

PCR EVALUATION NOTE FOR PUBLIC SECTOR OPERATIONS

1. BASIC INFORMATION			
a. Basic project data			
Project title: Economic Governance and Energy Support Program (EGESP III)			
Project code: P-EG-K00-011	Instrument number(s): 2000130014680 , 2000200000652 , 2000200002201		
Project type: Program Based Operation	Sector: Multi-Sector		
Country: Egypt	Environmental categorization (1-3) : 3		
Processing Milestones	Key Events	Disbursement and Closing date	
Date approved: 17/01/2018	Cancelled amount:	Original disbursement deadline: 31.12.2018	
Date signed: 11/09/2018	Supplementary financing:	Original closing date: 31.12.2018	
Date of entry into force : 11/09/2018	Restructuring:	Revised disbursement deadline:	
Date effective for 1st disbursement: 21/09/2018	Extensions (specify dates): N/A	Revised closing date:	
Date of actual 1st disbursement: 28/09/2018			
b. Financing sources			
Financing source/ instrument (MUA)	Approved amount (MUA) :	Disbursed amount (MUA) :	Percentage disbursed (%) :
Loan:	500,000,000	500,000,000	100
Grant:			
Government:			
Other (ex. Co-financiers):			
TOTAL :	500,000,000	500,000,000	
Co-financiers and other external partners: World Bank			
Execution and implementation agencies: Ministry of Investment and International Cooperation			
c. Responsible Bank staff			
Position	At approval	At completion	
Regional Director	Kolster Jacob	El Azizi Mohamed	
Sector Director	MUKETE Jacob Diko	COULIBALY Abdoulaye	
Sector Manager	ABIOLA Wilfrid	ABIOLA Wilfrid	
Task Manager	IJEH Samuel	SUGDEN Carina	
Alternate Task Manager	KOMA Baboucarr	KOMA Baboucarr	
PCR Team Leader		SUGDEN Carina	
PCR Team Members		El-ASKARI Khaled; STOLLIG Olivier; FALL Malik; BERTIN Sara	
d. Report data			
PCR Date : 19/11/2019			
PCR Mission Date:	From: 21st January 2019	To: 29th January 2019	
PCR-EN Date:			

Evaluator/consultant : Neill Soley / Stephen Cunningham	Peer Reviewer/Task Manager:
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2. PROJECT DESCRIPTION

Summary from Appraisal Report including addendum/corrigendum or loan agreement, and taking into account any modification that occurred during the implementation phase.

The EGESP was approved by the Board on the 15th of December 2015, designed as a programmatic intervention comprising three consecutive general budget support (GBS) operations over the period 2015/16- 2017/18 for a total amount of USD 1.5 billion. The resources of the first two phases of the program were disbursed in January 2016 and March 2017 respectively. The EGESP took into account the need for the Bank to support high, sustainable and inclusive growth in Egypt by providing predictable financing to support the Government's pursuit of its reform efforts, while ensuring impactful interventions for the Bank and close coordination with other development partners. The diversity of the sectors covered, namely fiscal consolidation, business climate and energy justified the use of a general budget support instrument.

a. Rationale and expected impacts:

Provide a brief and precise description of the project/programme rationale (concerns/questions raised), expected impacts and the intended beneficiaries (directly or indirectly impacted by the project/programme). Highlight any change that occurred during the execution phase.

In line with the original program, the goal of the EGESP III was to support the implementation of GoE's medium-term development agenda aimed at building a strong foundation for accelerated, inclusive and self-reliant economic growth through: fiscal consolidation; improved governance, sustainable energy supply; and improved business environment that is conducive to private sector development. The specific sub-objectives for the third phase of the operation were to consolidate the gains and further implementation of the reforms initiated under the previous phases.

The final phase, for a total amount of USD 500 million, was to be disbursed in a single tranche against the achievement of a set of prior actions for 2017 that were specified as indicative triggers in the appraisal report of EGESP II and modified in the *Aide Memoire* of October 2017.

It was expected to have a positive impact on real GDP growth, a reduction in the poverty rate from 26% to 23%, and an improvement in the global gender gap index from 0.606 in 2014 to 0.620 in 2018. The intended beneficiaries were the people of Egypt (especially youths), the poorest quartile of the population, and women.

b. Objectives/Expected Outcomes:

Provide a clear and concise description of the project objectives, expected outcomes, and intended beneficiaries. In so doing, highlight any revision/amendment.

The programme objective was to support the implementation of the GoE's medium-term development agenda aimed at building a strong foundation for inclusive and self-reliant economic growth.

The expected project outcomes were: i) fiscal consolidation and enhanced budgetary credibility, ii) improved energy security and enhanced participation by the private sector, and iii) enhanced competitiveness of the private sector and financial inclusion.

The intended beneficiaries were the people of Egypt, especially women, and private sector businesses.

c. Outputs and intended beneficiaries:

Provide a clear and concise description of the expected outputs and intended beneficiaries. In so doing, highlight any revision/amendment.

The expected outputs of the program were:

1. Unification of the top income tax rate at 22.5%. Fiscal adjustment.
2. Freezing of special bonuses and rewards for all government employees in 2015/16. Benefits fiscal adjustment but disadvantages government employees and their families; a large section of the population.
3. Automation of the wage bill. Fiscal adjustment.
4. Institutionalise the publication of the Citizen Budget. To benefit the population through increased transparency.
5. Establishment of a Public Financial Management Improvement Unit at the Ministry of Finance, with the following mandates: (i) to set up an internal audit function; (ii) to monitor state-owned enterprises fiscal risks including their contingent liabilities; (iii) to enhance government accounting and financial control. Institutional support for fiscal adjustment.
6. Creation of a legal framework for the liberalisation and regulation of the gas sector. To benefit the private sector and the population generally through a more reliable power supply.
7. The reduction of energy subsidies as a percentage of GDP by a gradual increase in the electricity tariff. A benefit for fiscal adjustment but a disadvantage for all electricity users, especially - proportionately - poorer ones, who spend a greater proportion of their budget on necessities.
8. Make operational a new industrial licencing regime. To benefit private business and so the general population - especially the unemployed (who are predominantly young) - through job creation.
9. Make operational a new competition framework and SME investment regime. To benefit private business, especially SMEs, and so the general population/the unemployed/youth, through job creation.
10. Establish a framework for microfinance products. To benefit small-scale private business, especially women-owned businesses, and so job creation, especially for women and youth.
11. Facilitate on-line secured lending and mobile money transactions. To benefit private business and consumers.

d. Principal activities/Components:

Provide a clear and concise description of the principal activities/components. In so doing, highlight any revision/amendment.

The program aimed to achieve its outputs, outcomes and objective through focussing on three components with eight sub-components:

Component 1. Advancing fiscal consolidation. The three expected outputs were: i) enhanced revenue and improved revenue collection, ii) improved expenditure efficiency and reduced fiscal risk of the government payroll on the budget, and iii) enhanced budgetary transparency and stronger controls over the use of public resources.

Component 2. Ensuring sustainable energy supplies. The two expected outputs were: i) gradual liberalization of the gas sector, and ii) improved sustainability of the energy sector through subsidy reform.

Component 3. Enhancing the business environment. The three expected outputs were: i) a streamlined and transparent industrial licencing regime, ii) enhanced competition and an improved investment regime, and iii) improved access to credit for MSMEs and women entrepreneurs.

3. PROJECT PERFORMANCE ASSESSMENT

RELEVANCE

a. Relevance of the project development objective:

Evaluation of the relevance ex-ante and ex-post (including during the implementation phase). The relevance of the project objective (during the evaluation ex-ante and the post-evaluation) in terms of alignment with country's development priorities and strategies, the beneficiary needs (including any changes that may have occurred during the implementation), applicable Bank sector strategies, the Bank country/regional strategy, and general strategic priorities of the Bank.

The PCR rates the relevance of the project development objective at 4, Highly Satisfactory. The PCREN agrees. 4/(HS)

EGESP III was the third and final phase in a programmatic series of three consecutive Program Based Operations (PBO) covering the period 2015 – 2018. In line with the first two phases of the program, the goal of EGESP III was to support the implementation of the GoE's medium-term development agenda aimed at building a strong foundation for inclusive and self-reliant economic growth. Specifically, it sought to promote inclusive and resilient growth through: fiscal consolidation; improved governance, efficiency and private sector engagement in the energy sector; and an improved business environment.

Country

EGESP III was in line with the GoE's macroeconomic and development policies, particularly the Sustainable Development Strategy (SDS): Egypt's 'Vision 2030' and the 5-year Macroeconomic Framework and Strategy (MFS) (FY 2014/2015-2018/2019) as well as the comprehensive macroeconomic structural reform and fiscal consolidation program adopted by the GoE in 2015. Furthermore, the programme was relevant to and aligned with the structural reform objectives of both the World Bank and IMF programmes in Egypt.

Beneficiaries

The macroeconomic and fiscal adjustments that are necessary to build a strong foundation for inclusive and self-reliant economic growth are, ultimately, in the interests of the majority of Egyptians, especially poorer groups and women. Such adjustment should strengthen employment and give the GoE more fiscal leeway to provide targeted social support.

Bank

The program allowed the Bank to consolidate its partnership with Egypt, which is the Bank's second largest member and third largest client, in order to sustain Egypt's economic recovery and contribute to the country's social wellbeing. The programme was in line with the Bank's Ten-year Strategy and the full Country Strategy Paper of 2015. The program will consolidate and added to the advances made under phases I and II of the EGESP.

b. Relevance of project design (from approval to completion):

The evaluator should provide an assessment of the relevance of the project design regardless of the one provided in the PCR. The evaluator will also comment on the PCR conclusion for this section, and will provide an evaluation of the relevance of the project design. The latter assesses the soundness and the timing of eventual adjustments, or technical solutions to ensure the achievement of the intended results (outcomes and outputs), the adequacy of the risk assessment, environmental and social protection measures, as well as the implementation arrangements. For Programme Based Operations (PBO), an assessment will be made on the relevance of the prior actions, the policy dialogue and the extent to which the operation could have been more pro-poor in its design.

The PCR rates the relevance of the project design at 4, Highly Satisfactory. The PCREN rates the relevance of the project design to the project objective at 3(S).

The project design was in the long-term interests of the intended beneficiaries, in particular the poorest quartile of Egyptians and women. However, in the short-term, the negative impact of higher electricity bills, devaluation, VAT, higher inflation, and curtailed jobs and benefits in the public sector, necessitated increased and better targeted social spending in order to shield the poorest from the (hopefully) short-term negative impacts of the policy reforms. This important adjustment was relevant to the objective of maintaining social justice during the adjustment process. The PCREN considers that more attention could have been paid to the risk for negative effects of reforms in the PBO on poorer Egyptians, effects that could perhaps have been better anticipated and better planned for.

The PCR summary correctly highlights the choice of a program approach, in collaboration with the World Bank, as important to developing a sustained and productive dialogue with the GoE around the policy reforms being supported.

Bank technical assistance could have also contributed positively to the success of the programme (in conjunction with that provided by the World Bank).

EFFECTIVENESS

c. Effectiveness in delivering Outputs:

Evaluation of the extent to which the project achieved its stated outputs (obtained from the logical framework) based on the last Implementation Progress and Results Report (IPR) and by considering accurate reporting of direct or indirect evidence on intended and unanticipated outputs. In the absence of sufficient data (as direct evidence), indirect evidence (such as project outcomes and other pertinent processes/elements of the causal chain) should be used particularly in the evaluation of the extent to which the project is expected to achieve its stated results/ objectives. The absence of sufficient data to assess the effectiveness should be indicated (and clearly detailed in the PCR quality evaluation section).

The PCR does not score individual output indicators, but the PCREN has done so in order to calculate an average score from which to derive an overall score.

The overall PCR score for effectiveness in delivering output is 4, Highly Satisfactory. The average PCREN score is 3.625 (4) and so concurs with the PCR assessment of Highly Satisfactory.

The program was divided into three components with eight outputs.

Component 1. Advancing fiscal consolidation.

1.1 The PCR reports 75% progress towards target, presumably because 3 of the 4 specific targets have been achieved (the unification of the top income tax rate at 22.5%, the introduction of VAT, and the streamlining of the tax dispute settlement process). The PCR informs that the target of a simplified tax regime for micro and small businesses has now been subsumed in wider legislation of an MSME strategy which was still under development at the time of reporting (and which was agreed in the *Aide Memoir* of 2018). **The PCREN rates this output at 3/S**

1.2 The PCR reports 100% progress towards target, with the two targets being achieved (the freezing of special bonuses and rewards, and the automation of the wage bill). **The PCREN rates this output as 4/HS.**

1.3 The PCR states the end target merely as ‘budget transparency and controls enhanced’, which is not measurable. However, the appraisal RLF lists five specific actions: i) publication of a citizens budget, ii) Public Financial Management Improvement unit set up, iii) internal audit unit established, iv) sovereign guarantee committee established, and v) the budget statement to include a section on fiscal risks. The PCR reports that the first three of these have been achieved. No mention is made of (iv) or (v). The PCR also reports a further action having been achieved: monitoring of state-owned enterprises risks and liabilities. So while it seems clear that much progress has been made on this output, the partial disparity between the RLF and the PCR makes the measurement of progress difficult. The PCR does not make clear how it derives its 100% measure of success. **The PCREN rates this output at 3/S.**

Component 2. Ensuring Sustainable Energy Supply.

2.1 The PCR states the end target as ‘Legal framework for the liberalisation and regulation of the gas sector’, which is not measurable (it is, in fact, the indicator from the RLF, not the target). However, the RLF lists four specific actions, three of which were completed in phases I and II: i) a gas law submitted to parliament (2016), ii) executive regulations of the gas law submitted to the State Council (2017), and iii) board of directors for the gas regulator nominated. A fourth specific action iv) establishment of the new and independent gas sector regulator, was incomplete at phase III appraisal. However, the narrative assessment of the PCR states that: i) a new gas law was enacted in August 2017, ii) the executive regulations of the law were issued in February 2018, and that therefore, iii) the new gas regulator is fully functioning. The progress to target score of 100% is therefore justified. **Despite the weakness of the PCR analysis, the PCREN rates this output at 4/HS.**

2.2 The PCR states the end target as ‘Reduction of energy subsidies as a percentage of GDP by a gradual increase in the electricity tariff’, which is not measurable (it is, in fact, the indicator from the RLF, not the target). Measurability would have required a target figure for the reduction in energy subsidies or their reduction as a percentage of GDP. This figure was given in the narrative assessment, 6.6% of GDP in FY 2013/14 down to 3.2% in FY 2017/18. No mention is made of the role of GDP growth in achieving this reduction. The PCR rates this fall (and perhaps the falling trend?) as 100% effectiveness. In the absence of a specific target, the PCREN has no basis on which to agree or disagree with this assessment. **The PCREN rates this output at 3/S.**

Component 3. Enhancing the Business Environment.

3.1 The PCR again makes an unmeasurable description as an end target and asserts that the project has been 100% effective in achieving it. It asserts that the number of licences issued is a ‘huge improvement’ – which it may indeed be – but the PCR fails to quantify it in relation to what went before and in relation to a specific numerical target. Reading from both the RLF and the PCR, the following specific actions have been achieved in the three phases of the project: i) executive regulations for the industrial licences law issued by Ministerial Decree (2017), ii) requirements relating to establishment, operation and termination of industrial activities accessible on-line (2017), iii) grievances committee established and

operational (2017), iv) simplified industrial licencing process (2017), and v) new law passed making IDA fully independent. Despite the weakness of the PCR analysis, **the PCREN rates this output at 4/HS.**

3.2 The end targets listed in the PCR had all been achieved by the appraisal of phase III, as pre/conditions, namely: i) revised Companies Act submitted for parliament approval (2017), ii) inventory of investment incentives and eligibility criteria published online by GAFI (2017), (iii) all licencing and permit procedures published on-line by GAFI (2017). The progress towards target of 100% is warranted. **The PCREN rates this output at 4/HS.**

3.3. The PCR states the most recent value as ‘Micro finance framework strengthened’, which is not measurable. However, reading the RLF and the PCR, the programme has been effective with the following actions: i) leasing and factoring draft law approved by cabinet (2017), ii) directives on micro-insurance issued (2017), iii) regulation for mobile money issued (2017), and iv) Contract for establishment of secured online lending register awarded (2017) (with 30 million EGP registered 2018). The progress towards target of 100% is warranted. Despite the weakness of the PCR analysis, **the PCREN rates this output at 4/HS.**

d. Effectiveness in realizing Outcomes:

Evaluation of the extent to which the project achieved (or is expected to achieve) its intended set of outcomes (including for Program Based Operations (PBOs) where complementary measures are necessary for their implementation, namely public awareness, policy dialogue and institutional arrangements for instance). The evaluator should make an assessment based on the results of the last project Implementation Progress and Results (IPR). The evaluator shall indicate the degree to which project outcomes (intended and unanticipated) as well as reasons for any eventual gap were discussed in the PCR.

The PCR does not score individual outcome indicators, but the PCREN has done so in order to calculate an average score from which to derive an overall score.

The overall PCR score for effectiveness in delivering outcomes is 4, Highly Satisfactory. The average PCREN score is 3.7 (4) and so concurs with the PCR assessment of Highly Satisfactory.

The overall effectiveness of the program as measured by the chosen indicators is very strong, with six indicators performing well above target, one on target and one only just below target. The PCREN has questions over the data presented for two other indicators, which makes measurement of effectiveness (although not necessarily effectiveness itself) difficult.

The programme has three outcomes.

Outcome 1: Enhancement of fiscal consolidation and budget credibility.

1.1 The PCR reports a 31% *increase* in total tax revenue as a % of GDP, being 100% of target. **The PCREN rates this outcome at 4/HS.**

1.2 The PCR reports a 33% *decrease* in government wages and salaries as a % of GDP, being 385% of target. **PCREN rates this outcome at 4/HS.**

1.3 The PCR reports a 27% *decrease* in the fiscal deficit as a % of GDP, being 87% of target. **PCREN rates this outcome at 3/HS.**

1.4 The PCR reports a 58% increase in the percentage of the budget allocated to social expenditure, being 653 % of target. However, the problem with the baseline figure noted in both the IPR and the PCR, in effect, make the figures meaningless. The PCR has awarded the project a 100% of target rating, though given the above, this seems to be discretionary. The PCREN would prefer to take this confusion over numbers to indicate this as an area in which program design (definition, baseline data) and implementation should be looked at more closely to ascertain exactly what did happen to this key metric and why? Part of the answer must lie in the negative impacts on poorer groups of the fiscal adjustment policies pursued with the programme, which necessitated additional focussed social spending to ameliorate. If social spending was indeed so much higher under the programme this is well and good for the beneficiaries. However, the PCR is asking us to take its word for it, rather than presenting convincing data or a clear explanation of ‘what happened’ under the programme.

Despite this weakness in the PCR, it is clear that substantial qualitative progress has been made and therefore the PCREN feels that a score of 3 for the outcome is warranted.

Outcome 2: Improved energy security and a greater role for the private sector.

2.1 The PCR reports a 281% increase in the Operating Reserve, being 105% of target. **The PCREN rates this outcome at 4/HS.**

2.2 The PCR reports that the target figure for *new private investments* in the upstream oil and gas sector is USD 15bn between 2015 - 2018. In the commentary, the PCR reports *foreign direct investment* in upstream oil and gas (FY 2015/16 – 2017/18) at USD 23.7bn, being 158% of target. The PCREN queries whether the meaning of ‘new private investment’ and ‘foreign direct investment’ are the same in the context of the programme (a possible difference being private national investment) and why the PCR has presented only the actual figure for FY 2016/17? The PCR has not given a score for ‘progress towards target’ as this cannot be determined from the figures presented. The PCREN concurs. Half of the information in the commentary - while informative - appears not to relate to *private* investment, which is the focus of the outcome indicator.

Despite the difficulties in the PCR, the figures show a very substantial increase in non-GoE investment in the oil and gas sector and therefore the PCREN rates this output at 3/S.

Outcome 3 Enhanced competitiveness of the private sector and financial inclusion.

3.1 The PCR reports a 67% increase in the number of anti-competitiveness practices prevented, being 300% of target. **PCREN rates this outcome at 4/HS.**

3.2 The PCR reports a fall in the average number of days to comply with industrial licensing requirements from 634 in 2015 to 30 in 2018 (and only 7 for low risk licences), being 127% of target. **PCREN rates this outcome at 4/HS.**

3.3 The PCR reports a huge increase in licensed microfinance providers, being more than 700% of target (including companies). **PCREN rates this outcome at 4/HS.**

3.4 The PCR reports a 265% rise in the proportion of loans issued to women by licenced microfinance providers, being 179% of target. **PCREN rates this outcome at 4/HS.**

e. Project development outcome:

The ratings derived for outcomes and outputs are combined to assess the progress the project has made towards realizing its development objectives, based on the rating methodology recommended in the Staff Guidance Note on project completion reporting and rating (see IPR Guidance Note for further instruction on development objective rating).

The PCREN concurs with the PCR overall scores for effectiveness of outcomes and outputs, scoring 4 for both. Following the methodology of the Staff Guidance Note, this yields an overall project development outcome rating of Highly Satisfactory (HS).

The caveats the PCREN has about a few individual outcomes and outputs are seen to be more about measurement methodology in the context of an evolving program than they are about actual project outcomes and outputs.

f. Beneficiaries:

Using evidence, the evaluator should provide an assessment of the relevance of the total number of beneficiaries by categories and disaggregated by sex.

The PCR reports a 265% rise in the proportion of loans issued to women by licenced microfinance providers, being 179% of target. The PCR further notes that loans to women now represent 69% of all licenced microfinance loans, 52% of total loan value (indicating the average size of loans to women is still smaller than that of loans to men) and that loans have been made to 1.8 million women (2018). The PCREN sees this as one area of impressive progress towards the Bank's gender objectives. Otherwise, the PCR notes, 'There has been little progress on addressing gender inequalities.'

The Industrial Development Authority (IDA) has increased the number of issued licences from 29 in May 2017 to 1711 in December 2018. 1800 licences have been granted to low risk industries within 7 days waiting time. The target is 6000 licences per year. The PCREN has no licence data disaggregated by sex or age.

The main beneficiaries of the program have been: i) the GoE with an improved fiscal position, ii) private sector companies in the gas industry, iii) MSMEs in the private sector.

The main losers from the program have been: i) civil service staff whose have faced real income losses through salary cuts and high inflation, and ii) the poor and those on fixed incomes, who have experienced loss of real income due to high inflation. The poor have been compensated to some extent by higher social spending. This is not clearly quantified in the PCR.

g. Unanticipated additional outcomes (positive or negative, not taken into consideration in the project logical framework):

This includes gender, climate change, as well as social and socio-economic- related issues. Provide an assessment of the extent to which intended or unanticipated additional and important outcomes have been taken into consideration by the PCR. The assessment should also look at the manner the PCR accounted for these outcomes.

The Technical Annex states, 'The effect of Egypt's on-going Economic Reform Programme is being hard-felt by the population, including the middle class, as inflation rates have increased the cost of living and are threatening to exacerbate poverty. In November 2016, the Egyptian pound was devalued to nearly half its former value. While this measure ended the parallel market, stabilized the exchange rate

and availed foreign currency for investments, prices shot up, particularly for consumer goods which are largely imported, affecting the cost of living including - for the first time - the middle and upper classes. Six months later, the situation was further aggravated with the increase of fuel costs by approximately 55%, cost of cooking gas cylinders by 100%, the increase in household electricity consumption prices by 18% to 42%, and the increase of VAT from 13% to 14% on a large number of items. This allowed savings to the tune of EGP 75 Billion. As a direct result however, the cost of basic goods and vital services, including food, beverage and transportation – the largest contributors to the inflation basket - surged exponentially. While the exact impact on the poverty rate will not be known until the planned 2017/18 Household Income and Expenditure Survey (HIECS) is conducted, predictions are that poverty has increased to around one third of the population, up from 27.8% in 2015/16.’ (32.5%, 2017/18).

This is contrary to the reduction of poverty proposed as an impact of the programme in the RLF, which targeted a 23% poverty rate in 2018 down from 26% of the 2014 baseline. The GoE has ameliorated this worsening of poverty with increased and more targeted social spending, made possible in turn by the improved fiscal position of the Government from the success of the reform policies.

The intention and belief is that increased poverty will be a transitory cost of adjustment, which will improve as and when the economy begins to grow strongly under the stimulus of adjustment. The aggregate suffering in the meantime, may be substantial. The Household Income and Expenditure Survey (HIECS) will document this.

EFFICIENCY

h. Timeliness:

The timeliness of project implementation is based on a comparison between the planned and actual period of implementation from the date of effectiveness for first disbursement. For Programme Based Operations (PBOs), the timely release of the tranche(s) are assessed through this same criterion.

While phase III of the programme was implemented in time, the disbursement of the third tranche of the program funds was delayed by nine months, due to delays in the ratification process of the loan agreement by the Egyptian parliament because of political events in Egypt over which the Bank had little control. However, the Bank took the necessary steps to ensure that the third tranche was disbursed in full within the time frame of the project and the programme closed on time. **The PCR rated this criterion 4 but in the light of the above the PCREN rates this criterion at 3/S.**

i. Resource use efficiency:

Provide an assessment of physical implementation (based on outputs delivered) against resources used (based on cumulative commitments/disbursements) at completion for all contributors to the project (the Bank, Government, and others). This criterion would normally not apply to PBOs, as there is often no direct link between the outputs and the amount of contribution (in which case the rater would indicate N/A).

N/A

j. Cost-benefit analysis:

Review the validity of the Economic rate of return (ERR) (if any) in the PCR, and highlighting any data and methodological limitations. The review should indicate if an ERR was not estimated and any reason provided in the PCR. The evaluator should verify whether the benefits of the project (achieved or expected) exceed its actual costs. To achieve this, evidences will mainly be based on a comparison between Economic Rates of Return (ERR) calculated at appraisal, the mid-term review and completion. When commenting PCR ratings, the degree of utilization of valid sources for evidence justifying the rating assigned should be taken into consideration. The evaluator should ensure of the validity of assumptions and that the same model was used for the calculation of other ERRs. For PBOs for which this calculation model

does not apply, an assessment could be done about the contribution of policy reforms to economic growth. In the absence of sufficient evidence, an appropriate rating should be assigned.

N/A

As a PBO, there is no direct and measurable relationship between the costs and benefits of the project. However, all of the three intended outcomes of the project attempt to put into place some of the pre-requisites to inclusive and resilient economic growth driven by a newly invigorated private sector. The benefits should be seen over time, but are not fully apparent in the documents reviewed for the PCREN which date at the latest to 2019. It would be a valuable project for the Bank to follow the relevant indicators for, say, five years after project completion to evaluate project benefits in the medium term.

k. Implementation progress:

The assessment of the Implementation Progress (IP) on the PCR is derived from the updated IPR and takes into account all applicable IP criteria assessed under the three categories : i) Compliance with covenants (project covenants, environmental and social safeguards and audit compliance), ii) Compliance with project systems and procedures (procurement, financial management and monitoring and evaluation), and iii) Compliance with project execution and financing (disbursement, budget commitments, counterpart funding and co-financing).

The IPR reports no other impediments to implementation progress than the long (nine months) delay in disbursement of the loan, as already referred to above in point ‘h’, Timeliness. But within the full time frame of the project, the implementation was satisfactory. **The PCREN scores this criterion at 3(S) in line with the PCR.**

SUSTAINABILITY

l. Financial sustainability:

Provide an assessment of the extent to which funding mechanisms and modalities (e.g. Tariffs, user fees, maintenance fees, budgetary allocations, other stakeholder contributions, aid flows, etc.) have been put in place to ensure the continued flow of benefits after completion, with particular emphasis on financial sustainability. For PBOs, the assessment should focus on financial sustainability of reforms, as well as the Bank’s policy dialogue to promote financial sustainability of the reforms.

The reforms enacted under EGESP I – III should be, by definition, financially sustainable for they are aimed at improving the GoE’s fiscal position and putting in place measures to encourage private sector enterprise which will add to jobs and tax revenues in the future. The only item for which increased funding is envisaged is social expenditure. However, this is made possible in a financially sustainable manner by the improved fiscal position of the GoE from the other reforms. ‘Inclusive and resilient economic growth’ is financially sustainable.

The programme approach allowed the Bank to pursue a sustained dialogue with the GoE (and in conjunction with the World Bank) about the policy reforms proposed. This resulted in most of the policy proposals being successfully implemented and a few being adjusted - and implemented - in discussion with the GoE, as evidenced in the *Aide Memoire*. For example, the replacement of a unified business tax for SMEs with a law providing an overarching framework for MSMEs.

The PCREN confirms the PCR rating for this criterion of 3(S)

m. Institutional sustainability and strengthening of capacities:

Provide an assessment of the extent to which the project has contributed to the strengthening of institutional capacities – including for instance through the use of country systems – that will continue to facilitate the continued flow of benefits associated with the project. An appreciation should be made with regards whether or not improved governance practices or improved skills, procedures, incentives, structures, or institutional mechanisms came into effect as a result of the operation. For PBOs, this should include an assessment on the contributions made to building the capacity to lead and manage the policy reform process; the extent to which the political economy of decision-making was conducive to reform; the Government’s commitment to reform; and how the design reinforced national ownership.

Technical Assistance to strengthen institutional capacity was not a part of EGESP for the AfDB, and was conducted instead by the World Bank. However, many of the program activities aimed at and succeeded in strengthening both institutional capacities and the ability of those institutions to sustain them beyond the end of EGESP III (given the enhanced fiscal position of the GoE from the program). For example: The Ministry of Finance (internal audit unit), The Industrial Development Agency (licencing law and automation of licencing), The Egyptian Competitiveness Agency (anti-competition actions), The Financial Regulatory Authority (licencing of microfinance and mobile money providers), and the Ministry of Investment and International Cooperation (business registrations, one-stop shop, and websites).

The Bank undertook the program in collaboration with a reform-minded government which had proved its commitment through its Sustainable Development Strategy (‘Vision 2030’) and its successful negotiations with the IMF.

The program design reinforced national ownership by locating the reforms in the Egyptian institutions who will benefit from them and whose job it is, and will be, to operate new administrative machinery for the benefit of the country.

The PCREN confirms the PCR rating for this criterion of 3(S)

n. Ownership and sustainability of partnerships:

Provide an assessment of whether the project has effectively involved relevant stakeholders, promoted a sense of ownership amongst the beneficiaries (both men and women) and put in place effective partnerships with relevant stakeholders (e.g. local authorities, civil society organizations, private sector, donors) as required for the continued maintenance of the project outputs. For PBOs, the assessment should measure the extent to which the Government’s capacity to conduct consultations during policy dialogue and the extent to which the Bank supported the Government in deepening the consultation processes.

The GoE conducted consultations at the highest level, as evidenced, for example, by the Bank Mission of October 2017. This includes:

The Supreme Committee for Administrative Reforms, headed by the Prime Minister.

The Ministries of: Finance; Trade and Industry; Planning and Administrative Reform; Electricity and Renewable Energy; and Petroleum and Mineral Resources, from Minister level down.

The heads of the major authorities and agencies: Financial Regulatory Authority, Egyptian Competitiveness Agency, Industrial Development Agency, General Authority for Investment and Free Zones, Egyptian Financial Supervisory Authority.

The consultation process produced evidenced achievements of most pre-conditions of EGESP III and agreement over some changes proposed by the GoE.

The PCREN confirms the PCR rating for this criterion of 4(HS)

o. Environmental and social sustainability:

Provide an assessment of the objectivity of the PCR rating on the project's implementation of environmental and social mitigation/enhancement measures with regard to the Environmental and Social Management Plan (ESMP), the capacity of country institutions and systems, as well as the availability of funding to ensure the environmental and social sustainability of the operation. This criterion would normally only apply to Environmental Category I and II projects.

Not relevant to this PBO which is an environmental category 3 project (section I.C). Accordingly, the PCR has not scored this criterion. Neither does the PCREN.

At a national level, the social sustainability of the reforms in EGESP will ultimately depend on the GoE's ability to maintain its reform agenda, and the success of it in encouraging private-sector led growth. That will produce both the jobs and tax revenues to support the social agenda of the government.

Environmental sustainability may be improved to the extent that encouragement of the gas sector leads to the substitution of gas for oil or coal in power generation, as gas is a cleaner burning hydrocarbon. But it is still a hydrocarbon. EGESP did not concern itself with renewables. A future environmentally focussed Bank project in Egypt might focus on renewables, with Egypt's huge hydro and solar potential, and energy efficiency, building on the good cooperation and dialogue developed between the GoE and the Bank in the current project.

4. PERFORMANCE OF STAKEHOLDERS

a. Bank performance:

(Preparation/approval, ensure of Quality at Entry (QAE) : quality of the supervision, completion) : Provide observations on the objectivity of the PCR ratings and feedback provided by the Borrower, and if necessary, re-assess the Bank's performance throughout the project cycle (design, implementation, completion) by focusing on evidence from the PCR in relation to 7 criteria defined in the PCR Guidance Note.

The Bank has performed in accordance with the criteria in the staff guidance notes. In particular, it has recognised problems and modified the project accordingly, in relation to, for example: i) the unified business tax for MSMEs, ii) the payroll/wage bill trigger, iii) the gas law regulations and iv) the dedicated unit for SOE fiscal risk monitoring. It has maintained a deep and productive dialogue with GoE enabling it to design the PBO in line with their priorities. The program was designed by an expert team in conjunction with the World Bank, and the country offices of both continued strong supervision and responded timely to requests.

The three issues arising from the Bank's performance in the current project and that the Bank might consider in the future are: i) mechanisms by which it can try to assure timely passage of legislation in borrower countries essential to the timely disbursement of funds and project implementation, ii) whether it should provide its own technical assistance essential for supporting the goals of a project, even in cases where a development partner is also providing technical assistance, and iii) the in-country staffing requirements of the project.

The PCR rating is (3/S). The PCREN agrees.

b. Borrower performance:

Provide observations on the objectivity of the PCR ratings, and if necessary, re-assess the Borrower's performance throughout the project cycle (design, implementation, completion) by focusing on evidence from the PCR in relation to questions defined in the PCR Guidance Note.

The Ministry of Investment and International Cooperation (MoIIC) cooperated, facilitated, negotiated and monitored the PBO on behalf of the GoE to a satisfactory standard. The delays experienced due to the ratification process were of an exogenous political nature and don't reflect badly on the borrower's commitment and ownership of the PBO.

The PCR rating is (3/S). The PCREN agrees.

c. Performance of other stakeholders:

Provide observations on the objectivity of the PCR ratings, and if necessary, re-assess the other shareholders' performance throughout the project cycle (design, implementation, completion) by focusing on evidence from the PCR in relation to relevant questions specific to each stakeholder (co-financiers, NGO, contractors and service providers).

The other major stakeholder in the EGESP was the World Bank. From the information provided, the PCREN understands that the World Bank: i) contributed USD 3bn to the programme (twice the value of the AfDB contribution) and that this was fully and timely disbursed, ii) provided invaluable Technical Assistance to the GoE (in lieu of the AfDB fulfilling this role), and iii) cooperated at all levels throughout the programme with both the GoE and the AfDB which was 'critical' to the success of the programme.

The PCR gives the rating of 3(S). The PCREN concurs 3(S).

5. SUMMARY OF OVERALL PROJECT PERFORMANCE

a. Overall assessment:

Provide a summary of the project/programme's overall performance based on the PCR 4 key components (Relevance, Effectiveness, Efficiency and Sustainability). Any difference with the PCR and the reasons that have resulted in them should be mentioned. For cases with insufficient evidence (from the PCR and other documents) available, the evaluator should assign a partly satisfactory rating (to be revised) until a PPER is complete.

The PCR summary table (Table V) contains a number of transcription errors with respect to the scores recorded in the body of the evaluation. The DO is scored 3 but it should be 4, and likewise for timeliness and partnership sustainability. As a result, table V reports an average score of 3.25 and an overall project completion rating of 3(S).

However, if the correct figures are used, the PCR average score is in fact 3.71 which would give an overall rating of 4(HS).

The arithmetic mean of the four components in the PCREN is 3.46 which would place the project very close to the top of the Satisfactory category.

The program was an ambitious one in that it attempted to put into place elements that were crucial to encouraging inclusive private-sector led growth. In the context of Egypt, that was a big fiscal, economic and cultural adjustment. The fact that so much of the program achieved its goals is commendable, both for the Bank and the Borrower. The program did not take place in a vacuum, of course, and exogenous factors affected the program implementation and overall results. This, together with the large adjustment the program was attempting to make, led to adverse effects on the one impact measure above all others that the Bank targets: poverty. The measures pursued were highly regressive. They

would have also had a strong adverse impact on middle class incomes. It may be that these adverse impacts are unavoidable in the short-term given the nature of the adjustment, and the GoE adopted measures to try to ameliorate them. It is beyond the scope of this PCREN and the evidence provided to it, to comment whether the adverse impacts were ‘only’ short term and whether the achievements of the program have now succeeded in inducing inclusive private-sector led growth.

Relevance

The PCR rating for this component was 4. The PCREN averaged rating is 3.5.

Overall, the programme was highly relevant to the reform priorities of the GoE at project design and implementation. Adjustments were made where required during implementation. The question over relevance made by the PCREN is design relevance in relation to the Bank’s own anticipated positive impacts on poverty and gender equality and the risks posed to these impacts.

Effectiveness

The PCR rating for this component was 4 (in the text, 3 in Table V). The PCREN agrees.

The programme has been successful in achieving its target values for many of its chosen indicators, many considerably above target. The PCREN has some reservations however about the way the PCR judges effectiveness. In the view of the PCREN, judging effectiveness requires one of two things, i) a definable action, such as passing of a law, or ii) a measurable metric with a baseline and adequate monitoring. While the PAR seems to possess this, there is some slippage between the PAR and the PCR. However, this is a reservation about measurement. The overall effectiveness of the programme in terms of achieving its outcomes and outputs seems to be very high. However, the program was not effective in achieving a positive impact on poverty (in fact, the opposite), nor for gender equality (except for one bright spot).

Efficiency

The PCR rating for this component was 3.5 (in the text, 3 in Table V). The PCREN rating is 3.

All disbursements were made during the programme at 100%. Disbursements I and II were made in a timely manner. Disbursement III was delayed by about 9 months, but was still made within the programme time scale, and the programme closed on time. The programme activities were enacted as pre-conditions of disbursements.

Sustainability

The PCR rating for this component was 3.33 (in the text, 3 in Table V). The PCREN agrees with 3.33.

The Programme pursued a reform package aimed at fiscal adjustment, so that, in principle, it is financially sustainable. This depends on the GoE’s on-going reform agenda and the success of reforms in provoking self-reliant growth generated by a liberated private sector. The institutional and capacity strengthening achieved within the programme stands a good chance of being maintained and serving as a base for further

gains in the future. The cooperation and experience of the GoE within the program should allow it to participate fully in future collaboration with the both the Bank and other Development Partners. Much depends on - exogenous - political developments within Egypt.

b. Design, implementation and utilization of the M&E:

Provide an assessment of planned and actual design, implementation and utilization of the M&E system. Design: To which extent the project M&E system was explicit, adequate and realistic to generate and analyse relevant data ; Implementation: To which extent relevant data was collected – Elements of M&E implementation and effectiveness in the PCR ; Utilization: degree of utilization of data generated for decision-making and resource allocation – elements of M&E utilization in the PCR.

As a PBO, M&E was essential to ensure that all or sufficient triggers were achieved prior to the disbursement of the three tranches of the loan. This necessitated specific actions and specific metrics to be selected at design, the targets of which could be accurately validated before disbursement. This was in general the case. In some instances, however, the triggers were altered at the behest of the GoE, and the M&E system responded by agreeing new triggers to keep the programme on track.

6. EVALUATION OF KEY LESSONS LEARNED AND RECOMMENDATIONS

a. Lessons learned:

Provide a brief description of any agreement/disagreement with all or part of the lessons learned from the PCR after analysis of the project performance with regards each of the key components of the evaluation (Relevance, Effectiveness, Efficiency, and Sustainability). List the main PCR and/or reformulated pertinent lessons learned for each of the above four components. It is recommended that no more than five lessons learned are discussed. Key questions and targeted audience must also be specified for each lesson learned.

<u>Original</u>	It would be important for the Bank to remain engaged in the areas supported by EGESP. Policy reforms that could be supported by the Bank to sustain and consolidate the results of EGESP include:1) Introducing modern and effective tax regime for SMEs with a reduced flat tax rate on annual recorded turnover levels; 2) Enhancing the effectiveness and support the Industrial Development Authority (IDA) institutional reform; 3) Enhancing the institutional and financial independence of the Egyptian Competition Authority;	<u>Validation</u> Write-Off
<u>Reformulation (If applicable)</u>		
<u>Reviewer Comment</u>	These are recommendations and are correctly located in the recommendations section below.	

<u>New lesson</u>	The Bank’s policy dialogue with Governments in PBOs is greatly enhanced when it also engages TA and provides advisory services related to the PBO.
<u>Reviewer comment</u>	VALID

<u>New lesson</u>	The good coordination between the development partners (AfDB and WB) while using a matrix in a programmatic approach, and government commitment, helps to enhance achievement of good results for budget support operations and to deliver effective monitoring and tracking of implementation and results by both
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	financiers without further burden and with potential low transaction costs.
<u>Reviewer comment</u>	VALID

<u>New lesson</u>	The risks of unintended effects of the reforms, such as potential hardship among the population, could have been better identified, monitored and managed and the effects reduced.
<u>Reviewer comment</u>	VALID

b. Recommendations:

Provide a brief description of any agreement/ disagreement with all or part of the recommendations from the PCR. List the main PCR and/or reformulated recommendations (required actions by the Borrower and/or the Bank).

<u>Original</u>	<p>1. It would be important for the Bank to remain engaged in the areas supported by EGESP. Policy reforms that could be supported by the Bank to sustain and consolidate the results of EGESP include:</p> <ol style="list-style-type: none"> 1) Introducing modern and effective tax regime for SMEs with a reduced flat tax rate on annual recorded turnover levels; 2) Enhancing the effectiveness and support the Industrial Development Authority (IDA) institutional reform; 3) Enhancing the institutional and financial independence of the Egyptian Competition Authority; 4) Support to industrial competitiveness through the National Industrial Localization programme; 5) Support to industrial zones/cluster development; 6) Improving the SME ecosystem through: Enhancing the role of Micro, Small, and Medium Enterprise Development Agency; increased land allocation for SMEs, industrial skills development and TVET governance reform, the development of an interactive platform to provide services to SMEs and an updated and modernized database for SMEs; 7) Public procurement: Promoting and facilitating SME participation in public procurement; Reforms to the SOE procurement process which would help open new markets to the private sector. 8) Reviewing and enhancing the current Export promotion scheme in a way that links support to growth in exports receipts and opening new markets; 9) Deepening and sustaining the energy sector reforms by continuing to the support government efforts for improving the sustainability and governance of the electricity sector, and 	<p><u>Validation</u></p> <p style="text-align: center; color: blue;">Sign-Off</p>
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	further promoting private sector investment in clean energy and energy efficiency for fostering green growth.	
<u>Reformulation (If applicable)</u>		
<u>Recipient(s)</u>	Bank and Beneficiary	
<u>Reviewer Comment</u>	This recommendation as made in the PCR has 9 points (not all shown here), all of which are valuable suggestions for continued Bank support to GoE in prosecution of its reform agenda and to ensure the sustainability of the projects results. It is noted, however, that they are <i>specific</i> to that project and do not provide <i>generic</i> recommendations for the Bank.	

<u>Original</u>	The success of EGESP was in large part due to a significant package of TA provided by other DPs. The Banks policy dialogue with Government would be greatly enhanced if it was also engaging TA and providing advisory services. While the Bank has a number of TA and institutional support projects in Egypt, none of them were directly linked to the areas targeted by the PBO- the Bank should strive to ensure greater synergies and complementarities across its portfolio.	<u>Validation</u> Sign-Off
<u>Reformulation (If applicable)</u>	The Bank should strive to ensure greater synergies and complementarities across its portfolio in a country.	
<u>Recipient(s)</u>	Bank	
<u>Reviewer Comment</u>	Partly reformulated as a new lesson above, and partly reformulated as a recommendation here.	

<u>Original</u>	The Country office was critical towards ensuring a sustained dialogue on the reforms supported by EGESP, meanwhile the office did not have all the required expertise resident in Cairo (except for Energy), which made it difficult to engage continuously on all the reform areas. This was compensated through frequent missions from HQ. Meanwhile, the Bank should consider strategically placing critical staff with required expertise in Regional and Country offices to positively influence policy dialogue, when there are such multi-year operations.	<u>Validation</u> Sign-Off
<u>Reformulation (If applicable)</u>	The Bank should consider placing staff with required expertise in Regional and Country offices to positively influence policy dialogue in PBOs.	
<u>Recipient(s)</u>	Bank	
<u>Reviewer Comment</u>		

<u>New recommendation</u>	With PBOs aimed at long-term adjustments, it would be instructive for the Bank to continue to monitor key project indicators, especially impact indicators, for five years after project end, in order to assess impact in the medium-term.
<u>Recipient(s)</u>	Bank and Beneficiary
<u>Reviewer comment</u>	

<u>New recommendation</u>	Continuous support (on tariffs, the share of private entities in energy distribution, and for regulatory bodies) should be extended by the Bank in private sector development or participation in the energy sector, in order to ensure sustained results.
<u>Recipient(s)</u>	Bank and Co-Financier
<u>Reviewer comment</u>	

7. COMMENTS ON PCR QUALITY AND TIMELINESS

The overall PCR quality rating is based on the criteria presented in the annexe and other: The quality of the PCR is rated as highly satisfactory (HS) (4), satisfactory (S) (3), unsatisfactory (US) (2), and highly unsatisfactory (HUS) (1). The timeliness of the PCR is rated as on time (4) or late (1). The participation of the Borrower, co-financier, and the bank's external office(s) are rated as follows: HS (4), S (3), US (2), HUS (1).

The PCR is comprehensive and of a generally good standard, especially for a PBO, which is more difficult to fit into the format required.

While making ratings on outcomes and outputs, the PCREN had, in a number of instances, to face the problem of whether the score applied to the output or to the PCR itself. It sided with scoring the output or outcome. In scoring the PCR itself, it also had the problem of assessing to what extent inadequacies were of this PCR and to what extent they were of the PCR process, methodology and form. Both were relevant.

For a number of outputs and outcomes, the data as presented in the PCR makes it difficult to accurately assess whether, and to what extent, the program was effective. Simply asserting that it was effective is insufficient. In places, the PCR adopts general output/outcomes which are not measurable, whereas the RLF sites specific output/outcomes which are measurable. This disparity between the RLF and PCR may be seen positively as a consequence of a flexible approach within the program-based operation to changing borrower priorities and political realities on the ground. Changes can be made which still contribute to project objectives, but which have no baseline in the project appraisal.

To the PCREN, it seems important to have a clear and accurate account of ‘what happened’ (or ‘what did not happen’) within the project, whether that is in accordance with what the project envisaged at appraisal stage or not. It is the only way to judge ‘effectiveness’ and to learn valuable lessons for future projects. There are essentially two aspects of judging effectiveness. Firstly, direction: has the chosen indicator moved towards the target (improved), or in the other direction (worsened). Secondly, to what extent has the indicator moved in relation to the target (measurability).

The PCR often provided no new information to the IPR, completed 14 months earlier, but this may simply be because of the nature of the PBO with dispersal of funds being predicated on achievement of pre-conditions. The PCR attempted to provide more up-to-date data in the comments fields, but this must remain relevant to the outcome/output.

The PCR would have benefitted from more attention prior to publication on formatting, spelling and grammar checking, and proofreading.

The criticisms the PCREN has of the PCR might indicate an ‘unsatisfactory’ rating, but this is ameliorated by the fact that the project is a PBO and by problems in the PCR form and methodology itself.

The overall rating of PCR quality is 3 (S).

8. SUMMARY OF THE EVALUATION

This is a summary of both the PCR and IDEV ratings with justification for deviations. Appropriate section of the PCR Evaluation should be indicated in the last column in order to avoid detailed comments. If the evaluator is unable to validate a PCR rating on one of the four evaluation criteria, s/he must provide an appropriate explanation for this.

Criteria	PCR	PCREN	Reason for disagreement/ Comments
RELEVANCE	4	3.5	
Relevance of project development objective	4	4	
Relevance of project design	4	3	While the poverty rate and the gender gap were two of the three indicators of project impact, poverty increased markedly and the gender gap was only closed on one account; microfinance.
EFFECTIVENESS	3/4	4	There seems to be some confusion within the PCR, but given the agreement between

			the PCREN and the PCR for the effectiveness of outputs and outcomes, the DO and hence overall effectiveness should be scored at 4.
Delivery of outputs	4	4	Very high delivery of outputs, within the context of a PBO.
Realization of outcomes	4	4	Very good delivery of outcomes.
Development objective (DO)	4/3	4	In section II.B.4 of the PCR, the DO rating given is 4 (HS). In section V, the Overall PCR rating summary chart, the DO rating is given as 3.
EFFICIENCY	3	3	
Timeliness	3/4	3	In section II.C.1 of the PCR, the Timeliness rating given is 4 (HS). In section V, the Overall PCR rating summary chart, it is given as 3.
Resource use efficiency	N/A	N/A	
Cost-benefit analysis	N/A	N/A	
Implementation progress (Compliance with (i) with covenants; (ii) project systems and procedures; (iii) project execution and financing)	3	3	Reported to be satisfactory in the IPR, excepting the delay to disbursement.
SUSTAINABILITY	3	3.33	
Financial sustainability	3	3	The program has helped to improve the fiscal position of the GoE in a sustainable way.
Institutional sustainability and strengthening of capacities	3	3	The experience gained by the borrower within the program dialogue, and with the TA from the WB, bodes well for institutional sustainability.
Ownership and sustainability of partnerships	3/4	4	In section II.D.3 of the PCR, the rating for Ownership and sustainability of partnerships is given as 4 (HS). In section V, the Overall PCR rating summary chart, it is given as 3.
Environmental and social sustainability	N/A/3	N/A	In section II.D.4 of the PCR, Environmental and social sustainability is not rated. In section V, the Overall PCR rating summary chart, it is given as 3.
OVERALL PROJECT COMPLETION RATING	3.71 HS	3.46 S	
Bank performance:	3	3	
Borrower performance:	3	3	
Performance of other stakeholders:	3	3	
Overall PCR quality:		3	Good apart from a number of measurement difficulties for outputs and outcomes, as well as limitations in data to substantiate some results, analysis and summary.

9. PRIORITY FOR FUTURE EVALUATIVE WORK: PROJECT FOR PERFORMANCE EVALUATION REPORT, IMPACT EVALUATION, COUNTRY/SECTOR REVIEWS OR THEMATIC EVALUATION STUDIES:

- Project is part of a series and suitable for cluster evaluation
- Project is a success story
- High priority for impact evaluation
- Performance evaluation is required to sector/country review
- High priority for thematic or special evaluation studies (Country)
- PPER is required because of incomplete validation rating

Major areas of focus for future evaluation work:

- a) Performance evaluation is required for sector/ country review
- b) Cluster evaluation (institutional support)
- c) Sector evaluation (budgetary support or public finance management reforms)

Follow up action by IDEV:

Identify same cluster or sector operations; organize appropriate work or consultation mission to facilitate a), b) and/or c).

Division Manager clearance

Director signing off

Data source for validation:

- Task Manager/ Responsible bank staff interviewed/contacted (in person, by telephone or email)
- Documents/ Database reports

Attachment:

- PCR evaluation note validation sheet of performance ratings
- List of references

Annex

PROJECT COMPLETION REPORT EVALUATION NOTE Validation of PCR performance ratings

PCR rating scale:

Score	Description (see PCR preparation guidelines for details)
4	Highly Satisfactory (HS)
3	Satisfactory (S)
2	Unsatisfactory (US)
1	Highly Unsatisfactory (HUS)
UTS	Unable to score/rate
NA	Non Applicable

Criteria	Sub-criteria	PCR work score	IDE V review	Reasons for deviation/comments
RELEVANCE	Relevance of the project development objective (DO) during implementation	4	4	The PBO was relevant to the GoE's reform priorities and to Bank strategy for the country, and in line with other major DPs, especially the World Bank and the IMF.
	Relevance of project design (from approval to completion)	4	3	While the poverty rate and the gender gap were two of the three indicators of project impact, poverty increased markedly and the gender gap was only closed on one account; microfinance. There was a perceived failure to anticipate this – or the risk of it – and plan accordingly.
OVERALL RELEVANCE SCORE		4	3.5	
EFFECTIVENESS*	Effectiveness in delivering outcomes			
	Outcomes	4	4	The project was successful in delivering outcomes.
	Effectiveness in delivering output			
	Outputs	4	4	The project was successful in delivering its outputs, although some were altered during implementation.
	Development objective (DO)			
	Development objective rating	3/4	HS	In section II.B.4 of the PCR, the DO rating given is 4 (HS). In section V, the Overall PCR rating summary chart, the DO rating is given as 3. As effectiveness of both outcomes and outputs rated 4, the DO rating is HS.
Beneficiaries				

Criteria	Sub-criteria	PCR work score	IDE V review	Reasons for deviation/comments
	Beneficiaries			Not scored in PCR.
	Unanticipated outcomes (positive or negative not considered in the project logical framework) and their level of impact on the project (high, moderate, low)			
	Institutional development			Not scored in PCR.
	Gender		+ve Low	Not scored in PCR. There was very little positive impact on gender as anticipated in the PAR, other than the success of the microfinance measures (see above).
	Environment & climate change		N/A	Not scored in PCR.
	Poverty reduction		-ve High	Not scored in PCR. The PAR envisaged a positive impact on poverty but the reality was a large negative impact (see above). It is not entirely clear the extent to which social safety-net measures ameliorated this negative impact.
	Private sector development		+ve High	Not scored in PCR. Perhaps the size of the positive response of the private sector to new measures was surprising, such as the number of industrial licences applied for and granted and the number of microfinance provider licences issued.
	Regional integration		N/A	Not scored in PCR. No information provided.
	Other (specify)		N/A	Not scored in PCR.
EFFECTIVENESS OVERALL SCORE		4	4	
EFFICIENCY	Timeliness (based on the initial closing date)	3/4	3	In the PCR, section II.C.1, the timeliness rating is given as 4. However, in section V, the timeliness rating is given as 3. The PCREN agrees with the lower rating. The project was completed within its time-frame, although disbursement was delayed by nine months.
	Resource use efficiency			Not scored in PCR
	Cost-benefit analysis	N/A	N/A	
	Implementation progress (from the IPR)	3	3	
	Other (specify)			
OVERALL EFFICIENCY SCORE		3.5	3	
SUSTAINABILITY	Financial sustainability	3	3	The program has helped to improve the fiscal position of the GoE in a sustainable way.

Criteria	Sub-criteria	PCR work score	IDE V review	Reasons for deviation/comments
	Institutional sustainability and strengthening of capacities	3	3	The experience gained by the borrower within the program dialogue, and with the TA from the WB, bodes well for institutional sustainability.
	Ownership and sustainability of partnerships	4	4	The Bank, the WB and the GoE now have substantial positive experience of working together, which can be leveraged in the future.
	Environmental and social sustainability	N/A	N/A	N/A category 3 project.
OVERALL SUSTAINABILITY SCORE		3.33	3.33	

*The rating of the effectiveness component is obtained from the development objective (DO) rating in the latest IPR of the project (see Guidance Note on the IPR).

The ratings for outputs and outcomes are determined based on the project's progress towards realizing its targets, and the overall development objective of the project (DO) is obtained by combining the ratings obtained for outputs and outcomes following the method defined in the IPR Guidance Note. The following method is applied: Highly satisfactory (4), Satisfactory (3), Unsatisfactory (2) and Highly unsatisfactory (1).

Criteria	Sub-criteria	PCR Work score	IDE V review	Reasons for deviation/comments
BANK PERFORMANCE	Proactive identification and resolution of problems at different stage of the project cycle		4	Several outputs were altered in the implementation of the program through dialogue with the borrower.
	Use of previous lessons learned from previous operations during design and implementation		3	Lessons from previous PBOs were incorporated into in the design.
	Promotion of stakeholder participation to strengthen ownership		4	Strong dialogue with both the borrower, the World Bank and the individual ministries and units involved in the program.
	Enforcement of safeguard and fiduciary requirements		3	
	Design and implementation of Monitoring & Evaluation system		3	The M&E system coped with a complex program involving many government ministries and authorities.
	Quality of Bank supervision (mix of skills in supervisory teams, etc.)		3	The PCR commented that having experts in the country office may have improved supervision.
	Timeliness of responses to requests		4	The Bank responded in a timely fashion to requests.
OVERALL BANK PERFORMANCE SCORE		3	S	
BORROWER PERFORMANCE	Quality of preparation and implementation		3	Many government agencies worked hard to implement the program reforms.
	Compliance with covenants, agreements and safeguards		3	
	Provision of timely counterpart funding		N/A	

	Responsiveness to supervision recommendations		4	The GoE responded positively to several Bank suggestions and recommendations.
	Measures taken to establish basis for project sustainability		3	This is implicit in the design of the project. Financial sustainability should come from the reforms and their beneficial effect on private sector growth.
	Timeliness of preparing requests		3	
OVERALL BORROWER PERFORMANCE SCORE		3	S	
PERFORMANCE OF OTHER STAKEHOLDERS	Timeliness of disbursements by co-financiers		4	
	Functioning of collaborative agreements		4	The World Bank provided TA which was critical for the program.
	Quality of policy dialogue with co-financiers (for PBOs only)		4	There was a positive dialogue throughout between the GoE, the Bank and the World Bank.
	Quality of work by service providers		N/A	
	Responsiveness to client demands		4	
OVERALL PERFORMANCE OF OTHER STAKEHOLDERS		3	HS	It seems on the evidence provided that the collaboration with the World Bank was of a high standard throughout the project.
The overall rating is given: HS, S, US and HUS.				
(i) Highly satisfactory (HS) : 4 (ii) Satisfactory (S) : 3 (iii) Unsatisfactory (US) : 2 (iv) Highly Unsatisfactory (HUS): 1				

DESIGN, IMPLEMENTATION AND UTILIZATION OF MONITORING AND EVALUATION (M&E)

Criteria	Sub-criteria	IDEV Score	Comments
M&E DESIGN	M&E system is in place, clear, appropriate and realistic	4	Well designed and functioned well in a complex programme.
	Monitoring indicators and monitoring plan were duly approved	3	There was some change of indicators during implementation in response to changes within the project.
	Existence of disaggregated gender indicator	2	There was disaggregated data presented on microfinance loans and on social payments made only to females. Otherwise, because of the nature of the reforms in the PBO, gender disaggregation was not a relevant or possible consideration, as it would be for projects.
	Baseline data were available or collected during the design	3	Because of alterations in the programme during implementation, some indicators lacked proper baseline data.
	Other, specify		
OVERALL M&E DESIGN SCORE		3	

Criteria	Sub-criteria	IDEV Score	Comments
M&E IMPLEMENTATION	The M&E function is adequately equipped and staffed	3	The Bank provided the necessary expertise, though in some cases these were not 'in-country' staff but outside consultants.
OVERALL M&E IMPLEMENTATION SCORE		3	
M&E UTILIZATION	The borrower used the tracking information for decision		
OVERALL M&E UTILIZATION SCORE		3	
OVERALL M&E PERFORMANCE SCORE		3	

PCR QUALITY EVALUATION

Criteria	PCR-EVN (1-4)	Comments
QUALITY OF PCR		
1. Extent of quality and completeness of the PCR evidence and analysis to substantiate the ratings of the various sections	2	Some indicators were not measurable. To help establish effectiveness the PCREN was able to use the appraisal report and narrative evidence in the PCR, because of the nature of the PBO.
2. Extent of objectivity of PCR assessment score	3	Some scores were asserted rather than proven. Otherwise good.
3. Extent of internal consistency of PCR assessment ratings; inaccuracies; inconsistencies; (in various sections; between text and ratings; consistency of overall rating with individual component ratings)	3	Some internal inconsistency of scores, detailed in the main table above.
4. Extent of identification and assessment of key factors (internal and exogenous) and unintended effects (positive or negative) affecting design and implementation	3	The PCR noted changes made to the PBO during implementation and the unintended effect of increased poverty and lack of progress on gender.
5. Adequacy of treatment of safeguards, fiduciary issues, and alignment and harmonization	3	Satisfactory.
6. Extent of soundness of data generating and analysis process (including rates of returns) in support of PCR assessment	2	There a few problems with data, and some with analysis, relating to determining effectiveness of output and outcomes.
7. Overall adequacy of the accessible evidence (from PCR including annexure and other data provided)	3	Overall good though inadequate on some outputs. Additional up-to-date evidence provided in the Comments section.
8. Extent to which lessons learned (and recommendations) are clear and based on the PCR assessment (evidence & analysis)	4	A good extensive list of recommendations and proposals for the Bank to consolidate the work of the PBO.
9. Extent of overall clarity and completeness of the PCR	3	
Other (specify)		
PCR QUALITY SCORE	3	
PCR compliance with guidelines (PCR/OM ; IDEV)		

1. PCR Timeliness (On time = 4; Late= 1)	4	
2. Extent of participation of borrower, Co-financiers & field offices in PCR preparation***	3	The PCREN has no information that the PCREN was prepared with any other than AfDB staff.
3. Other aspect(s) (specify)		
PCR COMPLIANCE SCORE		
*** rated as Highly satisfactory (4), or Satisfactory (3), or Unsatisfactory (2), or Highly unsatisfactory (1)		

List of References

Egypt Economic Governance and Energy Support Program III (EGESP III)

Documents available to PCREN

1. **Country Strategy Paper (CSP) 2015-2019**, ADB 23 November 2015
'COUNTRY STRATEGY PAPER 2015-2019.pdf'
2. **Aide Memoire, Appraisal Mission 8-12 October 2017 (Phase III)**
'Egypt-EGESP III – Aide Memoire- Appraisal Mission October 2017_updated 27102017.wpd'
3. **Appraisal Report**, ADB (RDGN/COEC) January 2018
'APPRAISAL REPORT.pdf'
4. **Technical Annexes**, ADB January 2018
'TECHNICAL ANNEXES.pdf'
 - 4.1 Selected Macroeconomic Indicators
 - 4.2 Country Financing Gap
 - 4.3 Country Fiduciary Risk Assessment
 - 4.4 Executive Summary of the Overall Multi-year Programme
 - 4.5 Joint AfDB and World Bank Policy Results Matrix
 - 4.6 Key Achievements under the previous Operations
 - 4.7 Overview of the Business Environment
 - 4.8 Social Sector Review
 - 4.9 AfDB Portfolio in Egypt
5. **Loan Document**, ADB 15 January 2018
'OUTCOME OF NEGOTIATIONS.pdf'
6. **Loan Approval**, ADB 17 January 2018
'RESO – EGYPT –ECONOMICGOVERNANCE EGESP III –BOARD OF 17 JANUARY 2018.wpd'
7. **Implementation Progress Report (IPR)**, ADB 20 September 2018, updated 20 January 2019
'IPR Egypt_EGESP III_21Jan19_190910.wpd'
8. **Project Completion Report (PCR)**, ADB November 2019
'EN_PR10986.pdf'
The revolution of 2011