ARAB REPUBLIC OF EGYPT

Promoting Innovation for Inclusive Financial Access Project

Chair Summary*

April 1, 2014

The Executive Directors approved a loan in the amount of USD 300 million to the Arab public of Egypt for the Promoting Innovation for Inclusive Financial Access Project (R2014-0043) on the payment terms and conditions set out in the President’s Memorandum.

The Project is an integral part of a comprehensive package of assistance from the World Bank Group (WBG) aimed at enhancing job creation by the private sector. This reflects a recognition that depending on the public sector as the major source of employment is not sustainable, and Egypt needs a new approach to accelerate job creation. The project is closely aligned with the Interim Strategy Note (ISN) for Egypt (FY 2012-14), which puts a special focus on improving access to finance, particularly for underserved segments of the economy – MSME, women, and youth – and on helping the private sector to generate jobs.

Directors supported the project and welcomed the innovative mechanisms included in the operation to enhance access to finance, underscoring the importance of enhancing financial stability, resilience to shocks, and sound credit and investment practices. They noted the linkage to other long-term objectives, including overall economic growth, poverty reduction, job creation and inclusion. Directors strongly supported the operation’s focus on outreach to underserved rural areas, such as Upper Egypt, and the most vulnerable segments of society. They encouraged the expansion of innovative financial services that have potential for youth employment and women’s entrepreneurship, including Islamic finance and MSME. At the same time, they noted that significant risks and challenges remain in Egypt’s economic and political environment. They reiterated the importance of ensuring successful outcomes through careful monitoring and supervision in collaboration with the government and development partners. Directors emphasized a robust results framework to assess development impact and responsiveness to the needs of vulnerable populations.
Directors recognized the vital role of collaboration among WBG entities in responding to Egypt’s needs, and encouraged partnerships with donors to leverage WBG financing and scale up effective development approaches for MSME. They emphasized the importance of greater coordination among donors, implementation capacity in Egyptian agencies, and the removal of administrative barriers to collaboration. Directors welcomed the partnership with Egypt’s Social Fund for Development during implementation, as well as the potential for scaling up through financing from the Saudi Fund for Development, the United Arab Emirates Khalifa Fund for Development, and the Arab Fund for Economic and Social Development. They encouraged the implementation phase to build on lessons learned from the joint IFC-World Bank MENA Regional MSME technical assistance facility and other relevant projects. They looked forward to the replication of successful approaches from this project through South-South cooperation and future projects in MENA and other developing countries.

*This summary is not an approved record.*