project had impressive outreach in lagging regions, which demonstrated its impact on addressing poverty reduction and boosting shared prosperity**. A total of 40 percent of the project beneficiaries were MSEs in lagging regions (Upper Egypt and Sinai), who received financing through banks, MFIs, microfinance companies, or leasing companies. It is worth noting that out of the six leasing contracts, three were completed through the Upper Egypt Leasing Company, further demonstrating the enhanced outreach in lagging regions given the nascent market.[35]

III. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME

A. KEY FACTORS DURING PREPARATION

56. **During preparation, the project design considered the lessons learned from the previous operation, the Enhancing Access to Finance for Micro and Small Enterprises Project,** which provided a platform for the project by introducing MSE lending to a variety of financial service providers and NGOs-MFIs. The previous project also tested Islamic finance products for small enterprises.

57. **The project's design was simple with one component that was clearly structured.** It visibly outlined the project beneficiaries and targeted participating financial intermediaries, whether banks or nonbanks. Stakeholders were appropriately identified to ensure the optimum utilization of the funds made available by the project and to serve the targeted beneficiaries using novel innovative financing mechanisms.

[35] MSMEDA Progress Report, December 2019.

58. **Regarding the rationale on instrument selection, an IPF including a line of credit was found to be the most suitable at the time of design.** As mentioned, this work was building on the results of the Egypt Enhancing Access to Finance for Micro and Small Enterprises Project, which was also an IPF with a line of credit and the first engagement in Egypt in that space. Through the line of credit, this project availed liquidity to underserved segments of MSEs through debt and equity instruments, using bank and NBFI channels. In 2014, the banking sector mainly catered to the needs of large corporations and larger SMEs due to the lack of a unified definition. At the time of preparation, the CBE was yet to release its definition for MSEs.[36] Even after releasing a definition in December 2015, the definition used by MSMEDA was more reflective of the reality on the ground, since a small enterprise under the CBE's definition, would be larger in size in comparison to MSMEDA's.[37] Therefore, this project addressed the need for expanding access to finance for underserved groups and addressed a gap in the market. The possibility of risk-sharing mechanisms and having the Credit Guarantee Company (CGC) play a role in the project was explored, however, their limited capacities and management issues warranted capacity-building engagements first. Moreover, the CGC benefitted from World Bank Group support through that MSME TA Facility, which financed a South-South collaboration with Malaysia and India, as well as a follow-on TA engagement funded through the First Initiative at a later stage. Therefore, based on an evaluation of past MSE engagements in Egypt and elsewhere in the region, an IPF was confirmed as the most appropriate instrument for providing targeted support for MSEs during a period of economic uncertainty, with a special focus on women, youth, and lagging regions.

59. **The project was also timely and critical given the country context at the time of preparation.** When the Government requested support from the World Bank Group, the country was undergoing a time of economic and political transition where many of the least privileged lost their jobs and suffered from deteriorating standards of living. The project supported this segment of society, particularly by offering financial products to help their businesses survive or aid them in starting their own businesses.

60. **The PDO was clearly articulated with well-defined objectives and with the right level of ambition.** This made the objectives achievable. By the time of project completion, most of the objectives were exceeding the targets set forth by the well-designed Results Framework that was clearly aligned with the objectives.

[36] On December 3, 2015, the CBE issued a decree including a new definition for MSMEs. This definition included
- (a) Defining microenterprises as having a turnover of less than LE 1 million and less than 10 employees,
- (b) Defining very small enterprises as having a turnover between LE 1 million and LE 10 million with less than 200 employees,
- (c) Defining small enterprises as having a turnover between LE 10 million and LE 20 million with less than 200 employees, and
- (d) Defining medium enterprises as having a turnover between LE 20 million and LE 100 million with less than 200 employees.

[37] MSMEDA defines MSMEs as follows:
- (a) Microenterprises are enterprises with an annual turnover of less than LE 1 million or a capital investment of less than LE 50,000.
- (b) Small enterprises are enterprises with an annual turnover of LE 1 million to LE 50 million, or a recently established industrial enterprise with a capital investment between LE 50,000 and LE 5 million, or a nonindustrial enterprise with a capital investment between LE 50,000 and LE 3 million.
- (c) Medium enterprises are enterprises with an annual turnover of LE 50 million to LE 200 million, or a recently established industrial enterprise with a capital investment between LE 5 million and LE 15 million, or a nonindustrial enterprise with a capital investment between LE 3 million and LE 5 million.

61. **The targeted beneficiaries were well-defined in preparation.** The PAD provided a detailed explanation of the targeted beneficiaries and ensured they were fully served by the project through both the PDO-level and intermediate-level indicators stated in the Results Framework (annex 1).

62. **The PAD and Operations Manual provided a detailed outline of the project monitoring plan and reporting by the implementing entity, which provided the project with readiness for implementation.** This ensured sound reporting of the project progress and smooth implementation. The reports included information beyond the indicators in the Results Framework to ensure constituting evidence of achievement of outcome and impact, such as sectoral segregation of beneficiaries' businesses, types of jobs created, and distribution of beneficiaries by governorate.

63. **The project adequately identified and evaluated potential risks and mitigation measures during the preparation phase.** This was demonstrated in the ISR filed in May 2014, which was the project's first ISR. Potential risks were outlined in detail and included stakeholder risks, implementation agency and fiduciary risks, operating environment risks (mainly focusing on the political economy of the time), sectoral risks, and social and environmental risks. Most risks were rated Moderate and were mitigated overall through the Government and implementing entity's commitment to developing the MSE sector in Egypt.

B. KEY FACTORS DURING IMPLEMENTATION

64. To effectively asses the factors that affected the implementation of the project, three groups of implementation factors were distinguished and discussed below:

(i) Factors subject to the control of the Government and the implementing entity

65. **Commitment and leadership.** The implementing entity was fully committed to the project implementation. MSMEDA was the apex institution for MSEs and took full leadership of the project. A clear organizational structure within the PMU was articulated, and the needed skilled human resources within the different units involved in implementation were mobilized. A specialized venture capital unit was established within MSMEDA and fully staffed by October 2014, with the skill set identified by the World Bank team to ensure the smooth and efficient implementation of the venture capital/debt subcomponent of the project. A full-fledged investment policy was also completed to guide the implementation. To ensure effective delivery, there was a commitment to transform the unit into a separate department. Regular PMU meetings were held to monitor the implementation of the project with a wide-ranging commitment from the implementing entity.

66. **Governance and politics.** The Operations Manual and investment policy ensured the clear accountability of the implementing entity to the project and limited political interference in implementation decisions. A threshold for investments through the venture capital component was identified in the investment policy, beyond which it had to be presented to MSMEDA's Board of Directors for no-objection. This limited political interference in implementation gave the investment committee and the venture capital unit room to make independent decisions based on technical evaluations.

67. **Fiduciary.** This was an on-lending operation, with 100 percent of loan proceeds channeled through the implementing entity and onlent to PFIs. Therefore, neither a capacity assessment of the implementing agency to carry out procurement nor a Procurement Plan were required. Regarding FM,

MSMEDA was fully capable of implementing the proposed operation competently, benefiting from the previous operation in improving its internal control procedures, which included the FM manual and the internal audit risk-based approach strategy. MSMEDA was fully responsible for maintaining the project's FM arrangements including oversight of subproject implementation and monitoring of the intermediaries' compliance with the Operations Manual. MSMEDA was also responsible for budgeting, recording, and reporting financial activities under the umbrella of the project. An independent external auditor was hired based on terms of reference acceptable to the World Bank Group to carry out annual audits of the project's financial statements, which were all satisfactory based on the World Bank Group's FM standards. The Internal Audit Department effectively evaluated all intermediaries involved in the implementation of the subprojects under this project, with representatives stationed in its regional offices responsible for carrying out the detailed assessments. The implementing entity, throughout the project, was responsible for managing the project funds and all related financial transactions. The implementing entity's Accounting and Financial Department diligently followed up on the project finances, including the project accounting functions, flow of funds, reporting, and cash management.

68. **Environmental and social.** MSMEDA built its capacity on environmental and social risk management and assumed overall responsibility to ensure the environmental and social soundness of the project by fully applying the Environmental and Social Management Framework (ESMF) during implementation. Partner banks were responsible for ensuring that MSE sub-borrowers comply with applicable Egyptian environmental legislation/regulations, as well as the ESMF, which was prepared based on the World Bank Policy on Environmental Assessment and the MSMEDA Environmental Management Plan. The project was implemented in accordance with the ESMF, complying fully with the World Bank's safeguards policies, in addition to the applicable Egyptian laws and regulations. The legal basis for the Environmental Impact Assessment system in Egypt was established in the Environment Protection Law No. 4 of 1994, which was amended by Law No. 9 of 2009. The social impacts of the project were positive. The loans to MSEs led to the creation of job opportunities for the local population and helped increase local people's income, diversify livelihoods, and contribute to poverty reduction. In particular, the project gave priority to women and young entrepreneurs. Adequate measures were taken to avoid negative social impacts related to unequal opportunities for women and the poor in access to finance through the principles, criteria, procedures, and process of subproject screening, as well as a grievance redress mechanism set forth in the Operations Manual. This included a mechanism ensuring that women and men have equal opportunities in access to finance.

69. **M&E.** A series of quarterly progress reports were prepared by the implementing entity on time. They were based upon appropriate data collection from beneficiaries and intermediaries, according to the sample illustrated in annex 6 of this ICR. Progress reports were used to evaluate performance, guide implementation, and enable effective management of the project. The M&E team was also very responsive and cooperative when the World Bank team conducted its due diligence ahead of the project's restructuring, as mentioned in previous sections of this ICR.

ii. Factors subject to World Bank control

70. **Adequacy of supervision.** Beyond set missions, the team demonstrated proactive identification of opportunities, appropriate follow-up, resolution of implementation issues during regular PMU meetings, and continuous follow-up with relevant team members at MSMEDA. In response to the implementing entity's request and after close supervision of implementation, the team proactively

assessed the benefits of counting the revolving microloans and approved its inclusion in the M&E framework.

71. **Appropriate guidance and support regarding M&E.** As part of the World Bank team's due diligence process, and in response to the management's request in April 2017, an assessment of the methodology to calculate estimated jobs created/maintained that the implementing entity used for the jobs indicator was conducted. A specialized labor economist was hired as a local consultant to review the methodology. This methodology was developed outside the scope of the project, using funding from the African Development Bank and was then used by MSMEDA's M&E Department to measure the indicator since the start of the operation. The request was based upon the potential overestimation of the project's job indicator data as reporting vastly exceeding the target at the time, especially when compared to World Bank projects of similar nature. A full report was submitted, and the analysis confirmed after an in-depth review of the methodology that it was acceptable, while suggesting several methodological improvements. The analysis showed that the information that would allow to have definitive and more precise evidence on the jobs created under the operation was not being collected, which meant that the methodology only provides a valid proxy. This approach was deemed acceptable given the lack of data availability needed to formulate any other more accurate methodologies, and the difficulty of gathering the actual data from the beneficiaries. This was documented throughout implementation and illustrated in the project's ISRs.[38]

72. **The low turnover of task team leaders (TTLs) and adaptation to changes throughout implementation ensured a smooth transition.** Despite the change in leadership twice during implementation, the project achieved its targets and the implementing entity was satisfied with the World Bank team's performance. Transition in leadership was smooth, and the project leadership was transferred to a core team member, who was familiar with the implementing entity and worked on the previous operation.

73. **Adequacy of reporting.** The team presented candor and high-quality reporting of implementation issues in all ISRs by reflecting all issues and developments during the different phases of implementation. A detailed summary of the ISR findings are illustrated in annex 6 of this ICR.

[38] The job methodology assessment concluded the following: (a) the methodology's formula produced a proxy for the total number of jobs of the beneficiaries based on the sector and geographic location; however, it does not measure the attribution of the loan on its own or in other words, it does not differentiate between the existing jobs that were maintained due to the loan and the new jobs that were created due to the loan and (b) the methodology adds an average of 10 percent increase in cost of hiring to account for inflation every year. However, in 2016 and 2017, inflation reached unprecedented values higher than 30 percent due to the devaluation of the Egyptian pound in 2016 and was not accounted for in the formula of calculation where it was only updated by 10 percent. Therefore, the report recommended that the team highlights in the reporting that the indicator measures a proxy of the number of person days created/maintained through the project. The report also recommended that the implementing entity should conduct a new revised survey to update the values and calculate the number of jobs created because of the project, while accounting for the varying inflation rates. The team followed up with the implementing entity to explore the feasibility of an updated survey to ensure updated data were available before closure of the operation. However, the project was already 90 percent disbursed and the implementing entity had no available funds for the updated survey. The team addressed all comments related to the assessment of the job creation methodology and made sure to finetune it further in the follow-on operation with MSMEDA (Catalyzing Entrepreneurship for Job Creation P162835).

iii. Factors outside the control of Government and/or implementing entities

74. **Macroeconomic environment.** During implementation, the GoE embarked on a structural reform program with the support of the International Monetary Fund (IMF) and a series of World Bank DPF operations. These reforms included the removal of various subsidies and the devaluation of the Egyptian pound in November 2016. However, the project continued to achieve its objectives and disbursed effectively, exceeding various targets in the Results Framework. It is important to note that the currency devaluation of the Egyptian pound occurred in November 2016, when the project was already 90 percent disbursed.

75. **Organizational and legal changes to the implementing entity.** As mentioned in sections 1 and 2 of this ICR, the former SFD was dissolved and replaced by MSMEDA in April 2017 by a Prime Ministerial Decree. In this context, an amendment to the legal documents was required to enable the implementation of the project through the newly established entity. A due diligence review by the World Bank team was completed accordingly, as mentioned in section 2 of this ICR. Disbursements were placed on hold, until due diligence and the subsequent restructuring process was completed and resumed in December 2017.

IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

A. QUALITY OF MONITORING AND EVALUATION (M&E)

M&E Design

76. **An adequate M&E arrangement was used to systematically track the project implementation progress and demonstrate the results on the ground.** While most of the objectives in the PDO statement were addressed through PDO-level indicators as outlined in section 1A, there was no clear Theory of Change presented in the PAD because it was not mandatory at the time of preparation. However, outcomes over the short term, medium term, and long term were extensively discussed in the text, linking the PDO to the indicators in the Results Framework. This supported the World Bank team and MSMEDA in effectively monitoring progress toward the PDOs using effective M&E arrangements.

77. **Considering its potentially long-lasting impacts in terms of poverty and standards of living, the project would have provided additional value if the indicators had gone beyond the number of beneficiaries and the PFIs' outstanding MSE portfolio.** It would have helped in assessing the loan impact if the Results Framework included indicators such as the number of first-time borrowers, number of loans extended to existing business versus new businesses, revenue stream of beneficiaries, and the increase in profitability. Adding those indicators would have aided in measuring the impact of the project on the beneficiaries and the economy. In addition, the inclusion of an indicator to measure the number of beneficiaries in lagging regions would have also been an important addition to the Results Framework and would have further improved the M&E design, given that it is a part of the PDO.

M&E Implementation

78. **The World Bank supported the implementing entity in creating a robust system to monitor and evaluate progress of the project implementation.** A strong M&E framework to track inputs, outputs, and outcomes systematically and on time was designed by the implementing entity and implemented based

on the agreed Results Framework, monitoring arrangements, and indicators. This enabled the implementing entity to generate a detailed progress report on a quarterly basis. The data were generated as an integral part of the day-to-day business of the PFIs and NGOs-MFIs, and was then reflected on the implementing entity's system to be critically filtered and analyzed. M&E was based on clearly identified output and outcome indicators that fed into the project indicators in a methodologically sound manner**.**

79. **The M&E system was set up during the preparation of the previous Enhancing Access to Finance for Micro and Small Enterprises Project and was adjusted to capture key development outcomes as defined in the Results Framework.** MSMEDA created the M&E unit with the responsibility of capturing key data from PFIs. Those PFIs were required, under the terms of their contracts with MSMEDA to submit operational reports providing disbursement of the line of credit to the beneficiaries; in addition to all the Results Framework indicators and M&E requirements in the Operations Manual. MSMEDA was responsible for collecting the data from the PFIs and producing the monitoring reports that were submitted to the World Bank team quarterly.

80. **Pricing terms and conditions of contracts between the implementing entity and the PFIs were not incorporated in the progress reports, supervisory documents, or the M&E system.** However, each contract was submitted to the TTL for no-objection before signing, which ensured compliance and fulfillment of all requirements.

M&E Utilization

81. M&E data on performance and results progress were used to inform project management and decision making over the lifetime of the project and were properly recorded in the project ISRs.

Justification of Overall Rating of Quality of M&E

82. **Based on the above assessment, the overall rating for quality of M&E is Substantial.** The M&E design and implementation had moderate shortcomings that included the number of person days indicator and the lack of second-order magnitude indicators. The M&E system as designed and implemented was generally sufficient to assess the achievement of the objectives and test the links in the results chain, but there were moderate weaknesses in a few areas as mentioned in this section of the ICR.

B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

83. **No key environmental, social, or fiduciary issues arose during implementation.** The project was classified as category financial intermediation and complied with all safeguards policies through the ESMF that was prepared and publicly disclosed before project effectiveness. Procurement, FM, and environmental safeguards requirements were fully detailed in the PAD, as mentioned in section 3B of this ICR.

C. BANK PERFORMANCE

Quality at Entry

84. **The quality at entry for this project is Satisfactory.** The objective of the project was fully achieved, and design remains highly relevant to the strategic priorities and reform agenda of the GoE, as highlighted

in section 2A (relevance) and section 2B (efficacy) of this ICR. The PAD was detailed in describing the country and sectoral context, the rationale, and the project components. The PDO and intermediate indicators were agreed upon with the client. The technical, financial, and economic assessments were detailed, and the PAD correctly highlighted the anticipated social development impact of the project, especially in terms of gender, as illustrated in the PDOs. In addition, throughout the project preparation phase, the World Bank advised MSMEDA to engage in stakeholder consultations that included banks (state-owned and private banks), NGO-MFIs, venture capital companies, financial lending companies, and other potential financial institutions. In terms of team composition, the World Bank Group leveraged its local and international experts. However, it is worth noting that the project could have further benefitted from the global team bringing expertise from other regions at the time of preparation, as it would have further enhanced the efficiency of the project's design. The potential risks were also clearly outlined during the preparation phase, mainly citing country risks, as Egypt was undergoing a period of political and economic transition in 2014. Moreover, the World Bank team outlined a series of mitigation measures and reiterated the Government's commitment to developing the MSE sector in Egypt.

Quality of Supervision

85. **The quality of the World Bank's performance at supervision was Satisfactory.** The essence of the PDO was focused on maximizing the development impact, given its emphasis on women, youth, and vulnerable populations living in geographically underserved regions. Project supervision was extensive, and the task team consisted of highly qualified staff based in both the country office and headquarters, including specialists in the financial sector, FM, procurement, environment, and social safeguards.

86. **The ISRs were clear in outlining the key issues that emerged during implementation, the status of disbursements, results achievement, and provided candid and detailed assessments.** This was clearly demonstrated in the June 2017 and April 2018 ISRs, when a Prime Ministerial Decree dissolved the project's implementing entity (the SFD) and established MSMEDA in its place. As mentioned in section 2 of this ICR, the World Bank team downgraded the IP rating to 'Moderately Unsatisfactory,' in accordance with the Legal Agreements. In this context, the team escalated the issue to the Country Director and advised to amend the legal documents once due diligence is completed. Based on this, the team placed disbursements on hold until due diligence and the subsequent restructuring process was completed. Once all legal issues were resolved, and the new entity used the former SFD's bylaws to reinstate all operational and administrative procedures, the team reviewed and upgraded the rating in April 2018 and began disbursing again normally. Implementation was assessed through an extensive review of the project's Aide Memoires and ISR reports, which are summarized in annex 6 of this ICR.

87. Another example of the World Bank team's close supervision was demonstrated when the Development Objective (DO) ratings were downgraded to 'Moderately Unsatisfactory' in June 2017 to verify the Results Framework and the actual outcomes of the project. As mentioned in section 3B of this ICR, the World Bank team hired a specialized labor economist as a consultant to verify and review the main job creation methodology used by the implementing entity as part of its due diligence ahead of the restructuring. As mentioned previously, once due diligence and restructuring was completed in October 2017, the World Bank team upgraded the DO rating to 'Moderately Satisfactory' and took note of all findings in the preparation phase of the follow-on operation (Catalyzing Entrepreneurship for Job Creation IPF), which also selected MSMEDA as the implementing entity.

Justification of Overall Rating of Bank Performance

88. **Based on the explanations, the overall rating for World Bank Performance is Satisfactory.** At project closing, most indicators had far exceeded their targets and the last ISR that was filed in June 2019 provided a 'Satisfactory' rating to all PDO and intermediate indicators. This demonstrated the World Bank team's integrity, hard work, and constructive engagement with the client to ensure this project achieved its intended impact.

D. RISK TO DEVELOPMENT OUTCOME

89. **The risk-to-development outcome is considered to be Moderate and dependent on Egypt's macroeconomic environment and financial sector context.**[39] Risks to the development outcomes for this project are related to country and financial sector risks or factors affecting Egypt's macroeconomic environment. As mentioned in section 1 of this ICR, the GoE embarked on a structural reform program with the support of the IMF and a series of World Bank DPF operations during implementation of this project. These reforms included the removal of various subsidies and the devaluation of the Egyptian pound in November 2016. However, the project continued to achieve its objectives and disburse effectively. This demonstrates the timely intervention of this project and the extent to which it was needed. The trajectory and impact of the COVID-19 pandemic on Egypt's economy and financial sector was unclear during the preparation of this ICR.

90. **At the time of project closing in December 2019, Egypt was sustaining its robust growth, fiscal outturns were improving, and external accounts were stabilizing at broadly favorable levels.** Egypt has improved its macroeconomic environment following key fiscal, exchange rate, and energy sector reforms. Real GDP grew at 5.6 percent in FY19, compared to 5.3 percent a year earlier. Unemployment decreased reaching 7.5 percent in the last quarter of FY19, from 9.9 percent a year earlier, and compared to a peak of 13.4 percent in FY14. However, job creation by the private sector remained limited. Fiscal accounts continued to improve as the overall deficit continued its downward trend to reach an estimated 8.3 percent of GDP in FY19, compared to 9.7 percent a year earlier, and from a peak of 13 percent in FY13. In addition, the primary deficit shifted to surplus. Government debt remained elevated at an estimated 90.2 percent of GDP in end-FY19, but came down significantly from 108 percent of GDP only two years earlier. Egypt's net international reserves were also at broadly favorable levels, covering around eight months of merchandise imports. Inflation fell to single-digit levels and paved the way for monetary easing. Inflation decreased to 3.1 percent in October 2019, from 4.8 percent a month earlier. The CBE has cut key policy rates cumulatively by 350 basis points between August and November 2019.[40] The expansionary monetary policy was expected to improve private sector cash flow through its impact on lending rates.

91. **While the macroeconomic environment has improved, social conditions remained difficult, and expansion of access to finance mechanisms continue to be needed, illustrating the additionality of this project.** Nominal wage growth fell below inflation during 2016–2018. Therefore, real wages eroded. Official estimates indicated that 32.5 percent of the population lived below the national poverty line in FY18, with the highest poverty rates in rural Upper Egypt, one of the main underserved regions catered

[39] Development outcome risks may change given the evolving financial situation pertaining to the impact of COVID-19. This assessment evaluates the risk at the time of project closing, which is December 2019.
[40] The CBE cut interest rates by 300 basis points in March 2019 in response to the global crisis caused by the COVID-19 pandemic.

to by this project. To mitigate the social costs of reforms and their disproportionate effect on those in poverty, the Government has scaled up available social assistance mechanisms. The budget allocation for the *Takaful* and *Karama* cash transfer program grew by 400 percent between 2015 and 2018, expanding the program coverage to 2.2 million households in December 2018. Similarly, the Government has increased the allocations of the food smartcard programs. While these social conditions do not pose a direct risk to the development outcomes of this particular project, they do illustrate a growing need for access to finance mechanisms and social development initiatives.

92. **There is a potential sustainability risk to the outcomes of this project, however this will be mitigated through the implementation and monitoring of the follow-on operation, the Catalyzing Entrepreneurship for Job Creation IPF, which was declared effective in January 2020.** Project-specific risks are related to the future performance of the implementing entity, as well as participating financial intermediaries and end beneficiaries. The performance of these entities was consistently monitored throughout project implementation, along with preparation and early implementation of the Catalyzing Entrepreneurship for Job Creation IPF. As mentioned earlier, the newly effective IPF aims at providing a comprehensive package of financial and nonfinancial support to targeted beneficiaries. It consists of (a) Component 1, which continues to offer financial support to MSMEs; (b) Component 2, which focuses on risk capital for innovative start-ups and high growth SMEs and entails the provision of equity and quasi-equity investments to eligible risk capital intermediaries (RCIs); and (c) Component 3, which focuses on business and capacity development and entails the provision of training, mentoring, coaching, and business development services to eligible MSMEs, PFIs, and eligible RCIs. The new IPF will continue supporting operations related to microfinance and innovative financing mechanisms including leasing, factoring, and venture capital, and includes components on equity finance and nonfinancial support for the first time in Egypt. Moreover, there is also a sustained demand for MSE finance, which was exemplified by the Government's request for a follow-on operation before the closing date of this project.

93. **It is important to note that this project shed light on the importance of access to finance and MSE lending in Egypt, which will safeguard the outcomes of the project**. This was demonstrated by the consistent demand of MSE lending, the successful expansion of access to finance to marginalized groups through diversified financial offerings, and a consistent interest from both the GoE and development organizations to enhance the MSE sector in Egypt.[41] In the early 2000s, Egypt had conducted a comprehensive Financial Sector Reform Program, supported by the World Bank Group's Financial Sector DPLs worth US$1.5 billion. A second phase of this reform program was supposed to take place with a focus on MSME development but was brought to a halt due to the political developments in 2011. Although this project was an IPF, with no regulatory support components such as a DPL or a Program-for-Results (PforR), the outcomes of the project encouraged the authorities to proceed with relevant legal reforms in this space. This is demonstrated by the financial leasing and factoring law of 2018, the CBE SME initiative announced in 2016, and the SME law, which was approved by the Egyptian Parliament in early 2020.

[41] These organizations include the Arab Fund for Economic and Social Development, the European Bank for Reconstruction and Development, Kreditanstalt für Wiederaufbau, Islamic Development Bank, UAE Khalifa Fund for Development, and *Agence Française de Développement*.

V. LESSONS AND RECOMMENDATIONS

94. The project enhanced access to finance to MSEs by providing a variety of financial services and products, including leasing, factoring, and venture capital. Key lessons and recommendations for ongoing and future operations are summarized in the following paragraphs.

95. **As mentioned in this ICR, although the banking sector has been liquid, the low financial intermediation constrained access to finance for MSEs in Egypt.** The percentage of domestic credit to the private sector has been declining since the revolution (25.6 percent of GDP). The team recognized this at an early stage and ensured that a package of financial and nonfinancial services (through the complementary Egypt MSME Development Facility) was offered to tackle financial exclusion. Activities under this facility were mentioned in more detail in earlier sections of this ICR. Future operations may consider a more balanced approach between risk-sharing mechanisms and lines of credit, weighing the advantages and disadvantages for each.

96. **Complementary TAs should always be available for projects, as they play an important role in supporting implementation, capacity, and institutional strengthening.** This was primarily illustrated by the MSME Development Facility and the South-South collaboration, which was coordinated with India and Malaysia for this project.

97. **Lines of credit can be efficient and effective tools in promoting access to finance, when incorporating additionality and complemented with simplicity in project design.** A simple project design without many complexities can be more effective than complex ones given the ease of implementation and monitoring, along with a clear Theory of Change**.** The design needs to match the implementation capacity of the counterpart from the technical and governance perspective. In this context, the project was able to reach the most underserved segments of Egypt's population, at a time of political transition, including women, youth, and underserved regions. The fact that the youth and women indicators significantly exceeded their targets demonstrated that this approach was useful in addressing this market gap and expanding outreach to underserved groups. The project was also innovative in introducing venture capital financing for the first time in this space, and incentivized NBFIs and leasing companies to work in the MSE lending sector through MSMEDA.

98. **A well-structured M&E design and clear, attainable indicators with the right amount of ambition are necessary for consistent achievement of targets during implementation, in addition to a sound evaluation of outcomes.** The project's Results Framework directed the focus of the project and ensured the achievement of the PDOs. However, an indicator on lagging regions would have served the project further.

99. **Clarity on targets and methodology should be developed at the early stages of project design, while ensuring that global teams are available to provide input from the start.** During project implementation, the questions surrounding the implementing entity's jobs methodology and the subsequent downgrading of indicators could have been avoided if further due diligence was conducted at project design. Having an inclusive team at the early stages of preparation, with the global team bringing expertise from other regions and the local teams contributing to the country context, is essential for team alignment and an efficient project design.

100. **Ongoing implementation support (during and after missions), along with clear communication with authorities and implementing entities are necessary for strengthening the project.** The achievement of all PDO indicators, along with the satisfactory rating recommended in the final ISRs, can be largely attributed to the World Bank team's extensive project supervision and consistent communication with the client. This was mainly demonstrated by the process of the Level II Restructuring that took place in October 2017 to address the dissolution of the implementing entity and the formation of a new one in its place. Disbursements were placed on hold until due diligence and restructuring was complete. This can be considered by other World Bank teams as a good practice for supervision.

101. **At the sectoral level, support for MSE's should take a comprehensive approach by offering financial and nonfinancial support.** This was considered in the follow-on project, Catalyzing Entrepreneurship for Job Creation IPF.

102. **Access to finance projects can help countries navigate through political transition and associated economic volatility.** This is demonstrated by the effective implementation of this project while Egypt was undergoing a period of political transition in 2014, along with decreased economic growth.

ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

A. RESULTS INDICATORS

A.1 PDO Indicators

Objective/Outcome: 1. Direct project beneficiaries (Number, Custom)

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Direct project beneficiaries	Number	0.00 01-Jul-2014	103900.00 31-Dec-2019		174488.00 31-Dec-2019
Female beneficiaries	Percentage	0.00	30.00		42.00

Comments (achievements against targets):
The number of direct project end beneficiaries is 174,488. The target of 103,900 was exceeded for this indicator.

Objective/Outcome: 2. Outstanding MSE portfolio of participating financial institutions

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion

Outstanding MSE portfolio of participating Financial Institutions	Text	LE 1,886 million 01-Jul-2014	LE 15,529 million 31-Dec-2019		LE 35 billion 30-Jun-2019

Comments (achievements against targets):
According to the ISR filed in June 2019, the outstanding MSE portfolio of participating financial institutions was worth LE 35 billion. This far exceeds the target of LE15,529 million for this indicator. This was validated by the Bank team through data shared by the implementing entity on the outstanding portfolio of MSE lending by participating financial intermediaries.

Objective/Outcome: 3. Number of innovative financial products offered to MSEs

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of innovative financial products offered to MSEs	Number	0.00 01-Jul-2014	3.00 31-Dec-2019		3.00 31-Dec-2019

Comments (achievements against targets):
The number of innovative financial products offered to MSEs was 3 at the time of project closing. The target of 3 financial products was fully achieved for this indicator.

Objective/Outcome: 4. Youth-owned businesses served by the line of credit

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Youth-owned businesses served by the line of credit	Percentage	0.00 01-Jul-2014	40.00 31-Dec-2019		44.00 31-Dec-2019

Comments (achievements against targets):
The percentage of youth-owned businesses served by the line of credit was 44 percent at the time of closing. This exceeds the target of 40 percent for this indicator.

Objective/Outcome: 5. Women-owned businesses served by the line of credit

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Women-owned businesses served by the line of credit	Percentage	0.00 01-Jul-2014	30.00 31-Dec-2019		42.00 31-Dec-2019

Comments (achievements against targets):
The percentage of women-owned businesses served by the line of credit was 42 percent at the time of project closing. This exceeds the target of 30 percent for this indicator.

A.2 Intermediate Results Indicators

Component: Lines of Credits to MSMEs

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Volume of small financing from the line of credit to participating financial institutions	Text	0.00 01-Jul-2013	LE 1470 million 31-Dec-2019		LE 1963 million 31-Dec-2019

Comments (achievements against targets):

The volume of financing from the line of credit to participating financial institutions was LE 1,963 million at the time of project closing. This exceeds the target of LE 1,470 million for this indicator.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Volume of microfinancing from the line of credit to participating financial institutions	Text	0 01-Jul-2014	LE 630 million 31-Dec-2019		LE 1870 million 31-Dec-2019

Comments (achievements against targets):

The volume of microfinancing from the line of credit to participating financial institutions was LE 1,870 million at the time of project closing. This exceeds the target of LE 630 million for this indicator.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of participating financial leasing companies	Number	0.00 01-Jul-2014	3.00 30-Dec-2019		4.00 31-Dec-2019

Comments (achievements against targets):
There were 4 participating financial leasing companies at the time of project closing. The target for this indicator was exceeded.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of venture capital companies and angel investors engaged	Number	0.00 01-Jul-2014	1.00 31-Dec-2019		1.00 31-Dec-2019

Comments (achievements against targets):
The number of venture capital companies and angel investors engaged at the time of project closing was 1. This target for this indicator was fully achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of women served through the line of credit	Number	0.00 01-Jul-2014	38500.00 31-Dec-2019		73856.00 31-Dec-2019

Comments (achievements against targets):
There were 73,856 women served through the line of credit, which exceeds the target of 38,500. This target for this indicator was exceeded.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Person days (defined as 20 in a month) of employment created	Number	0.00 01-Jul-2014	23688000.00 31-Dec-2019		71400240.00 31-Dec-2019

Comments (achievements against targets):
The original target for this indicator was 23,688,000 person days. The target for this indicator was exceeded at project closing, with 71,400,240 person days.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion

Number of microfinance enterprise clients	Number	0.00 01-Jul-2014	126000.00 31-Dec-2019		167677.00 31-Dec-2019

Comments (achievements against targets):
The number of microfinance enterprise clients was 167,677 at the time of project closing. This exceeds the target of 126,000 for this indicator.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Portfolio at risk for participating lenders. 90 days	Text	0 01-Jul-2014	less than 5 percent 31-Dec-2019		less than 5 percent 31-Dec-2019

Comments (achievements against targets):
The portfolio at risk for participating lenders remained less than 5 percent throughout the lifetime of the project. The target for this indicator was fully achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of small enterprise clients	Number	0.00 01-Jul-2014	4900.00 31-Dec-2019		6911.00 31-Dec-2019

Comments (achievements against targets):

The number of small enterprise clients was 6,911 at the time of project closing. This exceeds the target of 4,900 for this indicator.

B. KEY OUTPUTS BY COMPONENT

Objective/Outcome 1: Expanding access to finance for micro and small enterprises in the Arab Republic of Egypt;	
Outcome Indicators	1. The number of direct project beneficiaries. 2. Outstanding MSE portfolio of participating financial institutions.
Key Outputs by Component (linked to the achievement of the Objective/Outcome 1)	1. Number of small enterprise clients 2. Number of microfinance enterprise clients 3. Volume of microfinancing from the line of credit to participating financial institution 4. Volume of small financing from the line of credit to participating financial institutions
Objective/Outcome 2: Using innovative mechanisms of financing	
Outcome Indicators	1. Number of innovative financial products offered to MSEs.
Intermediate Results Indicators	1. Number of participating financial leasing companies 2. Number of venture capital companies and angel investors engaged
Objective/Outcome 3: Focusing on youth, women and lagging Regions (in terms of expanding access to finance).	
Outcome Indicators	1. The percentage of youth-owned businesses served by the line of credit. 2. The percentage of women-owned businesses served by the line of credit.
Intermediate Results Indicators	1. Number of women served through the line of credit

ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

A. TASK TEAM MEMBERS

Name	Role
Preparation	
Sahar Ahmed Nasr	Task Team Leader(s)
Mohamed Yahia Ahmed Said Abd El Karim	Financial Management Specialist
Chaogang Wang	Social Specialist
Alaa Ahmed Sarhan	Social Specialist
Supervision/ICR	
Laila Ashraf AbdelKader Ahmed	Task Team Leader(s)
Jamal Abdulla Abdulaziz	Procurement Specialist(s)
Wael Ahmed Elshabrawy	Financial Management Specialist
Nermin Ahmed Nour	Team Member
Amal Nabil Faltas Bastorous	Social Specialist
Amer Abdulwahab Ali Al-Ghorbany	Environmental Specialist
Hana Amr Ahmed Fawzy Abdelmoat Marei	Main Contributing Author
Alia El Didi	Main Contributing Author

B. STAFF TIME AND COST

Stage of Project Cycle	Staff Time and Cost	
	No. of staff weeks	US$ (including travel and consultant costs)
Preparation		
FY14	46.540	158,152.74
FY15	12.207	71,951.73
FY16	0	0.00

Total	**58.75**	**230,104.47**
Supervision/ICR		
FY14	0	1,431.32
FY15	8.726	55,361.16
FY16	14.245	94,166.62
FY17	18.612	54,763.27
FY18	21.720	85,199.30
FY19	21.169	82,388.37
FY20	32.211	113,746.51
Total	**116.68**	**487,056.55**

ANNEX 3. PROJECT COST BY COMPONENT

Components	Amount at Approval (US$, millions)	Actual at Project Closing (US$, millions)	Percentage of Approval
Lines of credits to MSMEs	300.00	300.00	100
Total	**300.00**	**300.00**	**100**

ANNEX 4. EFFICIENCY ANALYSIS

Promoting Innovation for Inclusive Financial Access IPF: Economic and Financial Analyses

1. **During project implementation, a total number of 33 contracts were signed with PFIs, amounting to LE 2.593 billion and representing 100 percent of the total project's value.** Total amounts disbursed to financial intermediaries amounted to LE 2.578 billion, representing 99 percent of the total project value. Moreover, total amounts disbursed to end beneficiaries amounted to LE 2.836 billion, which included revolving microloans, representing 147 percent of the total project value. The total number of financed projects (including revolving microfinance) was 174,588. This illustrates the project's efficiency in expanding access to finance to MSEs and generating significant employment opportunities. Moreover, a clear additionality of the project is demonstrated in tackling areas with high employment rates, lack of economic opportunities, and very limited access to finance, because 40 percent of the project's funding served the underserved governorates in Upper Egypt and Sinai.

2. **The subprojects that can be funded by the project were unidentified at the time of preparation.** Therefore, it was not possible to conduct a traditional economic and financial analysis and estimations to the economic rate of return and economic net present value. Unfortunately, the available data on the project did not allow for a precise calculation of economic or financial additionality. This was similar to bank projects in other regions (Turkey and Vietnam), which faced the same constraints. Project outcomes have been measured and discussed in section 2 of the ICR. The economic and financial analyses that were conducted during project preparation and considered in the evaluation of the project's efficiency are discussed in the following paragraphs.

3. **MSEs are a major source of employment and income for significant proportions of labor.** A major advantage of the MSE sector is its employment potential at low capital cost. Furthermore, the labor intensity of this sector is much higher than that of the large enterprises. MSEs are a linchpin in promoting inclusive growth, improving the welfare of the poor and women. For MSEs to be successful in improving competitiveness, growing sales and jobs, and contributing more broadly to economic growth, they need access to appropriate working capital loans, investment financing, risk capital, trade finance, and other financial services. Restricted access to finance constrains MSE expansion of capacity, adoption of innovations, and the ability to look for and take advantage of new market opportunities, which in turn prevents the increases in competitiveness and employment that the region needs. The project's line of credit directly addressed these constraints.

4. **The project managed to** (a) decrease the costs and risks credit to MSEs, which would enhance their access to finance and financial stability; (b) enable MSEs to improve competitiveness and increase employment or incomes; (c) improve governance through MSEs accessing financing based on transparent selection criteria; and (d) decrease informality, as small and young enterprises have to comply with tax and other legislation to obtain access to loans.

5. **The project was expected to provide timely and essential working capital financing for MSEs in the context of Egypt's political and economic turmoil in 2014.** This financing has positively contributed to the survival of the existing MSEs and helped many of them to sustain their businesses and grow. This operation made an essential contribution in the financial system in Egypt by introducing and

mainstreaming new financial vehicles to the market, such as venture capital, factoring, and financial leasing. Introducing these products to a wider range of the market helped mainstream these vehicles and positively contributed to the creation of the appropriate ecosystem needed for a healthy and competitive private sector in Egypt. The project was expected to benefit around 228,000 individuals over five years, out of which more than 102,000 would be women and 126,000 youth. The line of credit was expected to finance more than 200,000 microfinance enterprises in different sectors and regions and more than 20,000 small enterprises. The operation contributed to sustainable job creation in these segments, in addition to maintaining the current level of employment in a time of dire economic conditions.

ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS

After reviewing this ICR, the implementing entity submitted the following comments. All comments and requested changes were incorporated when finalizing the ICR.

- In paragraph 20, change *"the targeted beneficiaries were (a) microenterprises with paid-in capital of less than LE 50,000 and up to five workers and (b) small enterprises with paid-in capital of between LE 50,001 and LE 1 million and up to **five** workers"* to *"the targeted beneficiaries were (a) microenterprises with paid-in capital of less than LE 50,000 and up to five workers and (b) small enterprises with paid-in capital of between LE 50,001 and LE 1 million and up to **50** workers."*

- In paragraph 38, change *"contracts included: **seven** banks for small enterprises lending, 2 banks for micro lending, 4 leasing companies, 4 NGOs, one Islamic Musharka contract, and one equity investment"* to *"contracts included: **eight** banks for small enterprises lending, 2 banks for micro lending, 4 leasing companies, 4 NGOs, one Islamic Musharka contract, and one equity investment."*

- In paragraph 65, change *"committing to effective delivery, a request was sent to the Minister of Trade requesting the transformation of the unit into a separate department,"* to *"to ensure effective delivery, there was a commitment to transform the unit into a separate department."*

- In annex 6.2, change *"small enterprises with paid-in capital of between LE 50,001 and LE 1 million and up to **five** workers"* to *"small enterprises with paid-in capital of between LE 50,001 and LE 1 million and up to **50** workers."*

- In annex 6.3 (the client's ICR) paragraph 3, change "*the project used the conventional financial products **though** on-lending to PFIs, which onlent to the final MSEs' beneficiaries"* to *"the project used the conventional financial products **through** on-lending to PFIs, which onlent to the final MSEs' beneficiaries."*

- In annex 6.3, add the following: *"On April 24, 2017, the former SFD was dissolved and replaced by MSMEDA by a Prime Ministerial Decree. Responding to the creation of the new entity, the Bank proposed an amendment to the legal documents to continue the implementation of the project through the newly established entity. A due diligence review by the Bank team was conducted and disbursements put on hold until the due diligence was completed. Disbursements resumed in December 2017."*

- In annex 6.3 paragraph 14, change *"MSMEDA's own performance during implementation **is** very positive and satisfactory"* to *"MSMEDA's own performance during implementation **was** very positive and satisfactory."*

- In annex 6.3 paragraph 14, change *"the Project Management Committee held biweekly or monthly meetings attended by a representative from the World Bank office in Cairo to manage, monitor, and evaluate the **proposed project**"* to *"the Project Management Committee held biweekly or* *monthly meetings attended by a representative from the World Bank office in Cairo to manage, monitor, and evaluate the **project's performance**."*

ANNEX 6. SUPPORTING DOCUMENTS (IF ANY)

Annex 6.1: Summary of Implementation Status and Outputs

Date	Implementation Status and Key Recommendations
May 2014	• The project was approved by the Board of Executive Directors on April 1, 2014 and signed on April 12, 2014. The Government is working on finalizing effectiveness. • No results indicators have been linked, no mitigation measures have been linked, no issues have been entered, and no actions have been entered. This was because the Government was still working on finalizing effectiveness.
November 2014	• The project was ratified by the Presidential Decree and became effective in July 2014, and implementation has been initiated. • A former banker was appointed as the new Managing Director for the SFD—the implementing entity of the project on October 27, 2014. • Three Project Management Steering Committee meetings took place. • **Line of credit.** The SFD started the process of on-lending a portion of the project's funds to eight banks (private sector and state-owned banks), amounting to a total of US$100 million. • **Microfinance.** Two contracts amounting to US$41.9 million have been signed (with an NGO-MFI and another with a bank). Potential contracts would be signed this quarter with four NGOs-MFIs. • **Leasing and factoring**. The use of this novel component has started to take effect, as a US$1.3 million contract was signed with a leasing company. In addition, negotiations are under way with three more companies. With respect to factoring, the SFD started reaching out to factoring companies. • **Venture capital**. A specialized venture capital unit was established within the SFD and it was fully staffed in October 2014. A request has been sent to the Minister of Trade requesting the transformation of the unit into a separate department. The World Bank and SFD teams began jointly working on finalizing the investment policy.
May 2015	With implementation at an early stage: • 13,000 jobs were created. • **The Line of Credit to banks.** The SFD started the process of on-lending a portion of the project's funds to 13 banks (private sector and state-owned banks), amounting to a total of more than US$170 million. • **Microfinance.** Three contracts amounting to more than US$42 million have been signed (with an NGO-MFI and two banks). About seven more potential contracts are being negotiated. • **Leasing and factoring.** The use of this novel component has started to take effect, as two contracts were signed with leasing

Date	Implementation Status and Key Recommendations
	companies, worth LE 20 million. In addition, negotiations are under way with factoring companies. • **Venture capital.** The specialized venture capital unit (established and fully staffed) became fully operational in April 2015. A new Investment Policy was endorsed and approved by Board Decree in April 2015.
October 2015	• Disbursements were taking place well above projections, with approximately 69 percent of the loan disbursed to financial intermediaries at this stage. This demonstrated a renewed and sustained need for access to finance. • A total of 12 contracts amounting for LE 1.57 billion were signed with PFIs in both MSE components representing 75 percent of the total project's value. • Total amounts disbursed to end beneficiaries represent 39 percent of the total project value. • The increase in number of female MSEs with access to finance reached 30 percent by March 2015. • The project had an impressive outreach to underserved governorates and marginalized groups, youth, and women. More than 40,000 jobs were created through this project alone by this point. • This project supported the advancement of financial inclusion through innovative financing mechanisms, specifically venture capital. The project has supported the SFD in structuring and formulating the mandate for VCs, as well as in the establishment of the Investment and Venture Capital Department (IVCD) and an IAC. For the IVCD and the IAC, a decree of establishment has been issued from the Board of Directors of the SFD. • The World Bank team provided the required capacity building and TA to the relevant staff, including a professional Venture Capital Executive Program, in collaboration with UC Berkeley. Also, a reception and launch event took place in May 2015 to introduce this component to the main stakeholders and potential beneficiaries of the venture capital industry in Egypt.
June 2016	• Project disbursements have been significantly above projections, with 90 percent of the loan disbursed to financial intermediaries • In microfinance, seven contracts amounting to LE 630 million were signed. • For the financing of small enterprise finance, 15 contracts amounting to LE 1.395 billion were signed. • Among the five financing mechanisms envisioned by the project (banks, NGOs-MFIs, leasing, venture capital, and factoring), the least advanced until now (venture capital) is taking shape). In April 2016, two deals were finalized (an equity participation with an accelerator and a venture debt to a start-up). • The number of beneficiaries reached 30,655—32% of whom are women, 40% of whom are youth. Almost 50% of the beneficiaries are located in lagging regions (specifically Upper Egypt).

Date	Implementation Status and Key Recommendations
	• Based on achievements to date and relative to the initial targets, the progress toward achievement of PDO and the overall implementation progress was downgraded from 'Satisfactory' to 'Moderately Satisfactory'. The ISR also proposed to downgrade the political and governance risks because the ISR supervision team as well as the ICR team for the first line of credit (P116011) did not have easy access to the methodology used for the measurement of the number of jobs created.
June 2017	• According to the March 2017 progress report by the SFD, a total number of MSEs reached 116,383 (38% of which are women-owned, 40% youth-owned, and 50% are operational enterprises in lagging regions) at this stage of implementation. • Among the participating financial intermediaries involved in this operation are the National Bank of Egypt, United Bank, SAIB, Housing and Development Bank, Audi Bank, Arab Investment Bank, Agriculture Bank of Egypt, Upper Egypt Leasing Company, EFG Hermes Leasing Company. • Last ISR submitted for this operation in June 2016 downgraded IP and DO ratings from 'Satisfactory' to 'Moderately Satisfactory'. The DO rating for this ISR was downgraded to Moderately Unsatisfactory and will be reviewed after the upcoming supervision during the summer of 2017. • The key purpose of the upcoming mission is to verify that the Results Framework reflects the actual outcomes of the project, with special focus on verifying the job creation methodology used by the SFD. If this analysis of the job creation methodology is satisfactory, and the other project indicators remain satisfactory, the team would then consider an upgrade of the DO rating in the ISR following that mission. • The IP rating in this ISR was downgraded further to 'Moderately Unsatisfactory' due to the recent organizational and legal changes to the SFD. Prime Ministerial Decree No. 947 of 2017 dated April 24, 2017, dissolved the SFD, the project's implementing entity, and established in its place the new MSMEDA. Under the legal documents, any change, suspension, or abrogation of the project implementing entity's legislation that affects its ability to carry out the project is an event of default for which the World Bank may exercise its remedies. • In this context, an amendment to the legal documents is required to enable their implementation through the new entity. The country director wrote to the authorities on this issue on June 13, 2017. To process amendments to legal documents, a due diligence review is required. The rating can be reviewed upon completion of this process. • The former head of the SFD, Ms. Nevine Gamea, has been appointed as the acting executive director of this newly established entity, MSMEDA. All skills, staff, systems, existing

Date	Implementation Status and Key Recommendations
	policies, and procedures of the SFD are being transferred into this new entity. • Disbursements were placed on hold in light of this development, until due diligence and the subsequent restructuring process is completed.
April 2018	• Amendments to the legal documents and the due diligence review were both completed, submitted, and approved to accommodate for the change in the implementing entity according to the Prime Ministerial Decree No. 947 of 2017 dated April 24, 2017, that dissolved the SFD, the project's implementing entity, and established in its place a new agency, MSMEDA. • In light of this development and the completion of the restructuring process, disbursements resumed in December 2017. • The team has responded to the management's request to assess the job creation methodology that the implementing entity uses. In that context, a specialized labor economist was hired as a local consultant to validate and review the calculation method for the person days indicator and verify the job creation methodology used by the implementing entity. A full report was submitted. • The analysis confirms that an in-depth review of the implementing agency's job creation methodology was warranted, as it makes important recommendations on the methodology chosen by the MSME agency. This methodology was developed by the then SFD with support from the African Development Bank and has been used from the start of the operation. While putting forward suggestions to improve that methodology, the analysis shows that the information that would allow to have definitive and more precise evidence on the jobs created under the operation is currently not being collected—and the methodology used by the implementing agency only provides a proxy. Given how the M&E framework was designed, the method used by the implementing agency is relevant, given the lack of data availability. • Finally, the analytical report recommends that the implementation agency conducts a new survey to update the values and calculate the number of formal jobs created due to the loan in the two years 2016 and 2017 given the inflation peak that happened in late 2016 and 2017 and that was not matched in the calculations of the agency where they only updated the cost figures by 10% per year (at the time of appraisal US$1 was equal to LE 6.96). At this stage, US$1 is equal to LE 18. Although this was a much-needed step, it caused an unprecedented inflationary impact (reaching more than 30%). • On this basis, and given the actual results against the project's indicators, the team recommended upgrading both the IP and the DO ratings to Moderately Satisfactory. The team also followed up with the MSME agency to explore the feasibility of a new survey as soon as possible, so that updated data are available before closure of the operation.

Date	Implementation Status and Key Recommendations
	• As the operation is 99% disbursed, the team began the work to allow for an early closure of the loan. • According to the December 2017 progress report by MSMEDA, total number of MSEs reached 156,185 (41% of which are women-owned enterprises, 40% youth-owned enterprises, and 30% operating in lagging regions).
December 2018	• The project was progressing well at this stage, disbursing an additional US$25 million, following the Level II Restructuring in October 2017 to amend the Legal Agreements to replace the project implementing entity from the SFD to the newly established MSMEDA, which allowed disbursement to resume. • Given that 4 of the 5 PDO indicators and all 9 intermediate indicators have been met, with some surpassing their targets, the ratings for both progress toward PDO and IP were upgraded to satisfactory. It is expected that the last PDO indicator to be met 'Youth owned businesses served by the line of credit' will be fulfilled by the project's closing date. • The project is 99% disbursed and the closing date is approaching. MSMEDA was aware and worked on ensuring that the project is fully disbursed to end beneficiaries before the closing date on December 31, 2019. • According to MSMEDA's latest progress report, the project served 169,041 beneficiaries of which 41% are women-owned, 36% youth-owned, and 50% operating enterprises in lagging regions with a total number of jobs created equal to 294,734. • The team addressed all comments related to the assessment of the job creation methodology. It was agreed that it will be fine-tuned further in the proposed operation which has a special focus on job creation (Catalyzing Entrepreneurship for Job Creation P162835). • The team followed up closely with MSMEDA to explore the possibility of early closure after delivering the end of December progress report.
June 2019	• The project has almost fully disbursed, with US$630,000 remaining. The project's closing date is approaching (December 31, 2019). • MSMEDA, the implementing entity, is aware and working on ensuring that the project is fully disbursed to end beneficiaries before the closing date on December 31, 2019. • According to MSMEDA's March 2019 progress report, the project served 171,193 beneficiaries of which 42% are women-owned, 39% youth-owned, and around 40% are operating enterprises in lagging regions with a total number of jobs created equal to 297,500. • As of March 2019, a total number of 33 contracts were signed with PFIs, amounting to 96% of project's value. • It is worth mentioning that MSMEDA is the implementing entity for the new Egypt Catalyzing Entrepreneurship for Job Creation

Date	Implementation Status and Key Recommendations
	Project (US$200 million), approved by the World Bank Group on April 17, 2019.

Annex 6.2: Table of Comparison between Egypt Enhancing Access to Finance for Micro and Small Enterprises Project and Promoting Innovation for Inclusive Financial Access Project

Project Name and Amount	Egypt Enhancing Access to Finance for Micro and Small Enterprises (US$300 million)	Promoting Innovation for Inclusive Financial Access Project (US$300 million)
Project Effectiveness and Closing Dates	August 18, 2010–December 31, 2015.	July 22, 2014–December 31, 2019
The PDO	• The objective of the project was to contribute to a sustainable improvement in inclusive access to finance for MSEs on a commercial basis.	• The objective of the project was to expand access to finance for MSEs in Egypt, using innovative financing mechanisms, with a special focus on youth and women, as well as underserved regions.
Project Beneficiaries	• The main project beneficiaries were ○ Microenterprises, defined as enterprises with paid-in capital of less than LE 50,000 and up to 5 workers and ○ Small enterprises, defined as enterprises with paid-in capital of between LE 50,001 and LE 1 million and up to 50 workers. • The project aimed to make financing available to MSEs, specifically those in underserved regions.	• The targeted beneficiaries were ○ Microenterprises with paid-in capital of less than LE 50,000 and up to five workers and ○ Small enterprises with paid-in capital of between LE 50,001 and LE 1 million and up to 50 workers.[a] • The project mainly focused on potentially growing and job-creating firms, firms located in lagging governorates, and firms owned by youth or women.
Project Components and Financing Mechanisms Utilized	• The project consisted of two components: ○ A line of credit for microfinance through banks and MFIs ○ A line of credit for small enterprises through banks • The disbursement and allocation of funds among the two components were left flexible, dependent on the performance of the implementing entity's microfinance lending component and relative to the small enterprise finance component.	• The project consisted of one component, which was a line of credit to MSMEDA to finance MSEs, provided through eligible PFIs. • PFIs provided credit, equity participation, and/or convertible debt to MSEs according to the nature of the PFI. • Contracts with PFIs included an array of options including leasing, factoring, Islamic finance, microfinance lending through banks, microfinance lending through MFIs, and small enterprise financing. • The project supported the creation of the venture capital unit within MSMEDA as a pilot for venture debt and venture capital activities.

Project Name and Amount	Egypt Enhancing Access to Finance for Micro and Small Enterprises (US$300 million)	Promoting Innovation for Inclusive Financial Access Project (US$300 million)
PDO-level indicators	(a) Percentage increase in share of female MSEs with access to finance (revised downwards from 32.2% final indicator to 30%) (b) Percentage increase in total volume of outstanding MSE portfolio of PFIs (c) Percentage increase in total number of MSE loans in PFIs	(a) Direct project beneficiaries. (b) Outstanding MSE portfolio of participating financial institutions. (c) Number of innovative financial products offered to MSEs. (d) Youth-owned businesses served by the line of credit. (e) Women-owned businesses served by the line of credit.
Intermediate-level indicators	(a) Number of active micro finance clients (b) Number of banks engaged in microfinance lending (c) Number of alternative microfinance products developed and piloted (d) Total SFD (currently MSMEDA) microfinance portfolio (e) Percentage of female-owned microenterprises served under the line of credit (f) Portfolio at risk for participating MFIs and banks, 30 days (g) Initiatives developed by SEDO to foster small enterprise (h) Number of active small enterprise clients (i) SFD (currently MSMEDA) small enterprise portfolio (j) Percentage of female-owned small enterprises served beneficiaries of the line of credit (k) Number of banks engaged in small enterprise lending (l) Portfolio at risk for participating banks, 90 days	(a) Volume of small financing from the line of credit to participating financial institutions (b) Volume of micro financing from the line of credit to participating financial institutions (c) Number of participating financial leasing companies (d) Number of venture capital companies and angel investors engaged (e) Number of women served through the line of credit (f) Person days (defined as 20 in a month) of employment created (g) Number of microfinance enterprise clients (h) Portfolio at risk for participating lenders, 90 days (i) Number of small enterprise clients

Note: a. As per MSMEDA's MSMEs definition, given that there is no unified definition in Egypt.

Annex 6.3: Implementation Completion and Results (ICR) Report prepared by the client (MSMEDA)

A. Description of the project story line, including the operation's context, the rationale for the operation, and the relevance of the operation's objectives during preparation and at completion

1. **The project formulation and design started during a very critical era in Egypt following the revolution of January 25, 2011.** At that time, Egypt faced political, economic, and social instability. The Egyptian economy was influenced by the political disorder. Economic growth was very minimal (about 1 percent), compared to 2.1 percent in 2013. The slow growth was reflected by the poor performance of the main economic sectors (manufacturing, construction, petroleum, and tourism). Investment shrank due to high uncertainty. The overall instability has adversely affected investments and the private sector. These factors contributed to an increase in unemployment and poverty rates. Unemployment increased from 8.9 percent in December 2010 to 13.4 percent in September 2013. It was particularly high among women at 25 percent and youth at 42 percent. The poverty rate also increased to 26.3 percent in 2013, up from 25 percent in 2011 and 21.6 percent in 2009.

2. **Within this framework, increasing access to finance for MSEs was essential, to help increase job creation, enterprise growth, and economic growth in the Egyptian economy.** In this context, the project design, planned to support overall economic growth, poverty reduction, and financial stability, was very relevant to deal with the Egyptian economy's problems, and to offer financial inclusion to low-income communities and marginalized areas across the country.

B. Assessment of the outcome of the operation against the agreed objectives; with a focus on providing evidence of the achievement of the operation's objectives and of the contribution of the supported activities and outputs to the project's development outcomes:

3. **The PDO was to expand access to finance for MSEs in Egypt, using innovative financing mechanisms, with a special focus on youth and women, as well as underserved regions.** The project's outcomes have successfully achieved the agreed objectives and substantially increased the percentage in lending to MSEs and increased the number of both youth- and female-headed (or owned) MSEs with access to credit. The project contributed to the expansion of finance for MSEs in Egypt using innovative and conventional financial products and gave a special focus to women and youth. The project used the conventional financial products through on-lending to PFIs, which onlent to the final MSEs' beneficiaries. Beside the conventional financial products, the project succeeded to introduce innovative financial products such as venture capital, leasing, and Islamic financial products.

4. **The project successfully channeled LE 149.5 million to financial leasing companies catering to eligible MSEs.** The project introduced equity investments through venture capital companies. The project supported MSMEDA in structuring and formulating the mandate, as well as the establishment of the IVCD. It also supported finalizing a Venture Capital Investment Policy and building MSMEDA's staff capacity through organizing a professional Venture Capital Executive Program conducted in cooperation with UC Berkeley—Center for Executive Education. In general, the project contributed to the expansion of finance to women and youth. The project reached out to 174,588 MSEs, of which 44 percent are youth and 42 percent are women compared to the project targets of 40 percent and 37 percent respectively. About 40 percent of projects were in the lagging regions. The project created 302,937 jobs. The project helped MSMEDA to encourage banks to engage in microfinance lending through supporting them with the TA

needed or through co-financing to enhance and drive the microlending process. As a result, MSMEDA has contracted new downscaling initiatives with *Banque du Caire* and a wholesale finance initiative with the National Bank of Egypt.

C. Assessment of the key factors and events pertaining to the World Bank, borrower, co-financiers, other partners, and the external environment during preparation and implementation that affected performance and outcomes

5. Despite the project being launched in unstable economic, political, and security conditions in 2014/15, the project succeeded to overachieve its targets in its first years.

6. During implementation, the TTL, Dr. Sahar Nasr, was appointed as Minister of Investment and International Cooperation; however, a smooth handover to a new TTL Ms. Laila Abdel Kader took place, leaving no negative impact on the project performance.

7. In the project's midterm review mission in May 2015, MSMEDA requested the World Bank to restructure some of the project's Results Framework targets which entailed no changes to the PDO, the safeguard category, or policies. The restructure involved revision of some of the project outcome indicators, the intermediate outcome indicators, and an adjustment of their target values.

8. The need for the restructuring was due to several reasons, first was the change in the average loan size for both micro and small enterprises; where for microenterprises it rose from LE 5,000 to LE 7,500 and furthermore to LE 10,000 following the issuance of the new Microfinance Law 141/2014, and for small enterprises, from LE 50,000 to LE 300,000. Therefore, the number of target beneficiaries in the Results Framework was expected to decrease. Other external factors also call for this change such as the general macroeconomic environment turbulences, especially after the change in the regime twice between the years 2011 and 2013, and the continuously increasing inflation rate that has reached 11 percent, on average. MSMEDA addressed the World Bank officially through the Ministry of Investment and International Cooperation to restructure some of the project's Results Framework targets and the World Bank promised to issue a Restructuring Paper.

9. However, the World Bank did not issue the requested Restructuring Paper, despite the decrease in the number of target beneficiaries as forecasted by MSMEDA because of the inflation and increase of average loan size.

10. The World Bank downgraded the project ranking from 'Satisfactory' to 'Moderately Satisfactory' and the World Bank requested to analyze the reason for the increasing rate of the MSEs' loan size and in the meantime, the decrease in the number of funded MSEs; and requested MSMEDA to review and assess the job counting methodology.

11. The World Bank analyzed the reason for the increasing rate of the loans and assessed MSMEDA's job counting methodology, which was found acceptable and the project was upgraded to Satisfactory.

12. As part of an economic reform program, the CBE floated the Egyptian pound in November 2016 in an attempt to stabilize the economy, which had been set back by a shortage of foreign currency inflows and political instability. The CBE decision caused the devaluation of the Egyptian pound which increased

the MSEs' investment cost; such an increase consequently increased the average loan size and decreased the number of funded MSEs.

13. On April 24, 2017, the former SFD was dissolved and replaced by MSMEDA by a Prime Ministerial Decree. Responding to the creation of the new entity, the Bank proposed an amendment to the legal documents to continue the implementation of the project through the newly established entity. A due diligence review by the Bank team was conducted and disbursements put on hold until the due diligence was completed. Disbursements resumed in December 2017.

D. Evaluation of the borrower's own performance during the preparation and implementation of the operation with special emphasis on lessons learned that may be helpful in the future

14. MSMEDA's own performance during the preparation and implementation of the project was satisfactory as MSMEDA was fully engaged in the preparation stage and positively contributed to the operation's design and immediate results.

15. MSMEDA's own performance during implementation was very positive and satisfactory. To ensure the transparent and efficient project management, programmatic quality and effectiveness, technical coordination, internal and external communication, accountability, and sound administration, MSMEDA formed a Project Management Committee comprising representatives from its key departments including technical bureaus, nonfinancial services, planning and international cooperation sector, representatives from small enterprise and microfinance central sectors as well as the financial and administrative affairs sector. The Project Management Committee held biweekly or monthly meetings attended by a representative from the World Bank office in Cairo to manage, monitor, and evaluate the project's performance. MSMEDA already had a successful track record in implementing World Bank's financed operations, consistent with the World Bank's policies and procedures in the smooth execution of the Egypt Enhancing Access to Finance for MSEs Project ended in 2015. MSMEDA benefited throughout the preparation and implementation of previous World Bank-financed operations in improving its internal control procedures, including updating the FM Manual and the Internal Audit risk-based approach strategy. MSMEDA has also improved significantly its procurement procedures, evident in the procurement practices of the project beneficiaries that are in line with the best practices suggested by the World Bank. An Operational Manual for the project has been prepared in line with World Bank guidelines and procedures.

E. Description of the proposed arrangements for future operation of the project

16. The future operation of the project is guaranteed as it contributed to both institutional and operational sustainability within MSMEDA. The IVCD, the establishment of which was supported by the project, is continuing to support additional venture start-ups after the project closed. MSMEDA is also continuing and expanding in financing leasing companies and offering Islamic finance to MSEs. MSMEDA has strengthened its role in financial inclusion through adding additional PFIs to finance low-income communities and marginalized areas across the country specially though microfinance and revolved loans.

17. The project's impact will continue through the new Catalyzing Entrepreneurship for Job Creation

Project with an amount of US$200 million signed in May 2019.

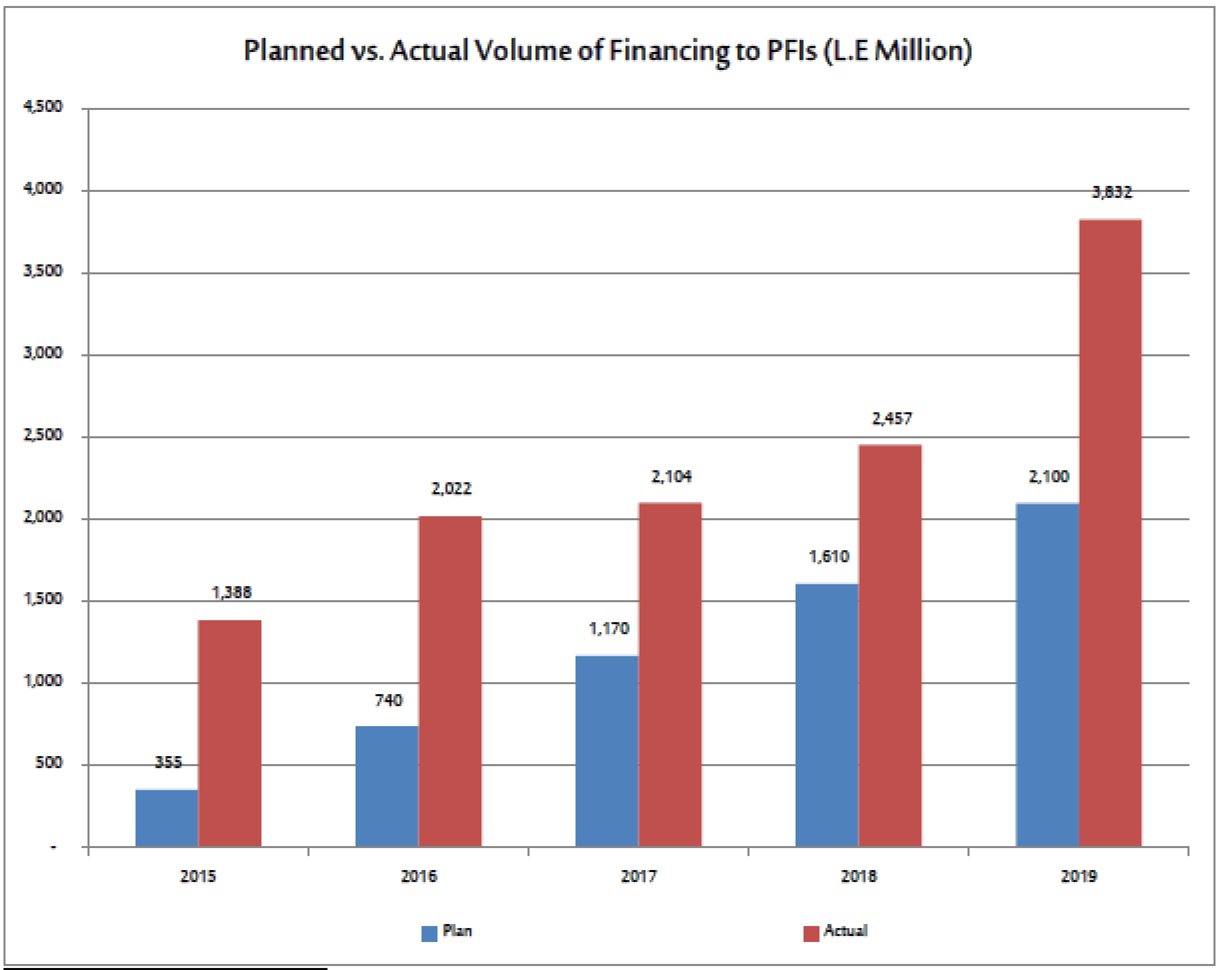
Annex 6.4: Sample of the Detailed Report Shared Quarterly by the Client (MSMEDA)

STATUS REPORT FOR PROMOTING INNOVATION FOR INCLUSIVE FINANCIAL ACCESS PROJECT – DECEMBER 2019

Project Planned vs. Actual Volume of financing from the line of credit to participating financial institution (As of End of December 2019)

L.E Million

Fiscal Year[1]	Plan	Actual	%
FY 2015	355	1,388	391%
FY 2016	740	2,022	273%
FY 2017	1,170	2,104	180%
FY 2018	1,610	2,475	153%
FY 2019	2,100	3,832	183%



DETAILED PROGRESS: (Small Enterprises) AND (Micro Finance):

(1) Small Enterprises:

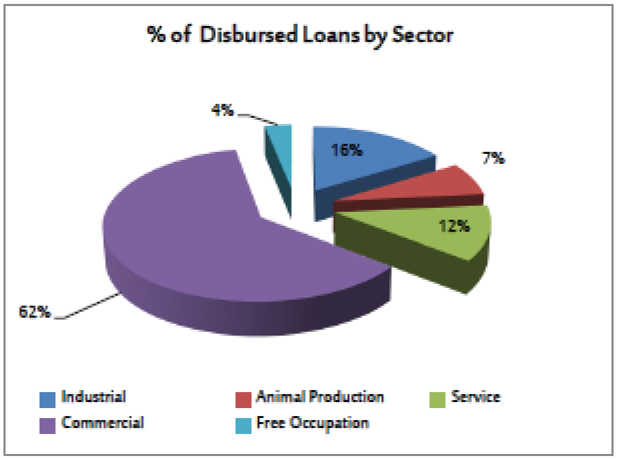
Signed Contracts: (As of End of September 2019)

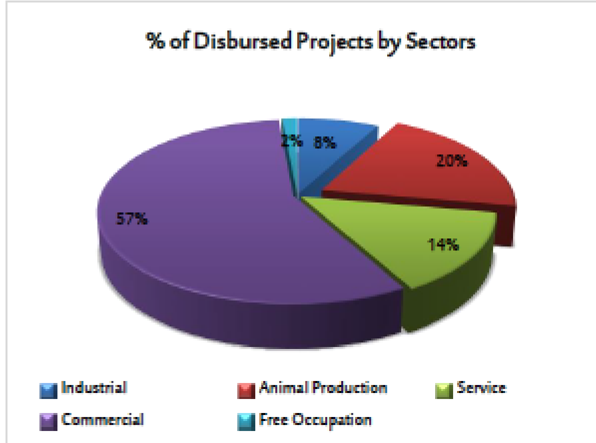
L.E Million

Ser.	Intermediary Name	Contract Type	Contract Details		Disbursement Position	
			Contract Date	Amount	To Intermediary	To Client
1	Upper Egypt Leasing Company	Leasing	9/Sep/14	9.95	9.95	9.95
2	United Bank	Islamic Mosharaka	11/Nov/14	24.995	24.995	49.99
3	National Bank of Egypt	Overdraft	15/Oct/14	300.00	300.00	300.00
4	National Bank of Egypt	Promotion of Small Enterprises	9/Nov/14	250.00	250.00	250.00
5	Audi Bank	Overdraft	7/Jun/15	10.00	10.00	10.00
6	(SAIB)	Promotion of Small Enterprises	6/Nov/14	29.953	29.953	29.953
7	Audi Bank	Promotion of Small Enterprises	7/Jun/15	8.346	8.346	8.346
8	Housing & Development Bank	Promotion of Small Enterprises	12/Nov/14	10.00	10.00	10.00
9	Housing & Development Bank	Overdraft	12/Nov/14	50.00	50.00	50.00
10	United Bank	Promotion of Small Enterprises	8/Mar/15	100.00	100.00	100
11	National Bank of Egypt	Overdraft	18/Feb/15	300.00	300.00	300
12	Arab Investment Bank	Promotion of Small Enterprises	29/Apr/15	15.00	15.00	15.00
13	Arab Investment Bank	Overdraft	29/Apr/15	65.00	65.00	65
14	National Bank of Egypt	Promotion of Small Enterprises	26/Mar/15	200.00	200.00	200
15	National Bank of Egypt	Promotion of Small Enterprises	26/Jan/16	77.60	77.60	77.60
16	Flat 6 Labs	Venture Capital	4/Apr/16	7.50	7.50	0
17	Housing & Development Bank	Promotion of Small Enterprises	26/Feb/17	10.00	10.00	10.00
18	Upper Egypt Leasing Company	Leasing	8/Mar/17	12.00	12.00	12.00
19	National Bank of Egypt	Promotion of Small Enterprises	26/Mar/17	80.00	80.00	80.02
20	United Bank	Promotion of Small Enterprises	28/Mar/17	120.00	120.00	120.00
21	Egyptian Agricultural Bank	Agri-business	12/Apr/17	100.00	100.00	100.00
22	EFG HERMES	Leasing	24/Apr/17	4.09	4.09	4.09
23	QNB bank	Promotion of Small Enterprises	1/Apr/18	40.00	40.00	40.00
24	Upper Egypt Leasing Company	Leasing	4/Oct/18	25.00	25.00	25.00
25	SMEs (Plus Leasing)	Leasing	8/Jan/19	59.00	59.00	59.00
26	UI finance leasing company	Leasing	9-Sep-19	40	40.00	39.99
Total				1,948.4	1,948.4	1,965.9

Distribution of Disbursed Loans by Sector: (As of End of December 2019)

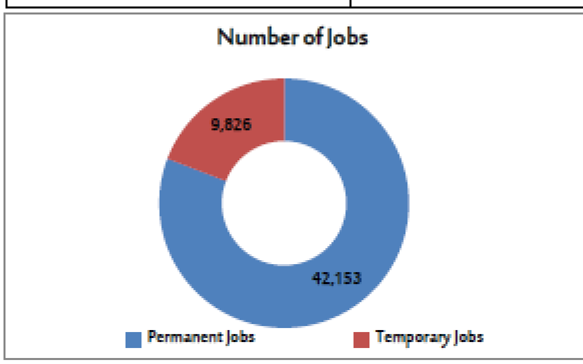
Sector	Amount (L.E)		Total	%	# of Projects		Total	%
	Banks	VC			Banks	VC		
Industrial	305,875,137	8,000,000	313,875,137	16%	538	1	539	8%
Animal Production	140,224,801	0	140,224,801	7%	1,369	0	1369	20%
Service	233,671,534	0	233,671,534	12%	974	0	974	14%
Commercial	1,212,124,122	6,322,220	1,218,446,342	62%	3,915	1	3916	57%
Free Occupation	74,084,804	0	74,084,804	4%	115	0	115	2%
Total	1,965,980,398	14,322,220	1,980,302,618	100%	6,911	2	6,913	100%

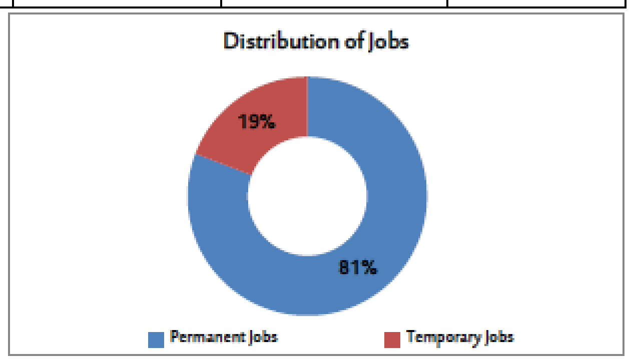




Distribution of Created Jobs: (As of End of December 2019)

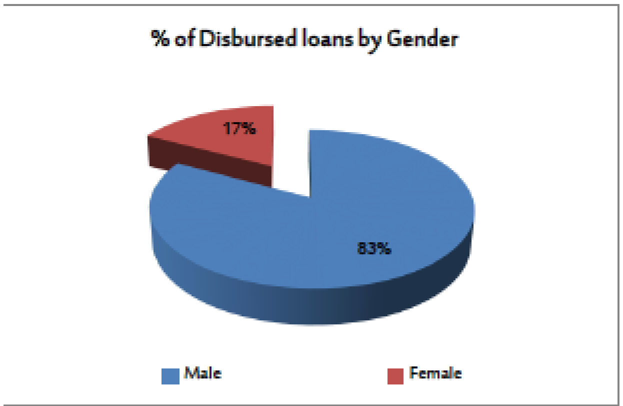
Type of Job	No. of Jobs		Total	%
	Banks	VC		
Permanent Jobs	41,736	417	42,153	81%
Temporary Jobs	10,002	0	10,002	19%
Total	51,738	417	52,155	100%

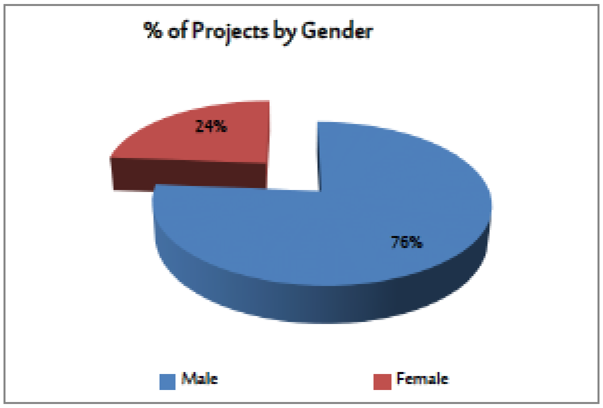




Distribution of Disbursed Loans by Gender: (As of End of December 2019)

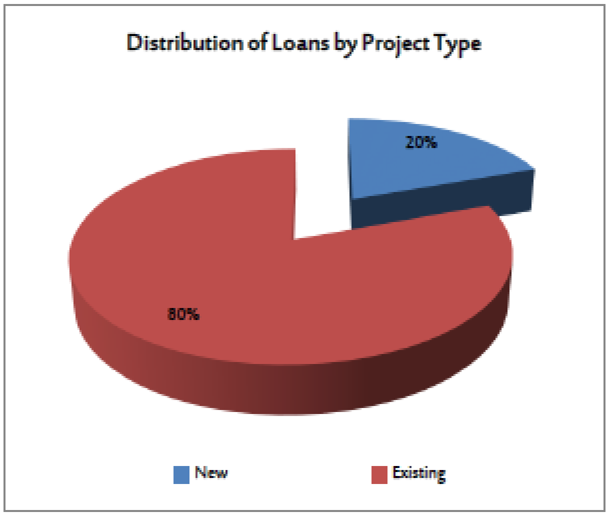
Gender	Amount (L.E)		Total	%	# of Projects		Total	%
	Banks	VC			Banks	VC		
Male	1,625,546,175	14,322,220	1,639,868,395	83%	5,277	2	5,279	76%
Female	340,434,223	0	340,434,223	17%	1,634	0	1,634	24%
Total	1,965,980,398	14,322,220	1,980,302,618	100%	6,911	2	6,913	100%

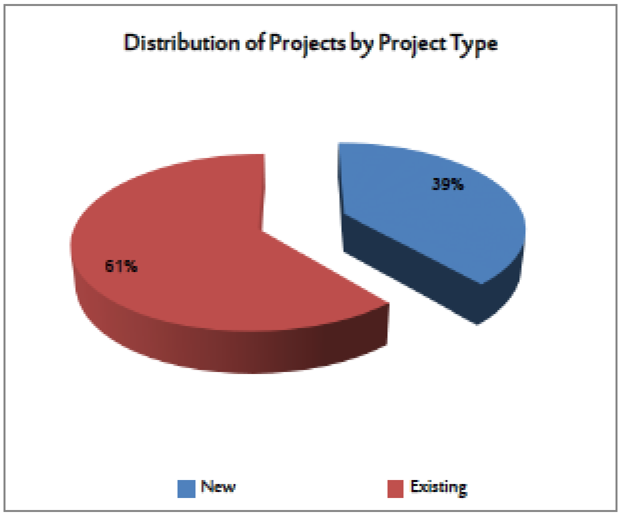




Distribution of Loans by Project Type: (As of End of December 2019)

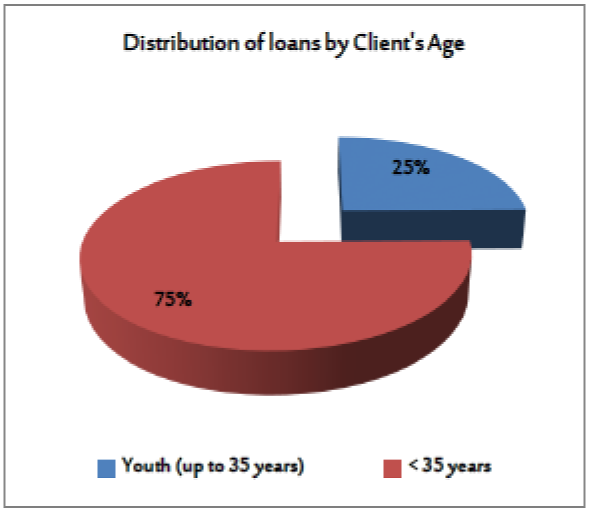
Type of Project	Amount (L.E)		Total	%	# of Projects		Total	%
	Banks	VC			Banks	VC		
New	400,492,048	0	400,492,048	20%	2,670	0	2,670	39%
Existing	1,565,488,350	14,322,220	1,579,810,570	80%	4,241	2	4,243	61%
Total	1,965,980,398	14,322,220	1,980,302,618	100%	6,911	2	6,913	100%

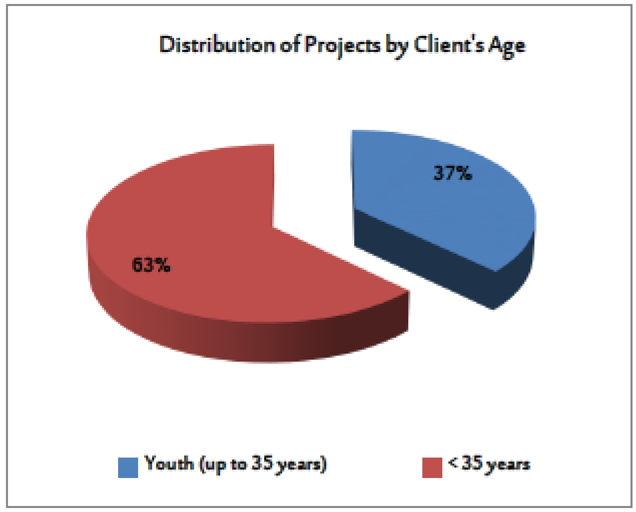




Distribution of Loans by Clients' Age: (As of End of December 2019)

Age of Beneficiaries	Amount (L.E)	%	# of Projects	%
Youth (up to 35 years)	491,740,769	25%	2,570	37%
< 35 years	1,488,561,849	75%	4,343	63%
Total	**1,980,302,618**	**100%**	**6,913**	**100%**





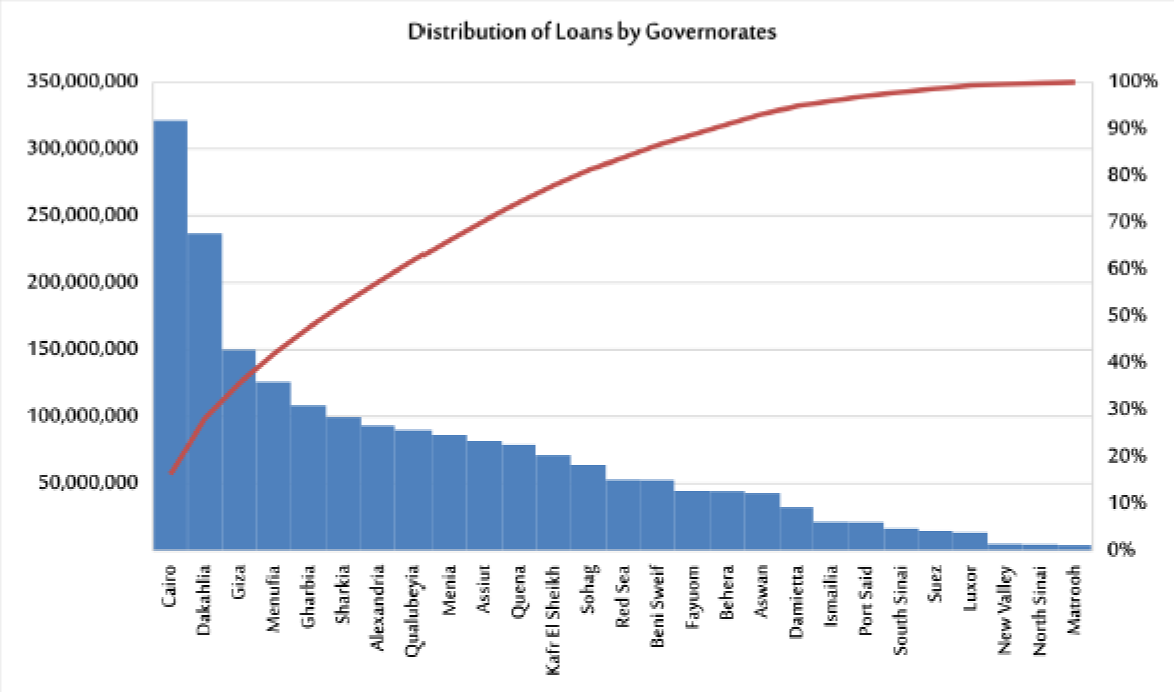
Success Stories:

In 2016, Mr. Mohamed Mahfouz got a venture credit loan with an amount of EGP 6.3 million to start his project in the renewable energy field. The Project is an electricity generating plant using the solar energy in Oasis area in Giza Governorate. The project sells the generated electricity for home and business purposes. The loan supported the provision of job vacancies up to 50 employees (permanent and temporary jobs)

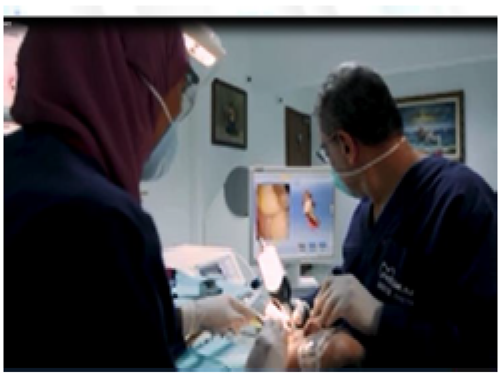
Geographical Distribution of Loans: (as of End of September 2019)

Governorate	Amount		Total	%	# of projects		Total	%
	Banks	VC			Banks	VC		
Cairo	315,137,679	6,322,220	321,459,899	16.2%	616	1	617	8.9%
Giza	142,028,686	8,000,000	150,028,686	7.6%	407	1	408	5.9%
Qualubeyia	89,888,602	0	89,888,602	4.5%	268	0	268	3.9%
Alexandria	93,383,649	0	93,383,649	4.7%	236	0	236	3.4%
Behera	44,478,299	0	44,478,299	2.2%	237	0	237	3.4%
Matrooh	4,120,000	0	4,120,000	0.2%	36	0	36	0.5%
Menufia	126,043,659	0	126,043,659	6.4%	456	0	456	6.6%
Gharbia	108,604,313	0	108,604,313	5.5%	397	0	397	5.7%
Kafr El Sheikh	71,409,000	0	71,409,000	3.6%	293	0	293	4.2%
Damietta	32,321,500	0	32,321,500	1.6%	100	0	100	1.4%
Dakahlia	236,855,895	0	236,855,895	12.0%	771	0	771	11.2%
North Sinai	4,815,000	0	4,815,000	0.2%	38	0	38	0.5%
South Sinai	16,590,101	0	16,590,101	0.8%	80	0	80	1.2%
Port Said	21,204,500	0	21,204,500	1.1%	77	0	77	1.1%
Ismailia	21,380,000	0	21,380,000	1.1%	103	0	103	1.5%
Suez	14,575,202	0	14,575,202	0.7%	64	0	64	0.9%
Sharkia	99,644,248	0	99,644,248	5.0%	400	0	400	5.8%
Beni Sweif	52,652,567	0	52,652,567	2.7%	311	0	311	4.5%
Fayuom	44,547,300	0	44,547,300	2.2%	197	0	197	2.8%
Menia	86,758,502	0	86,758,502	4.4%	354	0	354	5.1%
Assiut	81,823,259	0	81,823,259	4.1%	367	0	367	5.3%
Sohag	63,908,770	0	63,908,770	3.2%	201	0	201	2.9%
Quena	78,999,782	0	78,999,782	4.0%	280	0	280	4.1%
Aswan	43,279,100	0	43,279,100	2.2%	255	0	255	3.7%
New Valley	5,118,350	0	5,118,350	0.3%	38	0	38	0.5%
Red Sea	52,901,500	0	52,901,500	2.7%	266	0	266	3.8%
Luxor	13,510,935	0	13,510,935	0.7%	63	0	63	0.9%
Total	**1,965,980,398**	**14,322,220**	**1,980,302,618**	**100%**	**6,911**	**2**	**6,913**	**100%**

STATUS REPORT FOR PROMOTING INNOVATION FOR INCLUSIVE FINANCIAL ACCESS PROJECT – DECEMBER 2019



Success Stories:



Project Name: Premium Dental Center
Beneficiary's Name: : Dr. Ahmed Mohamed Amin
Activity: Dental Center
Loan Value: EGP 600,000
Loan Date: 2015
Governorate: Giza

Dr. Ahmed started his career as a dentist since 1992. In 2015, he was willing to expand his business and upgrade his clinic; so he applied to MSMEDA to get a loan. He got an amount of EGP 600,000 where he was able to renovate his clinic to an integrated developed dental center in Mohandessin, a high living standard district in Giza governorate. He used the loan to purchase new equipment and devices. The number of workers in the center reached 12 workers. In 2017, he got an additional loan from MSMEDA for an amount of EGP 900,000 for additional renovation and expansion of his business.

(2) Micro Finance:

Signed Contracts: (As of End of December 2019)

L.E Million

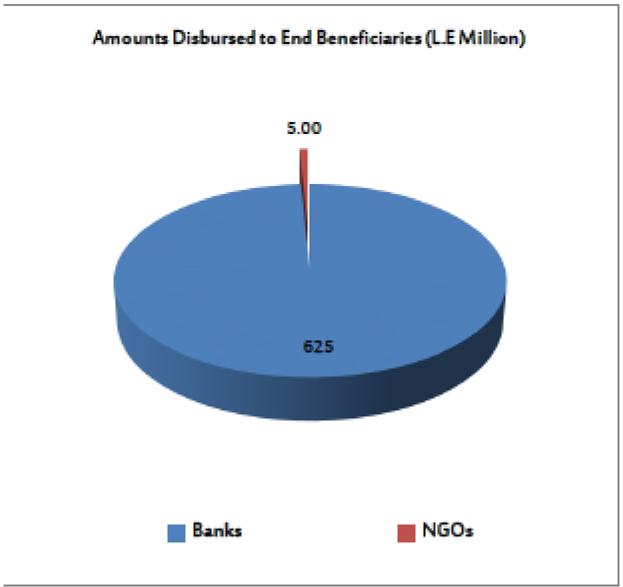
Ser.	Name of Intermediary	Contract Type	Contract Details		Funds Transferred			Revolving	
			Signing Date	Amount	to Intermediary	to clients	Projects #	Loans Disbursed	# of Projects
1	Banque du Caire	Direct MF Lending (Downscaling)	6 Nov. 2014	300	300	299.99	25,619	639.23	51,178
2	Egyptian Ass. at Aswan (Development the Egyptian Family)	Direct MF Lending (Downscaling)	30 Oct. 2014	1.75	1.75	1.75	422	7.37	1,687
3	National Bank of Egypt	Direct MF Lending (Downscaling)	25-Jun-14	25	25	25.0	6,499	67.7	17,290
4	Community Development - Mahmoudaia - Sharkia	Direct MF Lending (Downscaling)	29-Jun-15	1.925	1.925	1.925	261	1.75	241
5	Community Development Association (Dakahlia)	Direct MF Lending (Downscaling)	01-Dec-15	1	1	1	116	0.99	114
6	Banque du Caire	Direct MF Lending (Downscaling)	06-Dec-15	300	300	300	23,671	522.02	40,221
7	A new Dawn for Micro finance-Cairo-el Salam Ass.	Direct MF Lending (Downscaling)	27-Mar-16	0.325	0.325	0.325	65	0.635	123
Total				630	630	630	56,653	1,239.7	110,854

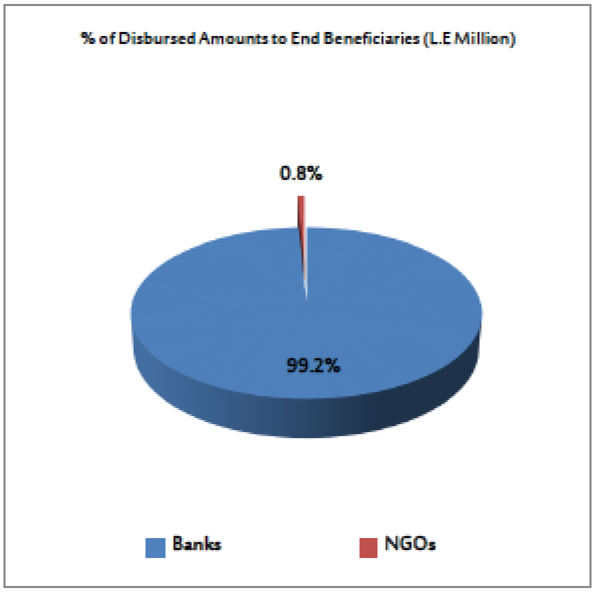
Micro Finance Disbursements:

Disbursement via Intermediaries: (As of End December 2019)

L.E Million

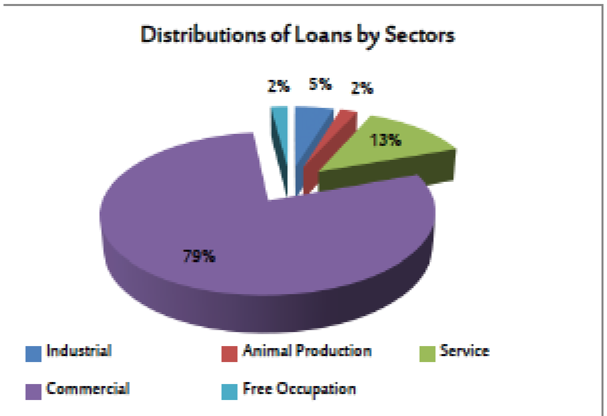
Intermediary	Banks	%	NGOs	%	Total
Amount	625	99.2	5	0.8	630

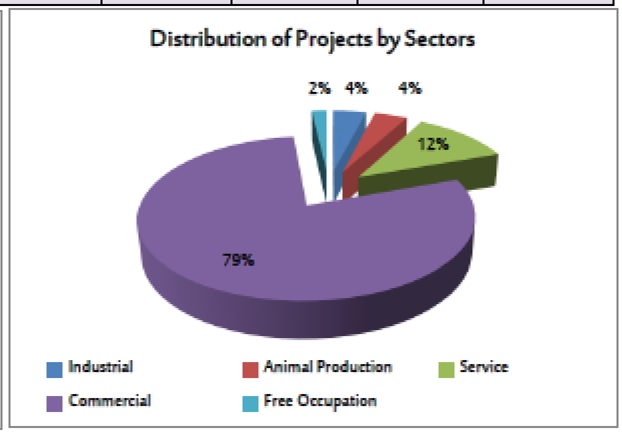




Distribution of loans by sector: (As of End of December 2019)

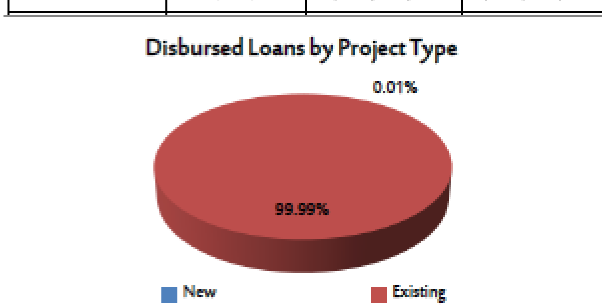
Sector	Amount		Total	%	# of Projects		Total	%
	Principal	Revolving			Principal	Revolving		
Industrial	23,087,482	65,209,670	88,297,152	5%	1,858	4,874	6,732	4%
Animal Production	13,841,500	24,254,000	38,095,500	2%	2,606	4,024	6,630	4%
Service	65,002,025	174,996,260	239,998,285	13%	5,464	14,035	19,499	12%
Commercial	512,818,175	952,758,873	1,465,577,048	78%	45,598	86,222	131,820	79%
Free Occupation	15,255,751	22,469,526	37,725,277	2%	1,297	1,699	2,996	2%
Total	630,004,933	1,239,688,329	1,869,693,262	100%	56,823	110,854	167,677	100%

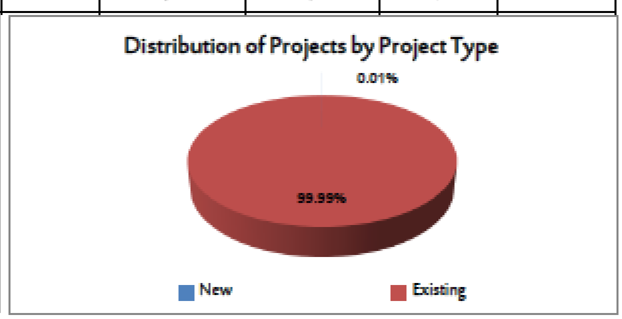




Distribution of Loans by Project Type: (As of End of December 2019)

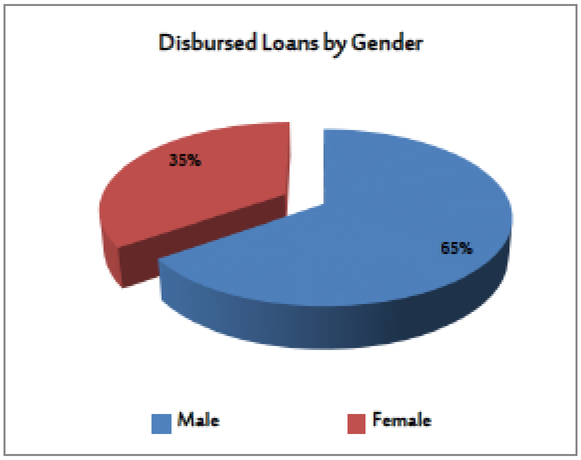
Type of Project	Amount (L.E)		Total	%	# of Projects		Total	%
	Principal	Revolving			Principal	Revolving		
New	90,000	37,000	127,000	0.01%	6	8	14	0.01%
Existing	629,914,933	1,239,651,329	1,869,566,262	99.99%	56,817	110,846	167,663	99.99%
Total	630,004,933	1,239,688,329	1,869,693,262	100%	56,823	110,854	167,677	100%

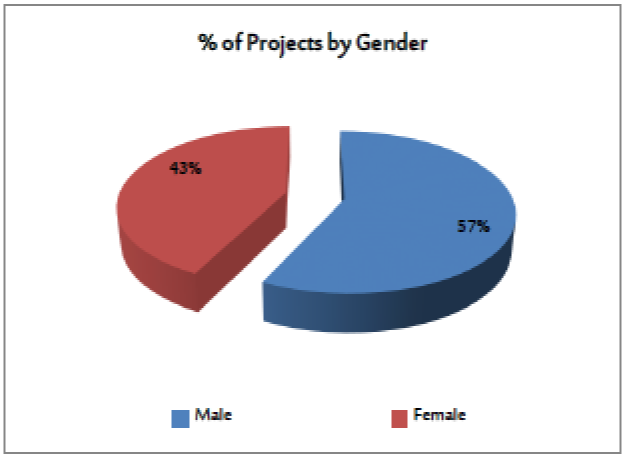




Distribution of loans by Gender: (As of End of December 2019)

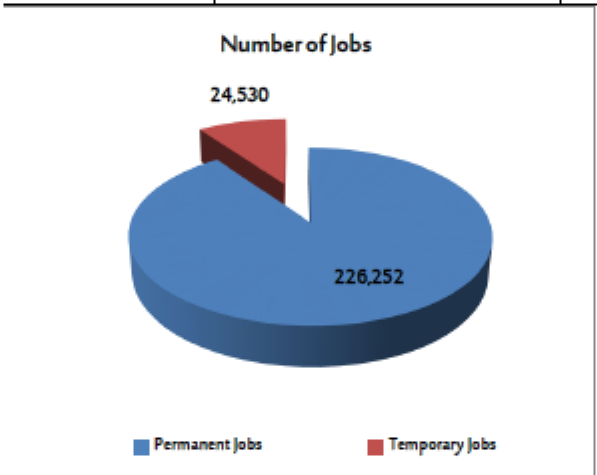
Gender	Amount (L.E)		Total	%	# of Projects		Total	%
	Principal	Revolving			Principal	Revolving		
Male	423,158,387	790,218,892	1,213,377,279	65%	34,349	61,106	95,455	57%
Female	206,846,546	449,469,437	656,315,983	35%	22,474	49,748	72,222	43%
Total	630,004,933	1,239,688,329	1,869,693,262	100%	56,823	110,854	167,677	100%

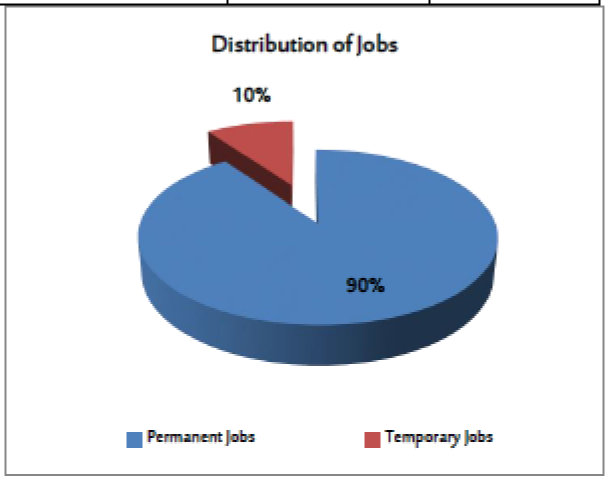




Distribution of Created Jobs: (As of End of December 2019)

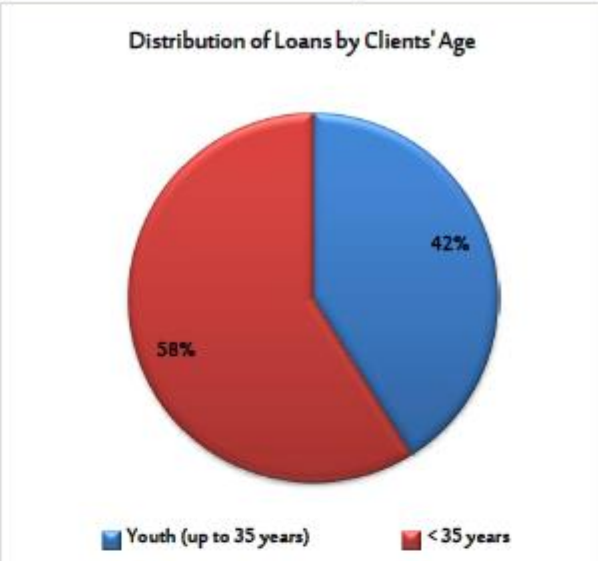
Type of Job	No. of Jobs		Total	%
	Principal	Revolving		
Permanent Jobs	80,520	145,732	226,252	90%
Temporary Jobs	8,850	15,680	24,530	10%
Total	89,370	161,412	250,782	100%

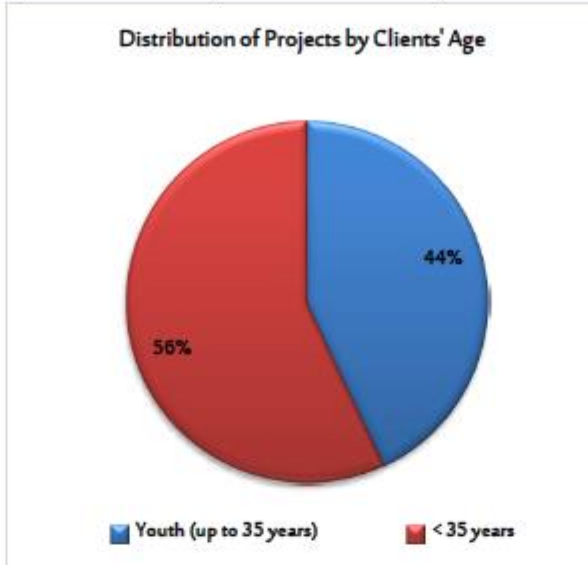




Distribution of Loans by Clients' Age: (As of End of December 2019)

Age of Beneficiaries	Amount (L.E)	%	# of Projects	%
Youth (up to 35 years)	792,916,602	42%	74,233	44%
<35 years	1,076,776,660	58%	93,444	56%
Total	1,869,693,262	100%	167,677	100%





Success Stories:

Beneficiary's Name: : Amira Mohamed Saad eldin
Activity: Manufacturing of copper accessories and handicrafts
Loan Value: EGP 1000
Loan Date: 2017
Governorate: Cairo

Amira graduated from faculty of Fine Art in 2002, she worked as a graphic designer for a while; then she worked as an art teacher in national schools until she was promoted to be an art supervisor for the school while studying for master degree, Amira started to plan her own self-financing business as a designer for the Egyptian traditional handcraft accessories and clothes. Amira faced marketing difficulties, then she consulted with one of her friends who advised her to market her products through MSMEDA's exhibitions. She headed to MSMEDA and received a loan for 1000 L.E. The loan was associated with non-financial services and she participated in various exhibitions like Diarna and even the one day exhibitions that take place aside of the foreign delegations in Egypt.

Geographical Distribution of Loans: (As of End of December 2019)

L.E

Governorate	Amount		Total Amount	%	No. of Projects		Total	%
	(Principal)	(Revolving)			(Principal)	(Revolving)		
Cairo	1,975,900	87,565,975	89,541,875	4.85%	985	11,223	12,208	7.36%
Giza	906,000	22,266,000	23,172,000	1.24%	512	2,930	3,442	2.02%
Qualubia	11,359,700	47,518,300	58,878,000	3.07%	1,800	5,901	7,701	4.43%
Alexandria	0	94,174,161	94,174,161	5.08%	0	6,738	6,738	4.05%
Behaira	27,934,108	16,560,200	44,494,308	2.28%	1,636	986	2,622	1.50%
Matrouh	1,306,500	2,404,000	3,710,500	0.20%	68	174	242	0.15%
Menufia	8,581,500	52,367,500	60,949,000	3.30%	549	3,882	4,431	2.67%
Gharbia	46,144,700	86,186,800	132,331,500	7.17%	2,960	5,954	8,914	5.38%
Kafr El Sheikh	30,752,221	79,604,071	110,356,292	5.80%	2,495	6,007	8,502	5.01%
Damietta	16,553,850	44,749,610	61,303,460	3.30%	1,277	3,519	4,796	2.88%
Dakahlia	50,211,051	126,373,200	176,584,251	9.52%	3,642	8,944	12,586	7.55%
N. Sinai	0	20,000	20,000	0.001%	0	1	1	0.001%
S. Sinai	5,000	15,000	20,000	0.001%	1	1	2	0.001%
Port Said	1,348,600	19,795,776	21,144,376	1.15%	121	1,576	1,697	1.02%
Ismailia	6,358,000	20,680,500	27,038,500	1.47%	416	1,297	1,713	1.03%
Suez	4,007,500	13,174,000	17,181,500	0.93%	265	983	1,248	0.75%
Sharkia	26,447,500	119,905,500	146,353,000	7.93%	2,451	8,892	11,343	6.84%
Bani Swif	111,615,095	96,909,328	208,524,423	11.19%	11,067	9,759	20,826	12.49%
Fayoum	56,369,000	48,759,100	105,128,100	5.29%	6,079	5,327	11,406	6.60%
Minia	85,073,048	115,060,608	200,133,656	10.72%	6,687	11,356	18,043	10.78%
Assiut	38,876,900	42,728,000	81,604,900	4.39%	4,488	5,156	9,644	5.78%
Sohag	47,069,500	55,309,500	102,379,000	5.49%	4,935	5,522	10,457	6.27%
Quena	11,146,500	6,340,500	17,487,000	0.95%	891	685	1,576	0.95%
Aswan	21,594,200	16,903,700	38,497,900	2.09%	2,144	2,371	4,515	2.72%
New Valley	9,272,000	4,296,000	13,568,000	0.74%	487	228	715	0.43%
Red Sea	5,310,260	13,615,500	18,925,760	1.03%	326	946	1,272	0.77%
Luxor	9,786,300	6,405,500	16,191,800	0.82%	541	496	1,037	0.59%
Total	630,004,933	1,239,688,329	1,869,693,262	100%	56,823	110,854	167,677	100%