

Arab Republic of Egypt

Second Fiscal Consolidation, Sustainable Energy and Competitiveness Programmatic Development Policy Financing

December 20, 2016

Chair Summary*

The Executive Directors approved the Second Fiscal Consolidation, Sustainable Energy and Competitiveness Programmatic Development Policy Financing (DPF) (R2016-0241) in the amount of US\$ 1 billion on the payment terms and conditions set out in the President's Memorandum.

Directors acknowledged the alignment of the proposed program with the priorities of the Country Partnership Framework, and welcomed the focus on advancing fiscal consolidation, ensuring sustainable energy supply and enhancing the business environment for private sector led job creation. Directors noted these are important measures for implementing the new MENA strategy and commended the strong collaboration between the region and several Global Practices.

Directors congratulated Egypt for the ambitious economic and social reforms it has undertaken recently, including the move towards a more flexible exchange rate, the implementation of the VAT regime, and the continued reform of energy subsidies. In that context, they also expressed strong support for strengthening the targeting of the social protection system and monitoring the implementation of the necessary laws, as well as including consultation with civil society organizations and other stakeholders.

Directors noted that the Programmatic DPF series has been prepared at an important juncture in Egypt's history to support changes in the country. They appreciated the efforts of the World Bank Group (WBG) in responding swiftly to client needs and mobilizing complementary support from development partners, recognizing the International Monetary Fund's approval of Extended Fund Facility and the African Development Bank's recent approval of parallel development finance operation. Directors noted the close collaboration between the IMF, African Development Bank and the World Bank as well as the need for effective communication among the development partners, the authorities and stakeholders.

Directors endorsed the candid assessment of risks and while concurring that these risks are worth taking, they urged the WBG to work with the authorities and other stakeholders to mitigate them.

Directors urged the authorities to keep up the pace of reforms on fiscal consolidation, reducing energy subsidies, improvements to the business climate and enhancing targeted coverage of social protection of the poor and the marginalized. They underscored the importance of promoting greater engagement of the Egyptian people in the design and implementation of the economic reforms.

*This summary is not an approved record.