



Investing in Egypt's future

The EIB supports sustainable economic development in Egypt

As the European Union's bank, the European Investment Bank (EIB) supports Egypt's policy of accelerating investments and promoting greater economic diversification. The EIB has been operating in Egypt since 1979 and has provided more than EUR 8.2bn in loans, financing more than 90 projects in a wide range of sectors. The close cooperation between the EIB and the Egyptian authorities and project promoters aims at supporting socio-economic development focusing on the Egyptian government's goals and priorities.

In recent years the EIB has stepped up its support for Egypt, in times of political and economic challenges in the region and in the country. The Bank has widened its focus, notably to include the local private sector, in particular small and medium-sized enterprises, as well as renewable energy generation.

"Egypt and the European Investment Bank have a long-standing and productive partnership dating back more than 35 years. Over these years, the European Investment Bank has contributed to the development of sound projects in both the public and private sectors with a total lending volume exceeding EUR 8bn and contributing to more than EUR 20bn in investments."

Dario Scannapieco
Vice-President
European Investment Bank

The EIB in the Mediterranean region

The EIB is the key player in the financial partnership between Europe and the Mediterranean region, and has provided some EUR 19bn worth of financing in the Middle East and North Africa partner countries since October 2002. The Bank's objective is to support economic and social development while improving people's living conditions, by providing loans, equity, guarantees and technical assistance.

The EIB's regional office in Cairo opened in 2003 as one of the first offices outside Europe, demonstrating the EIB's commitment to Egypt and to the region.

"We appreciate EIB's support for the Government of Egypt's transformational economic reform agenda. EIB's operations in Egypt are instrumental in helping Egypt realise its full potential and raising the living standards of its people. We look forward to continuing our joint efforts in advancing the development agenda and promoting inclusive sustainable growth in our country."

HE Doctor Sahar Nasr
Minister of Investment and International
Cooperation of Egypt



Development of economic and social infrastructure

The EIB has been supporting the development of Egypt by financing infrastructure projects mainly in the energy, transport, water and wastewater sectors, which constitute the foundation for economic development, the welfare of the population, and environmental protection.

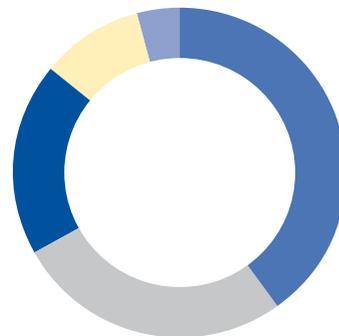
The **energy sector** has been the largest recipient of EIB financing so far. The Bank has been financing major investments in all areas: power generation, transmission, distribution and storage, whereby a recent focus has been on renewable energy generation and energy efficiency.

Transport infrastructure projects financed by the EIB have helped to expand Egypt's strategic transport infrastructure while reducing its impact on the environment. The EIB has supported investments in air transport and is considering potential funding of projects in the port and railway sectors.

Sustainable local transport projects improve mobility, enhance the safety of the population and reduce pollution.

The EIB is supporting the modernisation of **environmental infrastructure**, whereby several projects in the water and wastewater sector will upgrade water and sanitation services, especially in rural areas, thereby improving the quality of life of the Egyptian population.

EIB lending 2010-2016 by sector



- Energy 40%
- SME and midcap access to finance 27%
- Sustainable urban/inter-urban transport 19%
- Industry 10%
- Water and wastewater 4%



SPECIAL INITIATIVES

Economic Resilience Initiative (ERI)

In 2016, the Bank launched the Economic Resilience Initiative, requested by the European Council, to rapidly mobilise additional financing in support of sustainable growth, vital infrastructure and social cohesion in the Southern Neighbourhood and Western Balkan countries. In addition to its regular lending, the EIB will provide an additional EUR 6bn of financing under ERI, which is expected to deliver EUR 15bn of new investments over the five-year period 2016-20. Supporting job creation, as well as vital infrastructure investments, is at the core of the initiative.

Within the framework of the ERI in Egypt, the Bank is expected to strengthen its focus on the private sector, including SME support through an expanding partnership with local banks and potentially the financing of larger corporates, foreign direct investments (FDIs) and public-private partnerships (PPPs). Increased financing of infrastructure projects under the ERI initiative is also to be expected.

The Mediterranean Hotspot Investment Programme (MeHSIP)

MeHSIP, initiated and managed by the EIB and funded by the European Union, assists the governments of the Southern Mediterranean countries in the preparation of water and environmental projects. A team of experts provides support for the full range of project preparation activities, i.e. from defining a project and managing preparation of feasibility studies, to identifying sources of finance and assisting project implementation. So far, MeHSIP has supported the preparation of seven projects in Egypt.





Kafr El Sheikh Wastewater Expansion

The EIB provided a EUR 77m loan to build new wastewater plants in the Kafr El Sheikh governorate that will provide water sanitation services in three rural districts, Motobas, Desoq and Burullus, through the construction of new Waste Water Treatment Plants (WWTPs), the expansion of three existing WWTPs and some 700 km of sewage lines, and the installation of 52 pumping stations.

This project will secure water sanitation for 500,000 people, thereby improving health conditions in the area and enhancing the quality of irrigation water. It will also contribute to reducing pollution of the Nile, Lake Burullus and the Mediterranean Sea waters.

Related indirect benefits of the project will therefore include an expected increase in the quantity and quality of fish in Lake Burullus, which serves 70% of the country's fisheries, enhanced agriculture production, and improved conditions for tourism development.

Improved Water and Wastewater Services Programme (IWSP), phases I and II

The EIB provided EUR 127m to rehabilitate, extend and build new water and wastewater networks and treatment plants to enhance the water and wastewater services in four governorates in the Delta region, and four governorates in Upper Egypt. Through these investments nearly 2.2 million people will be newly served with water and sanitation.



El Shabab Power Plant

Focusing on the importance of developing electricity generation in the Mediterranean countries, whilst minimising environmental impact, the EIB provided a loan of EUR 205m to finance the conversion of an open-cycle power plant to combined-cycle gas technology, increasing generating capacity from 1,000 MW to 1,500 MW.

Through this project, the EIB is contributing to the security of energy supply for people and businesses, and to increased productivity and competitiveness of the Egyptian economy.

Egyptian Pollution Abatement Programme (EPAP III)

A EUR 70m EIB credit line, intermediated by local commercial banks, is financing pollution abatement investments promoted by public and private industrial companies.

The aim of EPAP III is to address the problem of industrial pollution, adversely affecting the environment and human health, through a combination of infrastructure investments and technical assistance tailored to supporting the implementation and long-term sustainability of depollution solutions. Moreover, building environmental monitoring and inspection capacity is expected to enable the local industry to comply with applicable environmental regulations.





EIB support for development of social and economic infrastructure in Egypt 2010 – 2016

EUR 675m for public infrastructure investments in the transport sector

EUR 134m
of EIB loans for water and
wastewater infrastructure

EUR 1.415m
for energy security

EUR 176m of technical assistance and investment grants supporting energy efficiency, environmental infrastructure and transport sector projects – funded by **NIF and FEMIP TF**

Targeted support for energy efficiency and renewable energy

The EIB is the world's largest multilateral financier of climate action projects, and climate change mitigation and adaptation are key objectives in all EIB operations. In Egypt in recent years a particular focus on energy efficiency and renewable energy projects has emerged, reflecting the Government of Egypt's energy strategy, aiming at a 20% share of renewable energy in the energy mix by 2022. Wind farms are providing a significant contribution to this priority and also to Egypt's climate action objectives.

Gabal El Zayt Windfarm

Gabal El Zayt, with its 200 MW contribution to renewable energy capacity, is one of the largest wind farms in Africa. It is situated on the west bank of the Gulf of Suez in the Gulf of El Zayt.



Wind Farm – Gulf of Suez

A EUR 115m loan was signed in March 2017, for the construction of an onshore wind farm, to be located on the west bank of the Gulf of Suez, 400 km south-east of Cairo. Up to 100 turbines are expected to be installed, with a total capacity of 200 MW.

This project will contribute to reducing electricity supply challenges in Egypt using sustainable wind energy resources. It is in line with Egypt's long-term energy strategy to utilise its enormous renewable energy potential, diversify the energy mix, reduce emissions, create jobs and meet increasing energy needs.



Support for private sector development

The private sector is the key driver of economic growth, job creation and innovation in Egypt, and small and medium-sized enterprises (SMEs) represent its backbone – accounting for over 95% of enterprises and 75% of business sector employment. Commitment to supporting the development of the private sector, and in particular SMEs, continues to be a key objective of the EIB's activities in Egypt. The EIB's support for SMEs and mid-sized companies in the country amounted to over EUR 900m, accounting for around 27% of the total signature volume during the period 2010-2016.

The EIB has been supporting private sector development through Egyptian banks that implement EIB credit lines designed to address the scarcity of **funding** on favourable terms to SMEs. The EIB's Egyptian partner banks transfer a tangible financial advantage to the final beneficiaries, thus ameliorating their poor **access to finance**, one of the key obstacles to development of the private sector.

EIB Loans for SMEs and Mid-Caps are currently implemented through NBE, QNB, EG BANK, and EBE Bank, providing loans for investment and working capital across the entire spectrum of economic activity. So far, more than EUR 700m has been allocated to final beneficiaries from the EIB financing.



Building schools

Pioneers private schools, founded in 2002, is a group of three schools. An EIB-financed loan of around EUR 1.6m was provided to the company in 2015 for the construction of new school buildings on a total area of 7,000m² with a capacity of 70 classes over 1,700m². The school campus is equipped with a science lab and various sports facilities.

Financing business capital

Rady Construction, founded in 2001, is a construction company working in infrastructure development. In 2015 a EUR 4.8m loan provided by the National Bank of Egypt was used to acquire new winches and trucks that allowed the company to grow its business.



Improving food quality and safety

Arabian Milling & Food Industry produces a range of flour and semolina products based on wheat. In 2016, the EIB supported the company with a loan of EUR 6.2m for importing premium quality materials to ensure the high quality and safety of its products.



Support for SMEs and Mid-Caps

EUR **837**_m

has been made available through EIB loans for SMEs and Mid-Caps implemented by four **banks**: National Bank of Egypt, Export Development Bank, Egypt Gulf Bank, and QNB

To date, EIB loans for SMEs and Mid-Caps have funded

250
sub-projects of SMEs and Mid-Caps

Technical assistance and investment grants

The EIB is actively seeking to secure grant financing from donors to be combined with its loans, with the objectives of making investments in economic and social infrastructure more affordable and increasing the quality and development impact of the EIB's operations. Donors' contributions can thus be the tipping point to make a project viable and implementable, to ensure that it is sustainable, as well as to help address important environmental concerns. Grants are used to finance:

- **technical assistance and advisory services**, in order to assist the project promoters in: preparing upstream studies for identification of investment needs and priorities, designing projects, as well as their implementation, operation and maintenance, including project management support and promoters' capacity building.
- **components of investment projects**, in order to complete funding or make projects financially sustainable and viable.

In the Mediterranean region such grant financing is currently provided within the framework of the EIB's cooperation with the European Union through the Neighbourhood Investment Facility (NIF) as well as by other donors through the FEMIP Trust Fund (FTF) managed by the EIB. A number of EIB lending operations also benefit from advisory services funded from the EIB's own budget.

NIF – the EU's Neighbourhood Investment Facility

The EU's NIF, launched in 2008, aims at supporting the EU neighbouring countries in their efforts to achieve better governance and economic and social development, through loans from European public finance institutions backed by EU grants. The NIF supports infrastructure projects in the energy, transport and environment sectors, as well as the development of the private sector. Technical assistance grants are used to improve the implementation of financed projects, thereby enhancing policy coherence between EIB project decisions, country and sectoral economic reforms and overall European Neighbourhood Policy objectives.

In Egypt, the EU's NIF has so far provided more than EUR 170m of investment grants, technical assistance, and risk capital supporting the implementation of EIB-funded projects as well as support targeted at project preparation through several regional facilities.

FEMIP Trust Fund (FTF)

The FTF supports the Bank's activities in the region by financing upstream studies, technical assistance, risk capital operations and capacity building. The contributors are Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Spain, Sweden, the UK and the EC. Under the FTF, nearly EUR 6m in grants has been allocated to Egyptian projects.



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EIB at a glance

The EIB – the European Union's bank – supports Egypt as part of the EU's European Neighbourhood Policy, which seeks to strengthen political and economic cooperation between the EU and countries in its neighbourhood.

The EIB finances projects in Egypt on the basis of an External Lending Mandate entrusted to the Bank by the European Union. The mandate provides the EIB with a guarantee covered by the EU budget for projects in the areas of social and economic infrastructure, local private sector development and climate change mitigation and adaptation.

The EIB raises funds in the capital markets on favourable terms, passing on the financial advantage, such as low interest rates and long maturities, to eligible investments in line with government priorities and EU policies and priorities. The EIB's extensive experience in financing projects, its in-house sector expertise and its deep knowledge of the European policies facilitate the identification of sound and sustainable projects that match both national and EU priorities. The EIB thus acts as a flag carrier for EU policies outside the EU, contributes to the dissemination of best practices and facilitates the participation of other financiers in EU priority projects.



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