

**Arab Republic of Egypt
Country Partnership Framework
and
First Fiscal Consolidation, Sustainable Energy and Competitiveness Programmatic
Development Policy Financing**

Chair Summary*

December 17, 2015

Executive Directors discussed the joint IBRD/IFC/MIGA Country Partnership Framework (CPF) for the Arab Republic of Egypt for FY2015-FY2019 (Report No. 94554-EG) and the First Fiscal Consolidation, Sustainable Energy and Competitiveness Programmatic Development Policy Financing (DPF).

Directors welcomed the economic and social reforms undertaken by Egyptian authorities and noted that the CPF has been prepared at an important juncture in Egypt's political and economic transition. Directors expressed broad support for the design of World Bank Group (WBG) engagement under the CPF, its alignment with the priorities of the Systematic Country Diagnostic (SCD), and its focus on improving governance, private sector job creation, and social inclusion. They agreed with scaling up WBG assistance under the CPF, noting the overarching importance of renewing the social contract in Egypt and as part of the WBG's strategic approach in MNA, recognizing the key role Egypt plays within the region. Directors recognized the assessment of risks presented in the CPF and noted that its success depends on progress on the reform agenda, productive investment financed by a larger private sector role - particularly in delivering an ambitious infrastructure development agenda - and citizen engagement. They welcomed the shift towards policy and institutional reforms in the WBG's approach and recognized the importance of continued partnership with development partners, in particular, with the IMF on key macroeconomic reform and stability measures.

Directors welcomed a significant and growing role for IFC and MIGA in Egypt and supported a strong and coordinated approach across the WBG in key areas like energy, investment climate, MSMEs, education and skills development, and the financial sector. They strongly supported job creation, especially for the youth, the creation of inclusive institutions, efforts to assess and support the participation of women, and strengthening voice and accountability. They expressed strong support for sustaining and improving the targeting of the social protection system informed by robust data to track the impact on the poor, actions to strengthen gender equality, inclusion and entrepreneurship in the lagging governorates in Upper Egypt. Directors also encouraged further progress on development of the regulatory framework for public-private partnerships and related tools for contingent risk management. They underscored the importance of continued reforms related to energy, competitiveness, education, and health.

Directors also approved the First Fiscal Consolidation, Sustainable Energy and Competitiveness Programmatic Development Policy Financing in the amount of US\$ 1 billion on the payment terms and conditions set out in the President's Memorandum. They welcomed the focus on advancing fiscal consolidation, ensuring sustainable energy supply and enhancing the business environment for job creation. Directors urged the authorities to focus on addressing internal and external macroeconomic imbalances through moving towards more flexible exchange rates, implementation of the VAT regime, and reducing energy subsidies. They encouraged

continued coordination with the IMF in these areas. Directors noted the importance of monitoring the progress and impact of reforms, in particular, the impact of energy sector and subsidy reforms on the poor and vulnerable. They emphasized greater engagement and communication with the Egyptian people in the design and implementation of the economic reforms. Directors also appreciated the efforts of the WBG in responding swiftly to client needs and mobilizing complementary support from development partners, recognizing the African Development Bank's recent approval of a parallel development finance operation.