REPORT NO.: RES37882

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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

EQUAL ACCESS AND SIMPLIFIED ENVIRONMENT FOR INVESTMENT (EASE) IN EGYPT

APPROVED ON OCTOBER 2, 2015

TO

MINISTRY OF INTERNATIONAL COOPERATION AND INVESTMENT

FINANCE, COMPETITIVENESS AND INNOVATION

MIDDLE EAST AND NORTH AFRICA

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I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tr>
<td>P153487</td>
<td>Investment Project Financing</td>
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<table>
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<tr>
<th>Original EA Category</th>
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<table>
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<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<tbody>
<tr>
<td>02-Oct-2015</td>
<td>30-Jun-2019</td>
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Organizations

Borrower
Ministry of International Cooperation and Investment

Responsible Agency
Industrial Development Authority, General Authority for Foreign Investment

Project Development Objective (PDO)

Original PDO
To improve the regulatory environment for investors through simplified licensing and transparent industrial land allocation processes.

Summary Status of Financing

<table>
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<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?
No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
1. The proposed restructuring is to extend the closing date of the Equal Access and Simplified Environment for Investment (EASE) Project (Grant No. TF0A1553), in the amount of US$5 million, financed by the Middle East and North Africa (MENA) Transition Fund, from June 30, 2019 to September 30, 2019. This will be the second extension of closing date for this project. The first extension was for 12 months, from July 1, 2018 to June 30, 2019.

2. On December 10, 2018, the MENA Transition Fund Steering Committee approved an additional financing (AF) in the amount of US$1.746 million. to scale up Component 1 “Facilitating Accessible and Transparent Investor Services (GAFI)” of the EASE Project. The rationale for the AF is to further deepen the reforms already initiated under the parent EASE Project and to strengthen the sustainability of these reforms. Appraisal of the AF was completed at end-April 2019, however, there will not be sufficient time to process the AF for approval and sign the grant agreement before the original grant closes on June 30, 2019. Hence, it is critical to extend the closing date, which sole purpose will be to process the AF.

Project Status

3. The project’s original objective is to improve the regulatory environment for investors through simplified licensing and transparent industrial land allocation processes. It has three components:

(i) Component I: Facilitating Accessible and Transparent Investor Services supports the General Authority for Foreign Investments (GAFI) becoming the national platform facilitating business entry, licensing, and access to investor information at the national and sub-national level through its Investor Support Centers (ICS) and GAFI Information Portal, particularly considering its new mandate under the reformed Investment Law. In this regard, this component supports GAFI in developing the action plan to implement the new law, which enables the authority to enhance its investment services through its ICSs.

(ii) Component II: Supporting Industrial Sector Transformational Reforms supports transformational reforms at the Industrial Development Authority (IDA) related to industrial licensing and industrial land allocation. Specifically, the project supports the IDA’s transformation into a more strategic role on industrial regulations and licensing and its approach to implement risk-based regulatory governance principles.

(iii) Component III: Capacity Building for Managing Regulatory Reform aims to strengthen the capacity of the Egyptian Regulatory Reform and Development Activity (ERRADA) by supporting the capacity building of ERRADA on cross-cutting reforms that target constraints related to promoting transparency and predictability of the regulatory environment affecting firms in all sectors of the economy. Some of the priority reform areas include industrial licensing and land allocation, and thus the third component complements the two other components.

4. The EASE Project has performed moderately satisfactorily in achieving its development and intermediate objectives. The two Project Implementation Units (PIUs)—at GAFI and IDA, are fully staffed and trained and managed the project satisfactorily. Progress towards achievement of Project Development Objectives (PDO) and Overall Implementation Progress (IP) are rated moderately satisfactory or better consistently in the Implementation Status & Results Report (ISR) since it became effective in April 2016. As of June 25, 2019, the project has disbursed US$4.74 m of the US$5 m (95%) grant proceeds. While most of the activities are progressing as planned, the implementation of the industrial land allocation reforms is delayed pending the promulgation of the executive regulations for the IDA Law. The team estimates the risk of failure to complete this activity as Substantial. To address such risk, IDA needs to
identify an alternative funding resources to complete the implementation of the land allocation reforms as this component is not proposed by the government to be part of the additional financing.

5. The project also contributed to a number of positive outcomes including the passage of the new Investment Law, new Licensing Law, amendments of the Company Law, modernization of the Investment Service Center (ISCs), automation of investors’ services, and the launch of the first investment map. The new Investment Law include pro-investor policies, administrative reforms, streamlined business procedures and services and reduced red tape, new investment zones, Corporate Social Responsibility (CSR) and Conflict Resolution Mechanisms (CRM) provisions to promote good governance. All of these should stimulate inclusive growth, job creation, increase exports, and promote private sector development. The Companies Law amendment supported by the project aims to facilitate entry, operation, arbitration, and provide guarantees to national and foreign investors. Modernization of the ISC reinforced the implementation of the legal and regulatory reforms by making these centers as resource hubs that offer a complete package of consultations, advice, and information about available investment opportunities in Egypt. Transformative changes in GAFI’s IT infrastructure through the introduction of Customer Relation Management system (CRM), online business registration and physical upgrading were introduced to ensure the quality of investors’ services, improve governance and promote accountability. GAFI Portal and Investment Map, supported by the project, act as a national data center and one-stop shop for investment information including the interactive features of locating investment opportunities by sector and geographical locations, the requirements and procedures necessary to obtain business licenses and permits from GAFI or external entities, and the information on access to land available for investment projects. The reform of the licensing law gives IDA the sole responsibility for issuing industrial licenses while previously, business had to secure approvals from eleven agencies, a process that could take up to 600 days. According to recent data, due to this reform, issuance of operating licenses and permits have increased by nearly 20 folds from 664 in Jan-April of 2017 to 12,813 in May 2017-August 2018. During the corresponding period, building licenses also increased by almost 8 folds from 151 to 1,138.

6. The government’s reform agenda, including the contribution of the EASE project, led to measurable increases in private investments, net Foreign Direct Investment (FDI) flows, as well as private companies’ establishment rates. Private investments increased by 29 percent amounting to Egyptian Pound (EGP) 270.8 billion during FY2016/2017 compared to EGP 210.6 billion in FY2015/2016, thus increasing private investments contribution to the Gross Domestic Product (GDP) to 9.2 percent during 2016/2017 as compared to 8.4 percent during 2015/2016. As for net FDIs, they amounted to around USD 7.9 billion in FY2016/2017 compared to about USD 6.9 billion in FY 2015/2016 with a 14.5 percent increase. Also, the number of new companies established in FY 2016/2017 was 15,200 as compared to 12,084 in FY 2015/2016, with an increase of 25.7 percent. The latest reforms were welcomed by national and international investors who expressed their confidence in the Egyptian economy and market.

Project Performance.

7. The team confirms that: (i) the PDO remains highly relevant and achievable; (ii) the ratings for both Progress towards achievement of PDO and Overall Implementation Progress are Moderately Satisfactory; and (iii) that the performance of the PIUs is Satisfactory. An action plan is not required as most activities under the EASE Project have been or are in the process of being completed.

8. There are no overdue Interim Unaudited Financial Reports or project annual audited financial statements. The audit report for fiscal year ending 2018, was received on February 3, 2019.
II. DETAILED CHANGES

**LOAN CLOSING DATE(S)**

<table>
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<tr>
<th>Ln/Cr/Tf</th>
<th>Status</th>
<th>Original Closing</th>
<th>Revised Closing(s)</th>
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