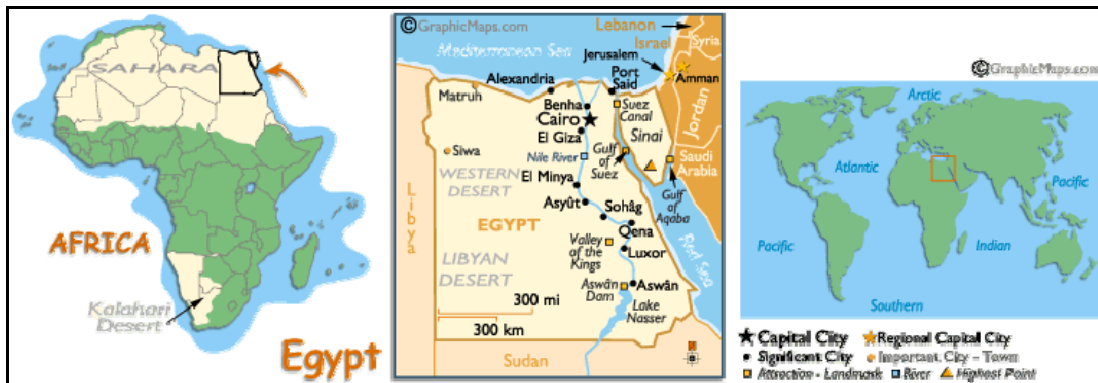


## International Financial Institutions and Egypt

### A Country Study



October 2007

## **What is the purpose of this paper?**

This paper aims to provide you with information about each of the International Financial Institutions (IFIs) involved in Egypt and to help you understand how you might influence their activities. IFIs are public investment and development institutions owned by their member governments that provide funding, technical assistance and policy advice, research and other non-financial support to governments in “developing” and “transition” countries. Many IFIs also provide financing to companies investing in the developing world. The most well-known IFIs are the World Bank and International Monetary Fund (IMF).

In the following pages, this document analyzes trends in IFI activities in Egypt and poses questions and concerns that might be useful for you to think about, discuss with your colleagues and your constituency, or address in your future development programs or advocacy campaigns.

The paper briefly presents background information about the economic situation in Egypt and some of the major development challenges that it faces. It then provides an overview of each of the IFIs active in Egypt, and includes key contact information and links to additional resources.

## **Why care about IFIs in Egypt?**

**Everyone has the right to take part in the development decisions that affect his or her life, livelihood, and the environment.** The international financial institutions that are operating in Egypt may be affecting you directly through the projects and policies they finance, or indirectly through their influence on governments, investors, and the development discourse in general. Whether you agree or disagree with them, the policies they promote and the programs they finance may have direct effects on your daily life.

In Egypt, IFIs influence the price of basic goods and services, the number of government employees, wage increases, taxes, banking systems, and the environment, to cite only a few examples of the

extent of their reach. Consequently, they may be institutions whose actions affect you and your constituencies.

- **IFIs may be good advocacy targets.** IFIs wield significant influence over actors in Egypt, including the government, but also donors, development agencies and investors. Working on IFIs and influencing their operations in Egypt may help you achieve some of the changes you and your organization seek at a local, national or international level.
- **IFIs may be important sources of information.** Whether or not you agree with the content of IFI documents and the policy recommendations they make, the information generated by IFIs can often be useful to civil society actors. It may be difficult to access similar data from other sources. And because most IFIs have obligations to provide public access to information, civil society actors have grounds on which to assert their right to documentation about development projects and policies supported by international institutions.
- **IFIs can be “lightning rods” for international attention.** Because governments, private companies, civil society and media around the world pay attention to the activities of global institutions like the World Bank or IMF, exposing the link between these institutions’ activities and the issue(s) on which you work may help to attract more attention than you might otherwise receive. Also, addressing the IFI dimension of an issue that concerns you may help you form alliances with other organizations working on IFIs internationally. This access to transnational civil society advocacy networks can help amplify your message and strengthen your campaign.

### **What points of leverage does civil society have over IFIs?**

Over the years, civil society groups have found various ways to influence the programs and policies of the international financial institutions; some are official channels, others are not.

- **Country strategies.** One way to engage the institutions is through **participation in shaping their strategies for engagement in your country**, such as the World Bank’s

Country Assistance Strategy (CAS) [for more about the World Bank's CAS for Egypt, see page 8). However, IFIs are not always obligated to consult the public, nor do they routinely disclose draft strategy documents for input from civil society. Sometimes, even finalized strategies or other documents related to their operations are kept confidential.

- **Project-related consultations.** IFIs also generally require their clients, whether governments or private companies, to **consult with the communities that might be affected** by projects they finance. These consultations can provide opportunities for the public to influence how projects are designed and implemented, and what measures are taken to protect the interests and rights of the local population.
- **Safeguard policies.** Some IFIs have their own **social and environmental “safeguard policies”** that establish mandatory standards and procedures that they and their clients must follow when preparing and implementing projects they finance. Some IFIs also have internal accountability mechanisms through which **communities can complain** when those standards are violated.
- **Media.** One of the most important tools that civil society groups have to influence IFIs is **the media**. Because these institutions are sensitive to their **reputations**, highlighting concerns in the press can often help civil society achieve remedies or prevent future harm.

To learn more about these and **other tools that civil society groups can use** to influence IFIs, see the following publications from the Bank Information Center:

- [“IFIs and the Middle East & North Africa: A Primer for NGOs”](#)
- [“Tools for Activists: An Information and Advocacy Guide to the World Bank Group”](#)

This Egypt Country Study is also available in Arabic at: [www.bicusa.org/ifisandegyptarabic](http://www.bicusa.org/ifisandegyptarabic).

Find out the latest news about the IFIs in Egypt on BIC's Egypt country page at: [www.bicusa.org/Egypt](http://www.bicusa.org/Egypt)

Also see BIC's latest [Egypt Project Update](#) for a list and description of proposed and active IFI projects.

To find out more about the international financial institutions in the Middle East & North Africa (MENA) region generally, visit BIC's MENA webpage at: [www.bicusa.org/mena](http://www.bicusa.org/mena).

## **Introduction to the IFIs in Egypt**

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### **Background**

Egypt is the most populous country in the Middle East and North Africa region. The country is strategically located between Asia and Africa, and its economic, demographic and political position makes it highly influential in the region. Following are **some statistics about the economic situation in Egypt:**

- **Population:** 80 million (2007).
- **Population growth rate:** 1.7% (2007).
- **GDP per capita:** US\$4,200 (2006), which is low in the region compared to the major oil producers, but otherwise on par with its neighbors.<sup>1</sup>
- **Population below the poverty line (defined as US\$2/day):** Increased from 16.7% in 2000 to 19.6% in 2005, with half of the poor living in rural areas in Upper Egypt.<sup>2</sup>
- **Inflation rate:** Peaked in March 2007, reaching 12.8%.<sup>3</sup> The Egyptian Trade and Industry Minister remarked in September 2007 that prices of basic goods on which poor families rely have increased by as much as 50-60%.<sup>4</sup>
- **Unemployment rate:** Peaked in 2005 at 12% but decreased to reach 9% by March 2007.<sup>5</sup> USAID, however, reported in 2007 that "Egypt suffers from a high chronic unemployment rate of 15% - 25%."<sup>6</sup> The World Bank estimates that 600,000 new entrants need to be absorbed into the labor market annually.<sup>7</sup>

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<sup>1</sup> [World Factbook 2007 - Egypt](#).

<sup>2</sup> [Egypt Country Brief](#), World Bank, October 2007.

<sup>3</sup> [Egypt - 2007 Preliminary Conclusions of the IMF Mission](#), IMF, September 12, 2007

<sup>4</sup> [Egypt seeks to spread gain where pain is](#) by Andrew England, Financial Times, September 27, 2007

<sup>5</sup> [Egypt 2005 Article IV Consultation](#), IMF.

<sup>6</sup> [USAID: Egypt](#)

<sup>7</sup> [Egypt Country Brief](#), World Bank, October 2007.

- **Economic growth rate:** Increased from 4.8% in 2004/05<sup>8</sup> to 7.1% in 2006/07.<sup>9</sup>
- **Budget Deficit:** 7.5% of the GDP in 2006/07.<sup>10</sup>
- **Net Public Debt:** 70% of the GDP in 2006/07.<sup>11</sup>
- **Privatization transactions:** The sale of public enterprises to the private sector is increasing, from 228 firms sold in 2005 to 237 in 2006.<sup>12</sup>
- **Rank in Corruption Perception Index (CPI):** According to Transparency International, Egypt's corruption ranking worsened from 50<sup>th</sup> of 159 countries in 2005, to 105<sup>th</sup> of 180 countries in 2007 (where "1" is the least corrupt of the studied countries).<sup>13</sup>
- **Rank in the UNDP Human Development Index (HDI):** 111<sup>th</sup> least developed of 177 countries (2006).<sup>14</sup>

**Egypt receives financial assistance from many foreign governments and multilateral agencies.** The United States is the largest bilateral donor, providing US\$2.1 billion in aid annually. Many of Egypt's donors collaborate either in technical areas or in programs and project finance. While the financial assistance received from these donors is very significant, it remains difficult to know what proportion of the overall Egyptian budget it represents.]

### **Major development challenges facing Egypt**

The World Bank has identified the following as among the most pressing challenges that Egypt faces in reducing poverty and achieving sustainable development. <sup>15</sup>

- **High unemployment.**
- **Increasing poverty.** Despite increased economic growth, the number of those living below the poverty line is increasing, and few Egyptians have benefited from the economic reform agenda. **Social and economic inequality** has received increasing

<sup>8</sup> [Egypt 2005 Article IV Consultation](#), IMF.

<sup>9</sup> [Egypt – 2007 Preliminary Conclusions of the IMF Mission](#), IMF, September 12, 2007

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> [Business Monitor International](#)

<sup>13</sup> [Corruption Perception Index](#), Transparency International.

<sup>14</sup> [Human Development Report 2006](#), UNDP.

<sup>15</sup> [Egypt Country Brief](#), World Bank, October 2007.

attention from both the media and the Egyptian government. In a recent interview, the Egyptian Minister for Trade and Industry said: "...we have to really start looking much more seriously and much deeper into economic reform as an input into the social development equation...[the disadvantaged] say 'We are the poor who are financing the economic reform to make the rich people richer'."<sup>16</sup> This concern, however, has not yet translated into clear and effective policies to tackle rising inequality or ensure more equitable distribution of the benefits of economic growth.

- **High budget deficit and net public debt.** The government recognizes this challenge, and plans to mitigate it by sustaining high economic growth, privatizing public assets, cutting electricity subsidies, and better managing government assets.

### **IFIs active in Egypt**

**The following are IFIs are involved in Egypt:**

- The World Bank Group (WBG), including the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA);
- the International Monetary Fund (IMF);
- the European Investment Bank (EIB);
- the African Bank for Development (AfDB); and
- the Islamic Development Bank (IDB).

## **The World Bank Group**

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The World Bank was created in 1944, initially to help rebuild Europe after World War II. Today, the World Bank's professed mission is to fight poverty and promote economic growth and development in the world.

The World Bank is actually made up of several institutions, which together constitute the "World Bank Group" (WBG). The separate

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<sup>16</sup> [Egypt seeks to spread gain where pain is](#) by Andrew England, Financial Times, September 27, 2007

arms of the World Bank Group are: the World Bank, the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). The World Bank lends money and provides grants to governments. It in turn is comprised of two separate arms, the International Bank for Reconstruction and Development (IBRD), which gives loans at near-market interest rates to middle-income countries, and the International Development Association (IDA), which gives grants and discounted loans to low-income countries. The International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) are the WBG's two private sector arms, providing loans, investments and insurance to companies.

In 2007, for the first time ever, Egypt offered to contribute funds to IDA, the concessionary lending arm of the Bank, which depends on donor contributions to fund programs in poor countries.

### **International Bank for Reconstruction and Development (IBRD)**

Egypt was among the very first countries to join the World Bank in 1945. Until 1999, Egypt borrowed under the Bank's lending window for low-income countries, IDA. It is now considered a middle-income country, and is eligible to borrow in larger volumes from the IBRD, but can no longer access concessional loans or grants from IDA. **As of August 2006, the World Bank had financed 114 operations in Egypt for a total cumulative commitment of US\$7.8 billion,**<sup>17</sup> second only to Morocco in the MENA region.

The World Bank prepares a **Country Assistance Strategy (CAS)** (or equivalent document) for each country to which it lends. The CAS outlines Bank lending and technical assistance plans in a country over a three to five year period. The current Bank strategy for Egypt covers the period of 2006-2009. The World Bank website highlights that in preparing the CAS, the Bank country team consulted with government and broad segments of civil society. However, it is not clear how these consultations were held, which civil society groups participated in the process, and to what extent their input influenced the policies set in the CAS.

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<sup>17</sup> [Egypt Overview](#), World Bank.

**The CAS identifies three strategic objectives** for Bank assistance:

- facilitating private sector development;
- enhancing the provision of public services; and
- promoting equity.

**In the CAS, the Bank proposes to lend Egypt up to \$700 million per year**, predicated on the “implementation of substantive financial sector reforms” and the adoption of a financing plan for the financial sector restructuring program. The sheer volume of lending under the new CAS is evidence that is the Bank considers Egypt to be complying with these demands; in 2006, **Bank lending reached US\$780 million.**<sup>18</sup>

As of October 2007, **the World Bank had 16 active projects in its Egypt portfolio**, representing a total commitment of US\$1.3 billion.

See BIC’s latest [Egypt Project Update](#) for a list and description of proposed and active World Bank projects.

**A brief analysis** of the Bank’s portfolio **reveals the following trends:**

- **Privatization** of or private sector participation in government-run companies is a common denominator in many of the Bank’s projects.
- The **energy sector** has received increasing attention from the World Bank since significant natural gas resources were discovered in Egypt over the last few years. The Bank also perceives electricity subsidies as a burden on the Egyptian national budget, and is strongly encouraging energy sector reform.
- **Infrastructure** continues to be a top priority for the Bank as a means to attract private investment and trade. Considering the sheer size of some of these projects, however, the potential for widespread **displacement of local populations** remains a serious concern. It is important to monitor the implementation of these projects to ensure that community and environmental rights are protected.

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<sup>18</sup> Download the [latest CAS document for Egypt](#).

These trends also pose some **questions** about the Bank's involvement in Egypt:

- Even as the Bank praises Egypt's strong economic growth figures, the **number of Egyptians under the poverty line is dramatically increasing**. What is the Bank's strategy to solve this problem?
- The Bank's CAS for Egypt prioritizes the issue of equity. What projects and policies is the Bank promoting to ensure fairer distribution of the benefits of growth to the country's population?
- **Lifting energy subsidies** and partnering with private sector in the provision of basic services is likely to lead to an increase in the prices of goods and services. What measures have been or will be adopted to mitigate the impacts of these expected price increases on the already overburdened poor?

**Find out more about the IBRD from a civil society perspective on BIC's website at: [www.bicusa.org/wb](http://www.bicusa.org/wb).**

**The World Bank's Egypt webpage** provides background information about the Bank's activities in the country, Country Assistance Strategies, and reports on trends in Egypt (many available in Arabic): [www.worldbank.org/egypt](http://www.worldbank.org/egypt).

You can also visit any of the following three World Bank's **Public Information Centers** in Egypt:

- **Cairo Main PIC; Institute of National Planning**  
Salah Salem Road, Cairo  
Tel: 202 263 6047  
Fax: 202 263 4747  
[waheed2006\\_sanad@yahoo.com](mailto:waheed2006_sanad@yahoo.com)  
Open to the public Sunday to Thursday from 9am till 3pm
- **Alexandria PIC; Bibliotheca Alexandrina**  
Shatby, Alexandria  
Tel: 203 483 9999  
Fax: 203 482 0460  
[rania.shaarawy@bibalex.com](mailto:rania.shaarawy@bibalex.com)  
Open to the public through the week except on Tuesday from 11am till 11pm, and Friday and Saturday from 3pm till 7pm

- **Assiut PIC; Sugar Technology Research Institute  
University of Assiut**  
Tel: 2088 2313 713  
[sugar@aun.edu.eg](mailto:sugar@aun.edu.eg)  
Open to public Saturday through Thursday from 9am till 3pm

### **International Financial Corporation (IFC)**

The IFC is the private sector arm of the World Bank Group. It provides loans and equity financing,<sup>19</sup> advice and technical services to businesses investing in developing countries like Egypt.

Egypt became a member of the IFC in 1975. Since then, the IFC has invested over US\$1.3 billion in 68 projects, making Egypt **the largest recipient of IFC financing in the MENA region**. By the end of the IFC's 2007 fiscal year (June 2007), its investment portfolio in Egypt had grown to US\$517 million.

The IFC is involved in promoting Egypt's private sector, both through direct investments and through its advisory services. In the **financial sector**, IFC has been instrumental in providing privatization assistance for public banks, as well as loans to privatized banks, such as in the [Bank of Alexandria project](#). IFC has also prioritized investments in the **extractive industries**, particularly through oil and mining projects. In August 2007, it invested \$25 million in the U.S.-based oil company operating in Egypt, [IPR](#), and in 2006 entered into an agreement with the government to help [liberalize the country's mining code](#). In terms of **infrastructure**, IFC invested in developing Egypt's first fully private port concession in [Sokhna](#), and is preparing to invest further in its expansion. It is also reportedly considering a major investment in the construction of a container terminal at Damietta, near the Suez Canal.

See BIC's latest [Egypt Project Update](#) for a list and description of proposed and active IFC projects.

The Middle East & North Africa region has become the IFC's fastest growing regional portfolio, and Egypt has accounted for much of

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<sup>19</sup> Equity investment is the purchase of shares in a company or project.

this increase.<sup>20</sup> By all indications, **the IFC's presence in the country will continue to grow**, particularly after it **ranked Egypt as the world's "top reformer" in its 2007 Doing Business Report**, an annual report that rates countries on the basis of how friendly their policies are toward investors. The report's conclusions are widely publicized in the financial press and can influence market trends and investment decisions. This ranking may attract more investors to the country, and thus more clients to the IFC.

**A quick analysis reflects the following trends:**

- Nearly all the clients in IFC's Egypt investment portfolio are non-Egyptian. This is a common problem at the IFC, as foreign corporations receive IFI financing, potentially at the expense of providing such assistance to local companies.
- While IFC's mandate compels it to invest in projects that reduce poverty, the development impacts of its projects remain unclear, particularly with respect to (net) job creation.

**Find out more about the IFC from a civil society perspective on BIC's website at: [www.bicusa.org/ifc](http://www.bicusa.org/ifc).**

**The IFC's Egypt webpage** provides background information about the IFC's activities in the country, and reports on trends in Egypt (many documents are available in Arabic) at: [www.ifc.org/ifcext/mena.nsf/Content/Egypt](http://www.ifc.org/ifcext/mena.nsf/Content/Egypt).

You can also visit the **IFC office in Cairo**, located in Nile City Towers; 2005 Corniche El Nil, North Tower, 24<sup>th</sup> Floor, Boulac. Alternatively, you can visit any of the three World Bank **Public Information Centers** in Egypt mentioned in the IBRD section above.

**Multilateral Investment Guarantee Agency (MIGA)**

MIGA is another private arm of the World Bank Group. It provides private companies with political risk insurance to encourage them to invest in developing countries. It also assists host governments

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<sup>20</sup> [IFC investment in MENA region reaches record high](#), Bank Information Center, July 9, 2007

with legal services and strategic advice about attracting private investment.

**MIGA has only one project in Egypt**, a solid waste management project in Cairo that was implemented by a Spanish company. MIGA's gross exposure in the project is US\$6.4 million, and the guarantee is for a period of ten years. MIGA is facing a potential claim by the insured investor because the company has encountered many administrative problems and had to cease operations in Cairo after only three years of implementation.<sup>21</sup>

## **The International Monetary Fund**

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The International Monetary Fund (IMF) is often considered the World Bank's "sister institution," since they were created together in 1944 at the Bretton Woods Conference to perform complementary roles. While they often work together to influence the policies of borrowing governments, and countries' ability to access loans from one institution frequently depends on compliance with reforms required by the other, they are two different institutions with distinct mandates.

The IMF's original mission was to monitor and manage a system of stable exchange rates and to provide countries with short-term financing to help them overcome temporary balance-of-payments deficits (when spending on imports exceeds revenues from exports) and to support their exchange rate values. Today, the IMF focuses on monitoring countries' macroeconomic policies, providing both short and medium-term lending to countries with budgetary difficulties, and restructuring the economies of debt-ridden countries by imposing policy changes through structural adjustment programs and similar packages under different names.

Egypt was among the original members of the IMF, having joined in 1945. **Egypt was highly indebted to the IMF** until 1991, when a group of donors led by the U.S. cancelled most of Egypt's bilateral and multilateral debts, including those to the IMF, as a reward for

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<sup>21</sup> [Egypt 2006 Article IV Consultation](#), IMF, July 2006.

its role during the Gulf War.<sup>22</sup> Egypt was also able to reschedule the rest of its debts to the IMF, and **made its final payment to the institution in 1997.**<sup>23</sup>

The IMF conducts what is called “surveillance” of its member countries’ economic and financial policies, and generally issues a report on an annual basis. Called an **Article IV Consultation**, these reports can be important documents because, along with other IMF reports on its program in given country, they signal to donors whether the country is on the right economic and financial track, and **can influence the country’s ability to receive further loans or aid.** The reports often contain information that may be useful to civil society organizations, whether or not they agree with the IMF’s recommendations.

The latest Article IV consultations for Egypt were held during the summer of 2007. The full report and recommendations have not yet been published, but a paper describing the preliminary findings of IMF staff is available on the IMF website.<sup>24</sup> The following are some of the report’s major findings, concerns and recommendations, which could affect your life:

- **Energy subsidies.** IMF staff expressed their concern about the cost of high energy subsidies to the government, and implied that these subsidies should be removed, which could have a significant negative impact on the poor, particularly through impacts on the price of goods and transport.
- **Public disappointment.** The IMF recognizes that some groups are affected by the economic reform agenda, and notes that the benefits of reform have yet to “accrue to all strata of society.”<sup>25</sup>
- **Public debt and budget deficit.** The IMF remains concerned about the extent of Egypt’s net public debt, and suggests that the government continue to pursue retrenchment in the wage bill (layoffs of government employees), tax reform, and a further reduction of energy subsidies. **The IMF suggests that social safety net plans should be implemented** to mitigate the effects of those measures on the poor, but **experience has shown that**

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<sup>22</sup> [Egypt's 'Reward': Forgiven Debt](#) by Clyde Farnsworth, New York Times, April 10, 1991.

<sup>23</sup> [Egypt - Transactions with the Fund](#), IMF website.

<sup>24</sup> [Egypt – 2007 Preliminary Conclusions of the IMF Mission](#), IMF, September 12, 2007

<sup>25</sup> Ibid.

**such plans have done little to offset the worst effects of such reforms.**

- **Financial sector reform.** The IMF expressed its satisfaction with the rate of privatization in the financial sector, which has placed nearly half of Egypt's banks into private hands.

As illustrated above, the IMF's recommendations can have profound impacts on peoples' lives. As the Egyptian economy has grown and IMF loans have been paid off, the Egyptian government has become more financially independent from the institution, granting the country somewhat greater discretion about whether it implements the reforms proposed by the IMF. While the days when Egypt had to comply with IMF dictates in order to access funds may have passed - such as in 1976 when Egypt was forced to cut food subsidies, causing widespread riots - the IMF still plays an important role as advisor and "gatekeeper" to other sources of funding for the government. Civil society would do well to monitor its activities and advice.

Find out more about the IMF on the **Bank Information Center's IMF page**. It contains useful information and critiques of IMF policies and trends, as well as civil society contacts and a list of resources: [www.bicusa.org/imf](http://www.bicusa.org/imf).

**The IMF's Egypt webpage** is a useful resource for civil society to learn more about the Fund's activities in the country. It contains links to relevant Article IV papers and reports on trends in the country. Country papers can be helpful sources of information for civil society, since at times they include data, such as budgetary figures, that may be difficult to get from other sources. Visit the IMF's page for Egypt at: [www.imf.org/external/country/EGY](http://www.imf.org/external/country/EGY).

You can also **contact the IMF** directly at: [EGYContact@imf.org](mailto:EGYContact@imf.org).

# The European Investment Bank

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The European Investment Bank (EIB) is the financial arm of the EU, and its stated mission is “to further the objectives of the European Union.”<sup>26</sup> In 2002, the EIB established a new framework for lending to the MENA region, called FEMIP, and subsequently increased its regional portfolio dramatically. Through FEMIP, the EIB is playing an increasing role in facilitating economic integration, free trade and private sector investment in Mediterranean countries in advance of the creation of the Euro-Med customs union, expected in 2010.

Since the EIB started its activities in Egypt in 1978, it has provided more than €3.9 billion in financing, primarily to the private sector. **Over €2.3 billion** of these funds, nearly two-thirds of the total, were **committed in the last five years alone** since the establishment of FEMIP.<sup>27</sup> This amount represents roughly one-third - by far the largest share - of total EIB lending to the ten countries covered under FEMIP. In 2003, the EIB opened a regional office in Cairo, the **first EIB office outside of the EU**.

The EIB’s primary objective under FEMIP is to “encourage the modernisation and opening-up of the economies” through the promotion of an investor-friendly business climate. In Egypt in particular, the **EIB has been instrumental in promoting the development of large infrastructure to facilitate export-oriented industry**. Over half of the EIB’s investments in the country have supported the energy sector, and more recently it has focused specifically on natural gas production. This trend reflects the increasing interest of the EU in diversifying its energy supply, as set out in its new energy policy. Apart from its investments in energy, the EIB has also made significant financial commitments to the industry and transportation sectors.

By all indications, the **EIB’s involvement in Egypt is expected to increase** under FEMIP. In 2006, the EU authorized the EIB to step up its lending outside the EU by 30%, and €8.7 billion was earmarked for FEMIP countries over the next six years. Considering recent trends in the EIB’s lending to Egypt and the substantial

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<sup>26</sup> [EIB Mission](#), European Investment Bank.

<sup>27</sup> [FEMIP financing operations in Egypt](#), EIB, September 2007.

economic reforms the country is undertaking to facilitate private investment, Egypt is likely to remain the EIB's primary recipient in the region.

See BIC's latest [Egypt Project Update](#) for a list and description of EIB projects.

Within the last few years, the EIB became the largest multilateral lender in Egypt. Considering its emphasis on infrastructure development, particularly in the energy sector, **its projects may entail serious social and environmental consequences in the communities where they are implemented.** While the EIB has committed to environmental protection in its projects, civil society groups such as CEE Bankwatch insist that the EIB "does not have clear or adequate environmental and social safeguards and procedures to guide its investments outside the EU."

**Find out more about the EIB's operations in the MENA region from a civil society perspective on BIC's website at: [www.bicusa.org/mena](http://www.bicusa.org/mena).**

**The EIB's document on its Egypt operations** provides background information about the EIB's activities in the country under FEMIP:

[www.eib.org/cms/htm/en/eib.org/attachments/country/egypt\\_en.pdf](http://www.eib.org/cms/htm/en/eib.org/attachments/country/egypt_en.pdf)

You can also contact the **EIB's office in Cairo** at:

6, Boulos Hanna St., Dokki, Giza.

Tel: 333-66-583

E-mail: [cairo@eib.org](mailto:cairo@eib.org)

## **The African Development Bank**

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The African Development Bank (AfDB) operates similarly to the World Bank. The principal difference is that the AfDB limits its engagement to the continent of Africa. The AfDB's involvement in North Africa is often overlooked, since most of its high profile loans and investments are made in sub-Saharan Africa, and its lending

in North Africa is outweighed by that of the World Bank and European Investment Bank. Notably, however, North Africa has consistently been the AfDB's largest regional portfolio on the continent. While it has not received much attention in the past, the AfDB is growing in prominence, and has stated its intent to step up its involvement in the extractive industries, energy and infrastructure sectors, in particular.

The AfDB began its operations in Egypt in 1974, and by December 2006, the Bank's **cumulative lending in the country reached over US\$3 billion in 69 projects**. In 2006, **Egypt received the single largest loan in the Bank's history**, a US\$500 million loan to help finance Egypt's Financial Sector Reform Program.

The African Development Bank recently published its **new Country Strategy Paper (CSP) for Egypt** for the period 2007 to 2011, which outlines lending plans and priorities. In its CSP, the AfDB prioritizes private sector development, both through **direct investments in private corporations**, as well as public loans to **finance infrastructure development and pursue the financial sector reform agenda**. According to the CSP, the AfDB drew up a Private Sector Country Profile for Egypt in 2005, and is currently considering extending lines of credit to private banks and possibly financing the construction of a private fossil fuel refinery. The Bank's second main objective is to support social programs to reduce poverty, primarily through support for small- and medium-size enterprises to Egypt's Social Fund for Development (SDF).

In its CSP, the AfDB recommended an annual lending limit of more than US\$800 million for Egypt. If the AfDB approaches this suggested limit, it **could even surpass the World Bank's own portfolio in the country**. Such a scenario is not at all farfetched, as **the combined volume of projects currently in the AfDB's pipeline for Egypt is over US\$1 billion**.

See BIC's latest [Egypt Project Update](#) for a list and description of African Development Bank projects.

- As of late September 2007, the **AfDB had six projects under consideration** (in the "pipeline") for Egypt, which together would **represent US\$1 billion in loans**. The AfDB provides very little if any information about its pipeline projects. It is supposed to

publish a [Quarterly Operation Summary](#) every three months, in which it provides a listing of projects under consideration and a brief description. However, the publication is not posted regularly. While information about these projects is limited, BIC may be able to assist you to access information about these projects and help raise specific concerns you might have with the Bank.

The African Development Bank's intention to substantially increase its lending in Egypt and to focus on private sector development and infrastructure raises a number of questions, including:

- Does the AfDB have **sufficient expertise to mitigate the social and environmental harms** often associated with large infrastructure development?
- To what extent does the AfDB follow the World Bank's lead in preparing its development plans?

**Find out more about the AfDB from a civil society perspective on BIC's website at: [www.bicusa.org/afdb](http://www.bicusa.org/afdb).**

**The African Development Bank's Egypt page** provides very basic information about its activities in the country. The page includes recent project approvals as well as its latest Country Strategy Paper:

[www.afdb.org/pls/portal/url/page/adbhome/countries/adbcountries/adb\\_countries\\_egypt](http://www.afdb.org/pls/portal/url/page/adbhome/countries/adbcountries/adb_countries_egypt)

The AfDB maintains an **office in Cairo** in Al-Gazayer Square, 1st Floor, New Maadi.

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# The Islamic Development Bank

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The Islamic Development Bank (IDB) was established to foster economic development and social progress according to Shari'ah law in its member countries. In its approach, the IDB appears to endorse the same principle that underlies much of the World Bank Group's activities: the belief that economic growth, principally through private investment and free trade, will lead to poverty reduction. Like the World Bank, the IDB provides loans to governments for development projects.

Egypt has been a member of the IDB since the Bank was established in 1973, but still, little is known about the IDB's involvement in Egypt **because its operations are not transparent**. Egypt is one of the largest shareholders of Bank capital, and has its own seat on the Board of Executive Directors. Between 1976 and 2007, the **IDB had approved a cumulative total of \$2.3 billion in financing for 158 operations.**<sup>28</sup> According to the latest IDB Annual Report, it committed to finance only one project in Egypt over the past year: a US\$10.18 loan to the Egyptian government to connect potable and wastewater services to households. As information on IDB is rarely made available, it is difficult to assess the effectiveness of its operations in Egypt. If the IDB is to fulfill its commitment to increase financing and foster development and social progress in the country, it is important that project information be made public so that Egyptians can know about and engage the institution on its planned involvement.

Visit the IDB's website to learn more about its operations. Note that its website contains only very general information and even basic project information can be difficult to access: [www.isdb.org](http://www.isdb.org).

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<sup>28</sup> Islamic Development Bank, [Annual Report 1427H \(2006-2007\)](#), P. 8.

### **About the Bank Information Center**

The Bank Information Center (BIC) partners with civil society in developing and transition countries to influence the World Bank and other international financial institutions (IFIs) in the interest of social and economic justice and ecological sustainability. BIC is an independent, non-profit, non-governmental organization that advocates for the protection of rights, participation, transparency and public accountability in the governance and operations of IFIs.

BIC is supported by private foundations and organizations that work in the fields of environment and development. Although based in Washington, D.C., in proximity to the headquarters of the World Bank and the International Monetary Fund (IMF), BIC is neither affiliated with nor funded by any of the IFIs or the United States government.

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