

Clima-Med

Acting for Climate in
South Mediterranean



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CLIMATE FOR CITIES



CLIMATE FINANCE GUIDEBOOK

Annexe 1

**FRAMEWORK CONDITIONS FOR CLIMATE FINANCE
IN EGYPT**

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01.

Introduction



1.1 Content

The “Framework Conditions for Climate Finance in Egypt – Annex 1 to Clima-Med’s Climate Finance Guidebook” presents a selected set of rules, regulations, structures, and examples of relevance to the overall effort to scale up climate finance in the country.

The information included in this Annex is meant to guide climate finance actions in general and, more specifically, to enhance the planning and implementation of the recommendations in the Clima-Med Climate Finance Guidebook.



The framework conditions relate to the following:

- The availability and usability of Clima-Med SEACAPs and the regional CAS.
- Main technical support facilities and programmes related to climate finance in the country.
- Institutional set-up, including leading state institutions whose role and needs are related to climate action in general and, more particularly, to climate finance.
- Commercial banks, funds, and other financing actors with experience and potential role in climate financing, including Development Banks Funds and relevant financing programmes.
- Specific framework conditions related to NDC implementation in the country.

- Existing Key financial instruments or critical sources of funding for climate projects.
- Past or existing subsidy programmes and subsidies supported by bilateral governments, Multilateral Development Banks, and climate-related blended finance.
- Application, qualification process and recourse to Energy Service Companies (ESCO) and Energy Audits Companies.
- Applicability and enabling conditions for Public-private partnerships (PPP) and concessions.
- Selected examples of financed climate actions and overall conclusions.

1.2. The Clima-Med project

The Clima-Med project, which started in 2018 for the benefit of 8 countries and over a hundred cities in the southern Mediterranean, enhances three essential components aiming at guiding and implementing policies, strategies and programs related to the climate at national and local levels.

The first project's component is dedicated to coordinating climate action at the national level by creating the National Coordination Group, NCG (which was set at the regional level in the case of Egypt) and developing a National Climate Coordination Strategy, CAS. In the case of Egypt, two Regional Coordination Groups for two governorates were created, and the CAS dealt primarily with regional policies. The second component supports local authorities, LAs, in preparing Sustainable Energy Access and Climate Action Plans, SEACAPs, and the third component aims to enhance Climate Finance, primarily to fund the SEACAPs projects.

The Climate Action Coordination Strategy, CAS, aims to provide recommendations to regional authorities (governorates) to improve the mainstreaming of climate change (at both mitigation and adaptation aspects of climate change) in public policies and to ensure more effective coordination between all actors of climate change in Egypt and nationwide.

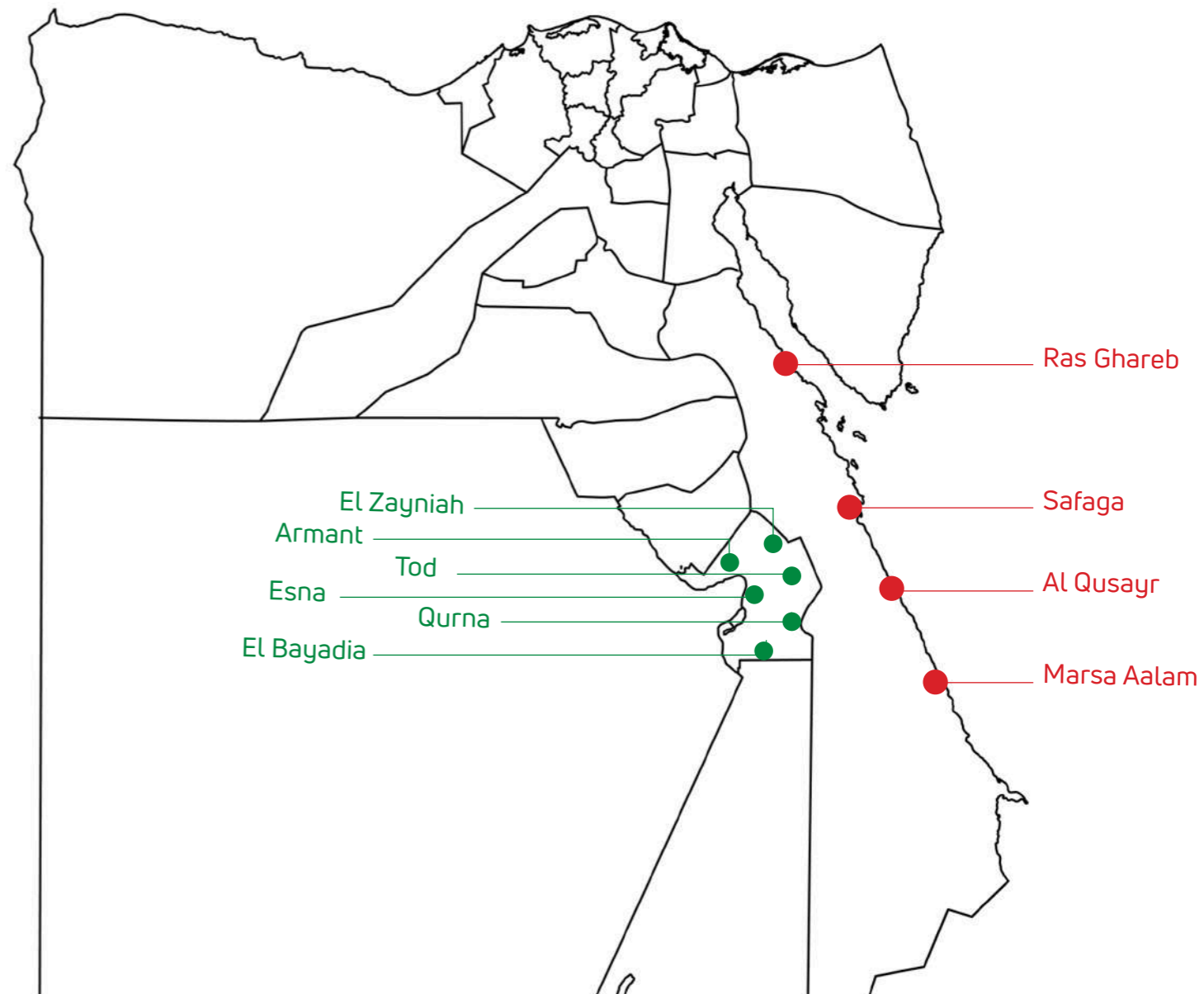
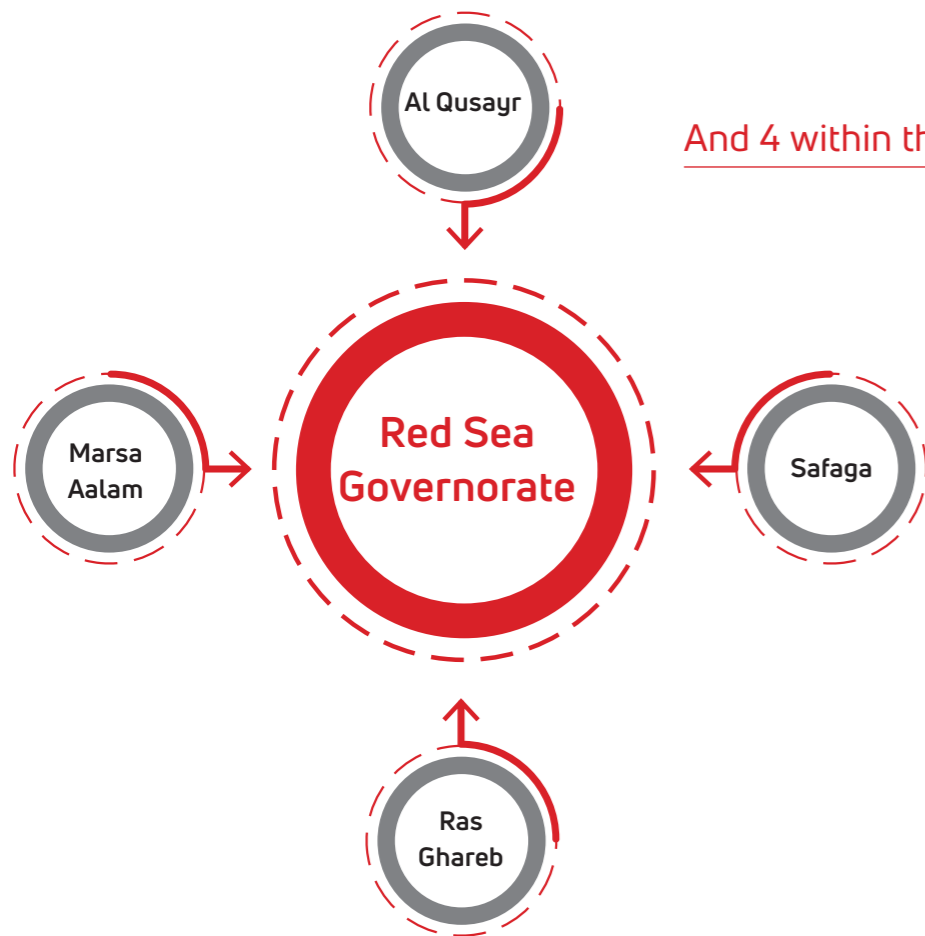


The following 10 SEACAPs have been developed for Egypt:

6 within Luxor Governate:



And 4 within the Red Sea Governorate:



The prepared SEACAPs and the envisaged engagement of more governorates and their cities are a solid basis to be presented to the attention of national institutions and primarily to international donors.

02.

Institutional Planning Set-up



Egypt ratified the United Nations Framework Convention on Climate Change (UNFCCC) in 1994 to be among the first countries to respond to the threats of climate change as per the equity principle of common but differentiated responsibilities by the respective national capabilities. In November 2015, Egypt submitted its Intended Nationally Determined Contributions (INDCs), highlighting national plans to promote resilience, address climate change impact through adaptation and reduce its greenhouse gas (GHG) emissions through mitigation. In its INDCs, Egypt noted that climate change adaptation and mitigation would require an estimated USD 73 billion over 2020–2030 but did not separately provide categorised adaptation and mitigation costs.¹



¹ <https://www.unepfi.org/wordpress/wp-content/uploads/2021/01/Sustainable-Arab-Finance-Report-Jan-2021.pdf>

Egypt does not have a specific Climate Law. Nevertheless, the NDC update is aligned with several of Egypt's developmental and climate change policies, including Sustainable Development Strategy: Egypt's Vision 2030, the emerging Long Term Low Emission Development Strategy 2050 (LT-LEDS), the National Climate Change Strategy 2050 (NCCS), and the National Strategy for Adaptation to Climate Change and Disaster Risk Reduction. In addition, there are sectoral strategies, such as Integrated Sustainable Energy Strategy 2035, National Energy Efficiency Action Plan, Integrated Solid Waste Management Strategy, and Sustainable Agricultural Development Strategy towards 2030. Further information about these and other policies is provided below. Several current plans and strategies address mitigation and adaptation within both natural and urban environments at national and local levels. Key actors, stakeholders and main plans include the following:

The National Council for Climate Change (NCCC) provides strategic oversight and is the main decision-making body within the executive. The NCCC has existed in some form since 1997. The Prime Minister now leads the NCCC after the latest reforms in 2019. The Council is also responsible for ensuring close coordination and includes representatives from several ministries and other stakeholders. Its responsibilities include allocating necessary finance from the national budget and regional and international sources and following up on all negotiations concerning CC, related protocols and agreements.

The Ministry of Environment (MoE) was established in 1997 by Presidential Decree No. 275/1997 and is responsible for defining environmental policies, setting priorities and implementing initiatives within sustainable development. It is responsible for preparing the necessary environmental protection and action plans, following up on their implementation, and undertaking pilot projects. Its policies are executed by the Egyptian Environmental Affairs Agency (EEAA).

– **The Egyptian Environmental Affairs Agency (EEAA)** is the operational arm of MoE. The Agency drafts laws and decrees related to protecting the environment, including CC. It conducts studies on the state of the environment, develops national plans and implements projects. It compiles and publishes periodic reports on the main environmental indicators.

EEAA hosts the **Central Department of Climate Change (CDCC)**, which serves as the technical secretariat to the NCCC and focal point to the UNFCCC and coordinates climate efforts with relevant ministries and governmental entities. Furthermore, EEAA ensures that the planning and implementation of climate measures follow participatory approaches through collaboration among government, private sector, civil society, academia, media, the international community, and other concerned stakeholders.

The Ministry of Electricity and RE has worked to upgrade Egypt's transmission grids and went from 2364 km of a total length of 500 KV grid in 2014 to 6006 km of a total length of 500 KV grid by the end of 2020. Moreover, in 2014 Egypt had 18 substations of 9800 MVA total 500 KV capacity. By the end of 2020, the country had a total of 48 substations of 5450MVA total 500 KV capacity by adding 30 substations with a total of 44250 MVA, more than 4 times the existing one in 2014. There are 7 existing grid control centres, and the government is currently adding 6 new ones. As part of the efforts done by the government to regulate energy consumption, the Ministry of Electricity has started working on replacing 38 million old electricity meters with smart pre-paid ones. There are 10 million units installed, and the rest will be installed in the coming 5 years.

- **The New and RE Authority (NREA)** aims to commercially promote RE technologies in Egypt and implement related energy conservation programs. NREA is entrusted with planning and implementing RE programmes in coordination with other national and international institutions.
- **The Supreme Council of Energy** provides strategic oversight and is the main decision-making body for energy policy. Like the NCCC, it is headed by the Prime Minister and is managed by the Ministry of Petroleum and the Ministry of Electricity and RE.



The Ministry of Finance aims to formulate and develop Egypt's financial policies and plans, coordinate budgets, rationalize and control government spending, develop tax revenues and improve their systems to achieve economic and social objectives. A Public-private partnership (PPP) Central Unit was set up within Egypt's Ministry of Finance in relation to the New Cairo Wastewater Treatment Plant, the first PPP in the country.

In September 2020, Egypt's Ministry of Finance launched the **first Sovereign Green Bonds in the Middle East and North Africa** region at USD 750 million listed on the London Stock Exchange to attract foreign investors. Egypt's portfolio of eligible green projects is worth USD 1.9 billion, 16% in RE, 19% in clean transportation, 26% in sustainable water and wastewater management, and 39% in pollution reduction and control.

The Ministry of Water Resources and Irrigation

manages the country's water resources, mainly the Nile. It also manages significant irrigation projects, such as the Aswan Dam and Al-Salam Canal. Egypt is an arid country relying on the Nile River, which provides 95% of its water resources. It is suffering water stress due to limited supplies, growing populations, and increased competition for water from the upper Nile basin countries. There is significant pressure on water resources to support the population's basic needs, industry and agricultural production. Significant risks induced by CC include water scarcity due to the reduction of water supply from the Nile River and high-water requirement for crops, and salinity increase in irrigation water in the Nile Delta resulting from saltwater intrusion to shallow groundwater.

Egypt has ramped up the production of desalination plants, placed protective barriers against floodwaters, and instituted initiatives to help farmers adopt more sustainable irrigation practices. It has also embarked on Adaptation to Climate Change in the Nile Delta through Integrated Coastal Zone Management.

The Ministry of Local Development

was established in 1999 to initiate sustainable projects across all 27 Egyptian governorates. The Ministry is currently supporting incentives and creating projects to allow for the decentralisation of each governorate. The accelerated development programme put together by the Ministry is based on three main axes working in parallel: empowerment of local authorities, development of human resources and community development.

Egypt Vision 2030 is the country's overarching sustainable development strategy. Climate change does not feature prominently, and the Vision does not include an economy-wide emission reduction target; however, it does have some mitigation-related sectorial targets.

2050 National Climate Change Strategy

(2021) was announced at COP26 (November 2021). The broad strategy seeks to achieve green growth, enhance adaptive capacity and resilience, ameliorate climate governance, improve domestic and international climate finance infrastructure, and strengthen research and public education. No emissions targets were mentioned when the Strategy was announced, and a copy of the strategy has yet to be available online.

The National Strategy for Adaptation to Climate Change and Disaster Risk Reduction

is a multi-sectoral document which addresses climate change and adaptation measures as part of an integrated strategy of the Egyptian government and its sustainable development programmes and plans. The planning or implementation of any project or programme incorporated in the development plans would therefore consider the impacts of climate change. The Strategy lays out risks, disasters, and crises generated by climate change in each sector, mainly the impact on the coastal areas, water resources, agriculture, health and population and tourism. It ends with a presentation of the risks related to food security.

The Integrated Sustainable Energy Strategy (ISES) - 2016 sets out Egypt's vision for scaling RE development in the power sector. The Government launched a comprehensive energy policy reform programme that included an energy subsidy phase-out and sweeping reforms for electricity and oil & gas sectors initiated in July 2014 and expected to be completed in 2024/25. The energy policy reforms included substantial RE and EE programs in the Integrated Energy Strategy 2035. ISES set 20% RE targets by 2022 and 42% by 2035. At COP26 (November 2021), Egypt announced a strengthening of its targets to 42% by 2030².

The Low-Emission Development Strategy (LEDS) - 2019 is the national framework that aims to redirect Egypt's economy towards investment in clean technology.³

The Electricity Sector Subsidy Reform Programme 2014 - 2015 involves the progressive removal of electricity subsidies and changes in prices and incentives. These are designed within the multiplication of RE investments under Egypt's Strategy for Integrated Sustainable Energy 2035.⁴



The National Hydrogen Strategy launched at COP27⁵ aims to better understand the role of green hydrogen in decarbonisation, capitalising on the low cost of renewables and the growing demand in local and export markets. The strategy will pave the way for Egypt to become one of the global leaders in the low-carbon hydrogen economy, acquiring an 8 per cent market share of globally traded hydrogen.

The Egyptian government launched the first African **voluntary carbon market** during the COP27 climate summit in November 2022. The African Market for Carbon Certificates is a platform to help economic entities operating in various productive activities in Egypt and Africa to engage in activities to reduce carbon emissions and benefit from the issuance and sale of certificates under the reduction for other companies wishing to offset their carbon emissions that are difficult to reduce. Voluntary carbon markets help companies recover part of their investment spending directed to reducing carbon emissions resulting from the exercise of their activities and reinvesting these resources in achieving carbon neutrality.

² <https://unfccc.int/sites/default/files/NDC/2022-07/Egypt%20Updated%20NDC.pdf.pdf>

³ A copy of the strategy is not available online.

⁴ <https://www.climamed.eu/wp-content/uploads/files/Final-CAS-EGYPT-18052022.pdf>

⁵ http://www.nations-united.org/United_Nations_Climate_Change_Conferences/COP27Egypt/Hydrogen_Egyptian_National_Green_Strategy_COP27UN2022Arabian_Union_European_Sustainable_Development.htm



The National Water Resources Plan (2017- 2037) is a comprehensive document which describes how Egypt will safeguard its water resources in the future, concerning quantity and quality, and how it will use these resources best from a socio-economic and environmental point of view.

The Sustainable Agricultural Development Strategy towards 2030 aims at modernising Egyptian agriculture based on achieving food security and improving the livelihood of the rural inhabitants through the efficient use of development resources and the utilisation of its environmental advantages.

Egypt embarked on a reform process to introduce a climate-sensitive waste-management system and transform it into a circular economy. **The National Solid Waste Management Strategy** was initially launched in 2012 under the Ministry of Environment. It supports the Waste Management Regulatory Authority (WMRA) and establishes a sustainable and integrated solid waste management system in four governorates: Kafr El Sheikh, Gharbia, Assiut and Qena.

The Environmental Sustainability Criteria Guidelines have increased green investments from 15% in 2019/20 to 30% in 2020/21, with projections to reach 50% in 2024/25. This is complemented by Financial Regulatory Authority Decrees 107 and 108 in 2021, which mandates companies listed in the Egyptian Stock Exchange and companies operating in the non-banking sector to submit environmental, social and governance disclosure reports related to sustainability and climate change's financial impacts.

03.

Climate-related Funding



In its INDCs, Egypt noted that climate change adaptation and mitigation would require an estimated USD 73 billion over 2020-2030 but did not separately provide categorised adaptation and mitigation costs. It also emphasised the importance of mobilising international financial support and technical assistance for the technology transfer and capacity building needed to implement the INDCs.⁶

The Egyptian Country Programme under the Green Climate Fund (GCF)

aims to establish a partnership for climate action with the GCF to accelerate the financing of climate projects in Egypt around two basic themes: decarbonisation aimed at contributing significantly to operating the energy transition and the improvement of mobility and the management of waste and sanitation; Resilience aiming to contribute significantly to the sustainable management multiple sectors.

3.1. The National Investment Bank (NIB)

The National Investment Bank (NIB) was established by law no. 119 of 1980 is the state's primary economic and investment tool for implementing its economic and social plans. According to Law 119/1980, the NIB is a non-commercial bank mandated to fund national development projects. NIB helped construct massive infrastructure such as electricity generating stations, networks for transferring and distributing electricity, water and sanitation plants and networks, transport infrastructure, agricultural and irrigation projects, housing projects, mining projects, etc. These activities attracted more investments and achieved higher growth rates for the Egyptian economy over the past decades⁷

3.2. Egypt Environmental Protection Fund

The Environmental Protection Fund (EPF) was established under Law 4/1994 (amended by Law 9/2009). Its goal is to stimulate investment in the environmental sector in Egypt and support the government's environmental, social and economic policies. To realise this goal, the EPF provides financial assistance on a competitive basis for projects that benefit the environment.

The Fund receives the amount specifically allocated to it in the General State Budget through support, donations and grants from national and foreign organisations concerned with environmental protection. The budget also comes from fines and compensation for damage caused to the environment, as well as revenues from the protectorates fund. The EPF has a legal personality and is affiliated with the competent Minister for Environmental Affairs.⁸

⁶ <https://www.unepfi.org/wordpress/wp-content/uploads/2021/01/Sustainable-Arab-Finance-Report-Jan-2021.pdf>

⁷ <http://www.nib.gov.eg/>

⁸ <https://www.eeaa.gov.eg/en-us/aboutus.aspx>

3.3. Commercial banks with experience in climate financing

Egypt is structuring its future financial sector's sustainability framework around the United Nations Environment Programme Finance Initiative's (UNEP FI's) Principles for Responsible Banking (PRB). Two major Egyptian banks:

the Arab African International Bank (AAIB) and the Commercial International Bank (CIB), are involved in fostering a culture of sustainable finance in Egypt. These banks have adopted the PRB and have been working on promoting best international practices in sustainable finance. Green finance initiatives have topped both banks' priorities as they work towards integrating sustainability into their business models.



The CIB has developed green finance products that promote EE and RE technologies by offering clients financing packages supplemented by technical support, energy audits and a list of trusted suppliers. The bank established a sustainability governance structure in 2013, comprising a sustainability advisory board, a sustainable development steering committee, a particular department, and green teams responsible for developing and implementing CIB's sustainability framework, strategies, and initiatives.

The AAIB is the first bank in the Arab region to finance solar energy, backing the Benban project in Aswan, considered the region's largest solar park. In 2014 the AAIB established a programme to raise awareness about the importance of sustainable finance: the MOSTADAM, the first platform in Egypt, the Middle East, and North Africa (MENA) region to develop sustainable finance products and services. It promotes advocacy and capacity building through education and training in sustainable finance programs tailored to finance providers.

CIB and AAIB are pioneers in calculating their organisation's carbon footprint to minimise their negative environmental impact and regulate greenhouse gas emissions and waste management. Both banks regularly issue carbon footprint and sustainability reports.⁹

⁹ <https://www.unepfi.org/wordpress/wp-content/uploads/2021/01/Sustainable-Arab-Finance-Report-Jan-2021.pdf>

Banque Misr was established in 1920 and is the second-largest bank in Egypt. It has been a partner of the EBRD since 2017. It signed its first small business loan, followed by a trade finance facility in 2018 and a USD 200 million financing package for trade and on-lending to SMEs.¹⁰ Banque Misr extended the partnership with the EBRD to channel liquidity to SMEs, promote the adoption of RE, and accelerate the adaptation of technologies on energy and resource efficiencies across various sectors.

The loan follows the success of the **Green Economy Financing Facility (GEFF)**¹¹ in Egypt. It will support an expansion of green lending in Egypt to under-served regions for investments in climate change mitigation and adaptation technologies and services.



3.4. Public-Private Partnerships and Concessions

The Government of Egypt hired the IFC in 2007 to structure a public-private partnership (PPP) to finance, design, construct, operate, and maintain its wastewater treatment plant. To increase investment in seawater desalination and wastewater reuse tenfold, Egypt is relying on PPP.¹²

Law 67 of 2010¹³ was enacted to create a more convenient legal frame for public-private-partnership (PPP) in Egypt. It targets critical areas of the country's infrastructure, such as agriculture and irrigation, education, industrial development, roads and transport, and water and sanitation. Law 67 forces the public authority to hire transaction advisors with different expertise, such as technical, financial, environmental, or any other, which is essential to project transactions. In October 2021, New amendments to the Law were approved regulating the participation of the private sector in

infrastructure, service and public utility projects. The amendments, which also cover PPP projects, allow the state's administrative system to award contracts to private sector companies in a much easier way to implement most infrastructure projects in transport, electricity, communications, information technology, water, sanitary drainage, education, etc. A joint committee comprising specialists from the Ministries of Finance and Planning will be entrusted with selecting several PPP projects every year for implementation.

New Cairo, Wastewater Treatment Plant, is the first PPP in the country and now serves more than one million residents. Treated wastewater from the plant is being used to irrigate agricultural land and urban green areas, reducing the need for fresh water. In addition, the sludge from the plant serves as fertiliser that increases the productivity of the fields, boosting economic growth in agricultural sectors.

¹⁰ <https://www.ebrd.com/news/2020/ebd-fosters-private-businesses-in-egypt-.html>

¹¹ <https://ebrdgeff.com/egypt/en/>

¹² <https://www.afrik21.africa/en/egypt-ppps-for-desalination-and-wastewater-treatment-plants/> ; https://www.researchgate.net/publication/317291037_PUBLIC_PRIVATE_PARTNERSHIP_IN_EGYPT/link/5930a39faca272fc55e1704c/download

¹³ https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/ppp_testdumb/documents/Egyptian%20PPP%20law%2067%20for%202010%20English.pdf

3.5. Crowdfunding

In Egypt, Crowdfunding is considered a financing solution for start-ups to help set up new businesses when facing funding challenges with Egyptian banks, and a feasible option to overcome lending obstacles by using unconventional ways to access cash. It offers different models of investments where an investor can inject equity into a start-up and expect profits by contributing to managerial and strategic decisions or acting as a lender and expecting some interest in return.

Crowdlending sites and platforms are gradually attracting investors keen to invest cash in projects with high returns on equity while project developers can obtain sufficient funds to initiate their business. The most popular and successful ones are Kickstarter and Indiegogo. Both platforms allow users to create a campaign and gather funding from backers,

Crowdfunding for climate-related projects still needs to be explored and utilised in Egypt. With other partners, UNDP organised a crowdfunding academy in 2019 to foster the approach in the country, raise awareness, and develop skills in supporting entities¹⁴.

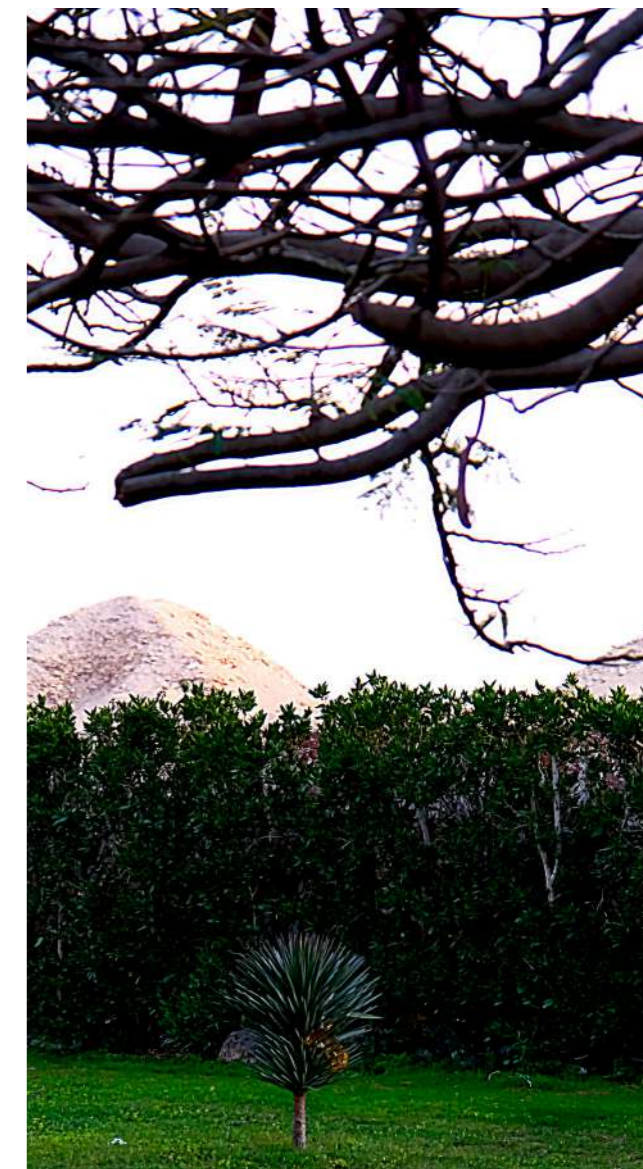
3.6. ESCO

There needs to be more legislative support for ESCOs' operations in Egypt. This is linked to the country's need for a more transparent legislative framework for promoting EE. Besides, there is a need to establish more coherent procurement rules. Other barriers to developing ESCOs include the following:

- Relatively low consumer energy prices with Limited end users' incentives for EE.
- The limited capacity of the EE agency to coordinate and promote EE activities.
- Need for more reliable data and information on energy end-use.
- Lack of mandatory energy data and information and benchmarking models for industries.¹⁵

Due to the untapped EE potential in public buildings (up to 50% in some cities), Egypt presents ideal conditions to establish a Super ESCO. The Super ESCO is a unique opportunity to carry out and implement EE projects in the public sector by identifying and developing energy performance contract projects. Moreover, the Egyptian government pushes to improve EE by creating institutional capacities (e.g., EE units within ministries). It also fits well with Egypt's long-term strategies outlined in the NEEAP 1 and 2, the Vision 2030 and the Sustainable Energy Strategy 2035.¹⁶

Under a GIZ project completed in December 2021, an assessment of the EE service market potentials in Egypt and the feasibility of establishing an ESCO was conducted. The final report encourages the establishment of a Super ESCO and elaborates on ownership scenarios.¹⁷



¹⁴ <https://www.undp.org/egypt/press-releases/introducing-crowdfunding-impact-investment-tool-finance-startups-egypt>

¹⁵ Climate Finance Guidebook: A Guidebook for Financing Local Sustainable Energy Access and Climate Action Plan (SEACAPs)

¹⁶ https://www.gfa-group.de/news/ENERGY_EFFICIENCY_Egypt_3981859.html

¹⁷ <https://www.unepfi.org/wordpress/wp-content/uploads/2021/01/Sustainable-Arab-Finance-Report-Jan-2021.pdf>

04.

Examples of climate financing by donors and
multilateral development banks



The Egyptian government has received international public climate finance to support its mitigation and adaptation efforts from various sources, including climate funds, development financial institutions, and global and regional organisations. Despite the vulnerabilities, the financial support allocated to mitigation activities is much higher than for adaptation. In 2018 the Egyptian Environmental Affairs Agency estimated the total amount of international support funding received by Egypt for climate adaptation from 2005 onwards at around USD 20 million. This has been chiefly allocated to coastal protection, agriculture and wastewater.¹⁸

European Union (EU)

EU assistance to Egypt is channelled mainly through the new **Neighbourhood, Development and International Cooperation Instrument (NDICI)** for 2021-2027. The instrument's approach includes grant funding and blending grants with loans from European and International Financing Institutions. It replaces the European Neighbourhood Instrument (ENI) of 2014-2020. The European Union's cooperation framework with Egypt is the Multiannual Indicative Programme (MIP) for 2021-2027, based on the new partnership priorities to support Egypt in green and sustainable development areas, etc. For the first period of the MIP 2021-2024, EUR 240 million have been allocated for EU bilateral cooperation with Egypt.

Among other areas, past support focussed on developing RE and EE, water management and treatment, waste management, environment, governance and public administration reform corresponding with Egypt's "Sustainable Development Strategy – Vision 2030". Complementary support for developing expertise in public administration and civil society organisations was also provided outside these priority sectors. For 2014-

2020, the EU's bilateral assistance to Egypt under the ENI amounted to EUR 756 million.

Under the EU External Investment Plan and the blending mechanism of the Neighbourhood Investment Platform (NIP), Egypt has benefited from over EUR 620 million in blending grants, which have leveraged approximately EUR 7 billion since 2008, in concessional loans from European Financial Institutions combined with public and private sector financing. Investments supported the critical sectors of RE, EE, irrigation, water and wastewater management, transport, financial inclusion, support to Micro, Small and Medium Enterprises, etc. EU grants increased the concessional nature of loans from International Financial Institutions and absorbed political and economic risks. Under the new NDICI instrument, an increased accent on blending EU grants with loans from European and International Financing Institutions will allow to unlock of substantial levels of concessional funding for investments. The new system of guarantees under the NDICI will give access to additional funds from the crowding-in of public and private investors.¹⁹

¹⁸ <https://www.unepfi.org/wordpress/wp-content/uploads/2021/01/Sustainable-Arab-Finance-Report-Jan-2021.pdf>

¹⁹ https://neighbourhood-enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/egypt_en#bilateral-cooperation



The Green Economy Financing Facility (GEFF)

With the support of EBRD, EIB and AFD first Green Economy Financing Facility in Egypt was established, which has served more than 100 industrial facilities to convert to low carbon schemes. Following its success, the facility was extended. Under Egypt Green Economy Financing Facility, a framework loan was received by AlexBank for private sector financing of green economy

projects, including EE, RE and a significant climate action component. The loan will provide funding to the projects undertaken by small, medium and mid-cap enterprises across Egypt to support the development of EE and small RE projects in the private sector and climate change mitigation.

The European Bank for Reconstruction and Development (EBRD)

Egypt is a founding member of the EBRD. Since its operations there in 2012, the Bank has invested more than EUR 9.8 billion in 152 projects across the country. The Bank's support for renewables in Egypt has been steadfast, investing in one of the largest solar plants in Africa and supporting the transition from a feed-in tariff (FiT) framework to competitive tenders. EBRD has been the lead development partner in the energy pillar of the country's ground-breaking Nexus on Water, Food and Energy (NWFE). Since 2012, the Bank has been part of the flagship Benban solar park development.

This USD 500 million framework will scale up RE through RE integration and leveraged investments, financed by USD 154.7 million from GCF and USD 352.2 million from EBRD. It has two complementary components (GCF, 2017b):

- *Component One (2017-2022): technical assistance programme to enhance RE integration, policies and planning, and*
- *Component Two (2017-2040 approx.): scale-up investments to support the development and construction of RE projects totalling USD 1 billion by blending GCF and EBRD financing to leverage debt financing from international and development*

financial institutions and, eventually, commercial banks and private sector investments.

The Framework will support Egypt in meeting its RE targets whilst increasing the share of privately owned generation capacity (GCF, 2017b). In 2017, the EBRD announced loans had been approved for three of an expected 16 solar plants. The Southern and Eastern Mediterranean (SEMED) EE Policy Dialogue Framework has also supported the framework, which includes the European Neighbourhood Investment Facility and the SEMED Multi-Donor Account fund. The SEMED Multi-Donor Account was launched in 2011 and is funded by Australia, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Taipei, China, and the UK.²⁰

The Bank's support for the transition to green energy includes promoting sustainable energy and EE in the country through its Green Economy Financing Facility (GEFF). This provides credit lines to participating financing institutions in Egypt to on-lend to businesses investing in small-scale EE and RE projects. Building on the Bank's record, the Egyptian government has chosen the EBRD as the lead development partner on the energy pillar of Egypt's NWFE programme, which is part of Egypt's National Climate Change Strategy 2050.

The EBRD often partners with multilateral climate funds, including the Green Climate Fund (GCF). Whilst the EBRD's investments often centre on RE, it has some large regional programmes, such as the Green Cities Facility, which focus on areas such as low-carbon growth and access to finance. EBRD also funds projects such as the Green City Action Plan for the Cairo Governorate. Moreover, with co-financing from GCF, the EBRD supports a programme to deliver climate finance to the private sector at scale through partner financial institutions (PFIs) across ten countries, including Egypt. This means that some institutions in Egypt can be instrumental in scaling up climate finance in the country.

EBRD's local partner banks, two programmes cumulatively worth EUR 220 million, will offer sub-loans to businesses for green investments in energy, water and resource-efficient solutions. The newly launched Green Value Chain Programme²¹ aims at greening SMEs with a volume of up to EUR 70 million. In particular, it will allow small and medium-sized enterprises (SMEs) to invest in advanced technologies and climate mitigation and adaptation solutions that improve competitiveness and enhance the development of green value chains.

The second programme, an extension of the Green Economy Financing Facility (GEFF)²², aims to provide up to EUR 150 million of green finance to SMEs across the agricultural, construction, commercial and manufacturing sectors. Loans under both programmes cover investments in the best available technologies, such as energy and resource-efficient production machinery, RE applications, agricultural irrigation and rainwater harvesting equipment, and many others.²³

Under the Green Climate Fund framework, EBRD provided capacity building on designing and implementing a competitive tender for the RE market. The Bank's support for the green transition ranges from investment to policy dialogue, which has led, and continues to lead, to reforming the regulatory environment in Egypt. Reforms were initiated in Egypt with Law 87/2015, which targeted transitioning from a traditional, vertically integrated, regulated state monopoly model to a fully competitive market.

²⁰ <https://www.greenclimate.fund/project/fp039>

²¹ <http://ebrdgeff.com/egypt-gvc/the-programme/the-facility/>

²² https://ebrdgeff.com/egypt/#_blank

²³ <https://techselector.com/egypt-en/>

The European Investment Bank (EIB)

The EIB has worked with Egypt since 1979, supporting the country's transition to a modern economy. In 2017, the EU bank provided finance of EUR 472 million to help private sector development and vital infrastructure investments. The Fayoum wastewater expansion project and the Kitchener drain in the Nile Delta are good examples of how EIB supported improving essential services. EIB also financed projects with effects on mitigating the effects of CC, such as

new metro lines and railways in Cairo and Alexandria. The EIB has not been involved in projects specifically led and identified by the Governorates or their affiliated cities, similar to those in the SEACAPs. As addressed in Clima-Med's Climate Finance Guidebook, the opportunities for their funding by EIB and other IFIs are yet to be explored. The following are among the projects co-funded by EIB in the Energy and Transport sectors:

Energy

- | | |
|---|--|
| <p>– GREEN FOR GROWTH CAMENA Egypt, Jordan, Lebanon, Morocco, Palestine, Tunisia (2019).
EIB finance EUR 4 million
Total cost EUR 500 million.</p> | <p>– GREEN FOR GROWTH LCFP Egypt, Jordan, Lebanon, Morocco, Palestine, Tunisia (2019).
EIB finance EUR EUR 18 million
Total cost EUR 550 million.</p> |
| <p>– WIND FARM GULF OF SUEZ (2019).
EIB finance EUR 115 million
Total cost EUR 334 million.</p> | <p>– GREEN FOR GROWTH III Egypt, Jordan, Lebanon, Morocco, Palestine, Tunisia (2018).
EIB finance EUR 25 million 25
Total cost EUR 550 million.</p> |
| <p>– DAMANHOUR CCGT POWER PLANT (2015).
EIB finance EUR 538 million
Total cost EUR 1208 million.</p> | |

Transport

- | | |
|--|---|
| <p>– ALEXANDRIA ABY QIR URBAN RAIL PROJECT (2023).
EIB finance EUR 750 million
Total cost EUR 1764 million (Under appraisal).</p> | <p>– CAIRO METRO LINE 2 UPGRADING AND RENOVATION (2022).
EIB finance EUR 240 million
Total cost EUR 614 million.</p> |
| <p>– TANTA-EL MANSOURA-DAMIETTA RAILWAY UPGRADING (2022).
EIB finance EUR 290 million
Total cost EUR 581 million.</p> | <p>– ALCAZAR ENERGY PARTNERS II (2022).
An equity fund targeting renewable energy projects in the Middle East, North Africa, Eastern Europe, and Central Asia
EIB finance EUR 75 million
Total cost EUR 500 million.</p> |
| <p>– URBAN TRANSPORT INFRASTRUCTURE FRAMEWORK EGYPT (2022).
EIB finance EUR 1128 million
Total cost EUR 2256 million.</p> | <p>– CAIRO METRO LINE 1 UPGRADING AND RENOVATION (2019).
EIB finance EUR 350 million
Total cost EUR 750 million.</p> |
| <p>– ALEXANDRIA RAML TRAM (2019).
EIB finance EUR 138 million
Total cost EUR 592 million,</p> | <p>– CAIRO METRO LINE 2 Stock (2016).
EIB finance EUR 75 million
Total cost EUR 187 million</p> |

German Government through the German Development Bank (KfW)

The KfW plays an essential role in supporting development projects in Egypt in various sectors. It has financed projects worth EUR 5.5 billion since its operations in Egypt in the 1960s. The ongoing development cooperation portfolio with Germany amounts to EUR 1.7 billion, through which 30 projects have been financed through loans, technical support grants, financial contributions and debt

exchange. Many sectors have benefited from them, including EE, RE, sanitation, irrigation, and water support, solid waste management, migration, labour market, innovation in the private sector, technical education, vocational training, urban development, administrative reform, women, youth and social development, in addition to the debt swap program worth EUR 240 million in its first and second phases.²⁴



²⁴ <https://www.egypttoday.com/Article/3/115112/Egypt-KfW-sign-development-financing-agreement-worth-%E2%82%AC26M>

Egypt's country-led platform for the Nexus on Water, Food and Energy (NWFE)

NWFE blends government commitment, international support and private finance to accelerate the sustainable energy transition. The partnership agreement to implement the NWFE energy pillar was signed on 8 November 2022 between the Ministry of Electricity and RE, the Ministry of Environment and the Ministry of International Cooperation and the EBRD-led group of development partners the United Kingdom, *Agence Française de Développement*, the European Investment Bank (EIB), the African Development Bank, the Asian Infrastructure Investment Bank, Denmark's Investment Fund for Developing Countries (IFU) and the Netherlands' Invest International. Egypt, the United States of America and Germany issued the political declaration to support the Nexus on

Water, Food and Energy (NWFE) on 11 November 2022. Alongside this, Egypt confirmed its aim to accelerate its deployment of RE by bringing forward its 42 per cent renewable electricity target from 2035 to 2030. Egypt has now agreed to quadruple their deployment rate and reflect that in a revised NDC.

The NWFE-Energy Pillar is expected to unlock at least USD 10 billion in private investment to install 10 GW of solar and wind energy by 2028. The initiative will also include the retirement of 5 GW of inefficient fossil-fuel capacity by 2025, substantially reducing natural gas consumption and greenhouse gas emissions, estimated at around 17 million tonnes of CO₂e annually. In addition to mobilising support from the United States and Germany, the initiative is planning to deploy more than USD 300 million in grant and concessional finance from the European Commission, France, the Netherlands, Denmark

and the United Kingdom, as well as donors to the EBRD's High Impact Partnership on Climate Action (Austria, Finland, the Netherlands, Spain, Switzerland, Taiwan, and the United Kingdom).

The initiative provides opportunities for mobilising climate finance and private investments to support Egypt's green transition, reflecting the interlinkages and complementarity between climate action and development efforts. NWFE energy pillar is a model of how climate finance can be scaled up in Egypt and elsewhere.²⁵



²⁵ <https://www.ebrd.com/news/2022/egypts-nwfe-energy-pillar-gathers-international-support.html>

Benban Solar Park

In 2019 Egypt completed one of the most significant solar installations in the world: Benban Solar Park, which generates 1.8 GW. Benban solar park is a power complex of 41 solar power plants developed in Benban, located in the Aswan governorate, Egypt. State-owned New and RE Authority (NREA) oversaw the project, which includes several small solar power plants developed at a total cost of USD 4 billion. The NWFE-EP addresses two of the most common issues that prevent countries from transitioning away from fossil fuels: strengthening the energy grid to absorb new capacity and supporting a just transition plan for affected workers. This way, the initiative is a model for other sectors and countries to replicate.

Financing: A consortium led by the International Financial Corporation (IFC) provided USD 653 million in funding for constructing 13 solar power plants in the Benban solar park in October 2017.

The consortium includes the Africa Development Bank, the Asian Infrastructure Investment Bank (AIIB), the Arab Bank of Bahrain, the CDC of the United Kingdom, the Europe Arab Bank, the Green for Growth Fund, FinnFund, ICBC, and OeEB of Austria. The European Bank for Reconstruction and Development (EBRD) has financed 16 projects with a combined capacity of 750MW under a USD 500 million agreement for RE financing in Egypt.

EBRD, part of a consortium led by International Development Finance, is investing USD 335 million in power plants. The consortium partners also include the United Nations' Green Climate Fund (GCF), the Dutch Development Bank, FMO, the Islamic Development Bank (IsDB) and Islamic Corporation for the Development of the Private Sector (ICD). The Multilateral Investment and Guarantee Agency (MIGA), another World Bank Group institution, provides USD 210 million worth of political risk insurance to private lenders and investors in the solar farm.²⁶



Supporting electric mobility

Electric mobility is expected to grow significantly in Egypt over the next few years, opening up new economic and employment opportunities nationwide. The EBRD and donors are enabling Abou Ghaly Motors (AGM), a leading transport provider in Egypt, to purchase 250 range-extended electric vehicles (REEVs) for its taxi services to boost the development of the country's e-mobility sector.

A loan of EGP 187.4 million (equivalent to about EUR 10 million) from the EBRD is being complemented by an investment grant of EUR 3 million from the UK's Foreign, Commonwealth and Development Office (FCDO) through the High-Impact Partnership on Climate Action (HIPCA; also supported by Austria, Finland, the Netherlands, Switzerland and the TaiwanICDF).

The European Union's EFSD (European Fund for Sustainable Development), the EU External Investment Plan's financing arm, provides a first-loss guarantee for the EBRD loan. AGM's investment activities will be accompanied by training to improve skills in the maintenance and repair of vehicle.²⁷



²⁷ <https://www.ebrd.com/news/2022/ebrd-and-donors-support-electric-transport-provider-in-egypt.html>

Egypt's first green hydrogen facility and first integrated green hydrogen plant in Africa

The EBRD supports the decarbonisation and Paris alignment of Egypt's economy with a USD 80 million loan to Egypt Green to develop the country's first green hydrogen facility in the Suez Canal Economic Zone. Egypt Green is owned, built and operated by Fertiglode, one of the largest seaborne exporters of combined urea and ammonia, a Norway-based integrated independent power producer, one of the largest engineering and construction groups in the Middle East and North Africa, and the Sovereign Fund of Egypt, a state-owned, privately managed investment fund in Egypt.

The EBRD's financing will be used to acquire and construct a 100 MW electrolyser facility powered by RE. The facility will deliver up to 15,000 tonnes of green hydrogen annually when fully developed. This, in turn, will be used as input for the production of green ammonia to be sold on the Egyptian and international markets.

This landmark project is the first step towards decarbonising the ammonia sector in Egypt. It will benchmark future green hydrogen projects and showcase that hydrogen and ammonia production can be decarbonised in Africa's largest ammonia-producing country. At total capacity, the facility's green hydrogen production will save more than 130,000 tonnes of CO₂ emissions per year²⁸



²⁸ <https://www.ebrd.com/news/2022/ebrd-supports-first-green-hydrogen-facility-in-egypt-.html>

05.

CONCLUSIONS



Several technical support facilities in Egypt are a positive sign and a precondition for a vibrant climate finance sector. Work is being done on greening the financial system as a whole. There is more mitigation than adaptation projects, with a strong focus on water, RE and EE. This opens up a significant possibility for adaptation funding. Regarding its strategic and legal framework, Egypt adopted an Egypt Vision 2030 strategy and a 2050 National Climate Change Strategy. However, Egypt needs a climate law which is a drawback.

To advance the implementation of ESCO, Egypt would need to develop legislation to support ESCOs. Steps to be taken include: creating an EE agency or a similar institutional framework; developing legislation for supporting ESCOs and EPC-based EE implementation; raising awareness among end users and consumers and promoting the benefits of working with ESCOs; implementing energy policies and EE targets, such as through the NEEAP; reforming energy tariffs and rationalisation of subsidies; creating a dedicated EE fund, EE revolving funds or EE credit lines offered by domestic financial institutions.²⁹

Egypt has a strong experience in blended finance; hence, this is a possible way forward regarding climate financing. The legal framework is also conducive to establishing Private-Public Partnerships (PPP). As crowdfunding has yet to be used extensively for such projects, it would be beneficial to explore financing small-scale projects in this way.

In addition to the IFIs mentioned above in this report, Egypt receives funding from other sources such as the Japan International Cooperation Agency (JAICA) and French Development Agency (AFD), the Islamic Development Bank (IsDB), Asian Infrastructure Investment Bank (AIIB), etc.

The Arab Union for Sustainable Development and Environment (AUSDE), in cooperation with the EBRD, helps Egypt to implement its green hydrogen strategy.

From an institutional perspective, the Ministries of Environment, Ministry

of Electricity and RE and the Central Department of Climate Change (CDCC) within the Egyptian Environmental Affairs Agency are the main actors. The National Council for Climate Change (NCCC) is also influential, especially regarding donor coordination.



²⁹ https://www.giz.de/de/downloads/SPM_Innovative_EnergyEfficiencyInstruments_DIAPOL_CE_Web.pdf

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