Mobilising Financing and Investment for Quality Infrastructure in Egypt

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Foreword

Egypt has established strong economic foundations through the national strategy, Egypt Vision 2030, its Integrated National Financing Strategy, PPP frameworks, and reforms of state-owned enterprises (SOEs), further diversification of financing models, improved governance, and strengthened institutional capacity are needed to mobilise greater private capital to support its infrastructure financing needs. Opportunities exist in expanding private investment in infrastructure beyond PPPs, leveraging capital markets, enhancing SOE transparency, and enabling private infrastructure funds. Continued focus on project appraisal, regulatory clarity, land governance and ESG reporting – combined with improved co-ordination across ministries and SOEs – will be essential to ensure that infrastructure projects remain financially viable, sustainable, and attractive to international investors while supporting Egypt's role as a regional leader in green energy and resilient infrastructure development.

This report has been developed as part of the OECD-Egypt Country Programme, to assess the broader enabling environment for private financing and investment of infrastructure, including fiscal sustainability, integrity safeguards, corporate governance of state-owned enterprises, financial sector capacity, and sustainability requirements. It is the final output of the Egypt-OECD Country Programme's Project 5.7: Review of Good Practices for Quality Infrastructure Investment and Capacity Building for Mobilising Finance for Infrastructure. The report draws on G20 and OECD principles, by reviewing Egypt's infrastructure policies, major projects, and financing frameworks in the context of its green transition ambitions, including renewable energy, green hydrogen, water management, and urban development initiatives. While Egypt has attracted significant multilateral and bilateral financing and implemented important reforms – such as currency liberalisation under the IMF programme -the government must further refine project structuring and the enabling environment to attract more private and institutional investment at scale.

This report was prepared and supervised by Mamiko Yokoi-Arai, with support from Zakaria Imessaoudene. Reham ElDesoki provided critical contribution and research towards the finalisation of this report from Egypt.

The OECD expresses its sincere appreciation to the Government of Egypt for its close collaboration throughout the preparation of this report. In particular, it extends its gratitude to the Ministry of Planning and Economic Development (MPED), in its capacity as the national co-ordinator for Egypt's engagement with the OECD, for its central co-ordination role and consistent support.

The OECD also acknowledges the valuable inputs and review provided by the various national entities, including, the various departments at the Ministry of Planning and Economic Development (MPED), the Ministry of Finance (MoF), especially the Public-Private Partnership Central Unit (PPPCU), the Ministry of Transport, the Ministry of Environment, the Ministry of Housing, Utilities and Urban Communities, the Ministry of Communications and Information Technology, the General Authority for Investment and Free Zones (GAFI), the General Authority for the Suez Canal Economic Zone (SCZone), the State Owned Enterprises (SOE) Unit under the Prime Minister's Office, the Information and Decision Support Center (IDSC), the Central Bank of Egypt (CBE), and the Financial Regulatory Authority (FRA), whose inputs

helped ensure the accuracy, relevance, and policy alignment of the report. Thanks are also extended to the international partners and private sector stakeholders who cooperated.

The OECD further conveys its sincere appreciation to the project's dedicated focal points, who played a key role in disseminating the report chapters across relevant entities, as well as reviewing them and providing feedback to ensure consistency, alignment, and accuracy: Dr. Heba Y. Hashem, Head of the Country Programme Monitoring Unit at MPED, and Ms. Alia H. El Soudany, Senior Technical Projects Co ordinator at the same unit.

Finally, appreciation is extended to OECD staff who supported the production of the report, including editorial, formatting, and publication support.

Table of contents

FIGURES

TABLES

Executive summary

This report presents good practices for quality infrastructure investment and highlights how Egypt can attract more private finance to meet its long-term development goals. The approaches discussed aim to support Egypt's sustainable development ambitions, strengthen the resilience and performance of infrastructure systems, and position the country as a regional leader in renewable and green energy production and export.

G20 governments recognise quality infrastructure investment as central to developing infrastructure as an asset class and mobilising private and institutional investment. Building on the OECD Compendium of Policy Good Practices for Quality Infrastructure Investment and the G20 Principles, and extensive consultations with Egypt's ministries, public agencies and private stakeholders, the OECD assessed Egypt's infrastructure frameworks, practices and project pipeline.

Egypt's reforms and strategic vision for infrastructure

Egypt has secured significant financing from multilateral and bilateral partners and developed an ambitious pipeline of infrastructure projects. Its Green Investment Plan outlines a roadmap that prioritises renewable energy – particularly green hydrogen – alongside water management, energy efficiency, electricity generation, and industrial decarbonisation.

International investors' interest and confidence has grown, supported by reforms under the IMF Extended Fund Facility, including the liberalisation of the Egyptian pound. Although the investment climate has improved and the public-private partnership (PPP) framework has expanded, Egypt would benefit from a more holistic approach to project structuring and private capital mobilisation. Large-scale projects exist, and building conducive conditions for private sector entry will lead to a more diverse pipeline of scalable projects for private investment.

Egypt Vision 2030 and the Integrated National Financing Strategy (INFS), complemented by the New Narrative for Comprehensive Development, provide national roadmaps for mobilising domestic and international public and private finance. Initiatives such as the Suez Canal Economic Zone demonstrate progress, and further expansion of such initiatives could help create a more comprehensive framework for project development across sectors.

Financing Egypt's infrastructure projects: Challenges and opportunities

Infrastructure projects involving private participation are primarily structured through PPPs, managed centrally by the Ministry of Finance. The establishment of PPP units within sectoral ministries has improved efficiency. Each PPP is tailored to the project's risk profile and sector needs. Egypt would benefit from diversifying financing approaches based on project scale, market appetite, and revenue potential.

Value-for-Money (VfM) and Public Sector Comparator (PSC) assessments help determine optimal procurement models and could guide certain projects away from non-PPP models such as Engineering Procurement Construction (EPC) or EPC+Finance arrangements. When possible, establishing a special purpose vehicle (SPV) can facilitate access to capital markets, including bond issuances. Additional tools such as land value capture, asset recycling or securitisation could help unlock financing for brownfield assets.

Sovereign guarantees are provided only when the government is the off-taker (government pay PPPs). For user-pay projects, the private operator collects fees directly without sovereign guarantees. The government currently assumes foreign-currency risks for the foreign-financed capex portion, expanding the pool of PPP-eligible projects, enhancing competition while mitigating fiscal pressures.

Sectoral differences matter: projects with strong revenue potential, such as ports and renewable energy, can attract equity and debt investments through SPVs or private infrastructure funds. For other sectors, public investment should be prioritised. A mandatory review of all public infrastructure projects valued above EGP100 million by the interministerial committee could enhance private investment and reduce e budgetary pressures. Blended finance mechanisms could further support PPP development.

Strengthening SOE governance and market attractiveness

State-owned enterprises (SOEs) play a critical role in infrastructure as owners and operators of infrastructure assets. Investors value SOE governance, transparency, and alignment with national policies that improve predictability. Improved disclosure regarding SOE restructuring and potential divestment plans can enhance investor engagement. Ongoing updates to the State Ownership Policy (SOP), along with strengthened governance, restructuring of economic authorities, and improvements in financial and climate-related disclosures – will support the much-needed SOE reform.

Many technical ministries combine the role of SOE regulator and owner, raising potential conflicts of interest. Reforms underway – particularly in the transport, housing, and electricity ministries – seek to mitigate these issues.

Egypt is committed to gradually divesting ownership of some SOEs to raise capital and deepen the capital market. Partial stock exchange listings, together with stronger governance and arm's length management could make SOEs more attractive for both equity and project-level investment. Additionally, concessional ownership and operation rights for infrastructure and greenfield assets could encourage long-term private investment while maintaining strategic state oversight.

Complementary strategies to explore include creating an infrastructure-mandated development bank to provide equity and debt financing, and enabling independent private infrastructure funds to operate domestically. Such initiatives could diversify financing channels and leverage specialised financial and technical expertise.

Institutional capacity, land management and ESG standards

Institutional capacity remains a challenge given the scale of Egypt's infrastructure pipeline. Strengthening ministries' technical, financial, and governance capabilities in project planning, structuring, and contract management is essential. Implementing the IMF's 2023 Public Investment Management Assessment (PIMA) recommendations – including better project selection, further market liberalisation, operationalising public finance management reforms, and improving asset management and maintenance would significantly enhance co-ordination and accelerate private sector engagement.

Regulations governing access to land for investment projects could benefit from more simplification. Building on the golden license system established under the 2017 Investment Law aims to streamline approvals, Egypt could simplify approvals for select projects. Enhanced due diligence and automated mechanisms for flexibility can safeguard national security.

ESG reporting requirements currently apply to listed firms regulated by the Financial Regulatory Authority, while the Central Bank of Egypt has issued guiding principles embedding ESG considerations into bank credit decisions. Extending ESG reporting to SOEs would improve transparency and investor appeal. As Egypt expands green energy exports and aligns with the EU Carbon Border Adjustment Mechanism (CBAM) requirements, adherence to internationally recognised environmental standards will be crucial, with improved financial and non-financial reporting.

1 Overview

This chapter discusses how Egypt can better align infrastructure planning and financing with its long-term sustainable development objectives and strengthen infrastructure resilience. Drawing on the G20 Principles for Quality Infrastructure Investment, the report evaluates Egypt's policy frameworks, institutional arrangements, and implementation practices based on extensive consultations with Egyptian ministries and public agencies. While recent macroeconomic reforms have improved investor confidence, the chapter underscores the need for further reforms to unlock greater private sector participation. Key challenges include strengthening project planning, improving SOE governance and transparency, diversifying financing instruments beyond traditional PPPs, and enhancing institutional capacity across government. Addressing land governance, ESG reporting, and the adoption of internationally recognised standards will be critical to improving bankability, mobilising private capital, and ensuring that Egypt's infrastructure investments are sustainable and resilient.

1.1. Introduction

This report assesses how Egypt can align infrastructure planning and financing with its long-term sustainable development objectives, enhance infrastructure resilience, and reinforce its position as a regional leader in renewable and green energy. Building on the *OECD Compendium of Policy Good Practices for Quality Infrastructure Investment* (2020[1]) and the G20 Principles for Quality Infrastructure Investment and drawing on extensive consultations with relevant Egyptian ministries and public agencies, the OECD evaluates Egypt's policy frameworks, institutional arrangements, and implementation practices across selected infrastructure projects.

Egypt has developed an ambitious pipeline of infrastructure projects and attracted substantial financing from multilateral and bilateral development partners. The Green Investment Plan further outlines a pathway for the country's green transition, including renewable energy expansion, green hydrogen production, improved water management, and decarbonisation of industry. Recent macroeconomic reforms under the IMF Extended Fund Facility have strengthened investor interest; however, additional measures are needed to structure projects and create an enabling environment conducive to increased private sector participation. While PPPs remain the primary mechanism for private financing, diversifying financing through private investment approaches, improving state-owned enterprise (SOE) governance and transparency, and enhancing institutional capacity across ministries remain essential. Strengthening project appraisal, financial structuring, procurement, and infrastructure asset portfolio management – along with clearer approaches to land governance, ESG reporting, and the adoption of internationally recognised standards for emerging sectors such as green hydrogen – will be crucial for mobilising greater private capital and ensuring the sustainability, quality, and bankability of Egypt's infrastructure investments.

1.2. Egypt's progress towards the G20 Principles of Quality Infrastructure Investment (QII)

With this in mind, below is an overview of the G20 Principles of Quality Infrastructure Investment (QII) and how Egypt's reform efforts match each principle.

Principle 1: Maximising the positive impact of infrastructure to achieve sustainable growth and development. Infrastructure investment with job creation and technology transfer will promote a virtuous circle of economic activities through capacity building, productivity improvement and private investment facilitation. Connectivity should be enhanced by promoting sustainable development through infrastructure investment in accordance with such factors as SDGs, while being consistent with national and local development strategies.

Egypt's Egypt Vision 2030 puts forward an ambitious national development strategy to modernise existing assets and develop a number of mega projects for poverty reduction and the empowerment of women, and support Egypt's youth to strengthen the nation's social fabric. The new Narrative for Comprehensive Development: Reforms for Jobs and Growth put forward a more detailed step to realise this, which includes "Well-Developed Infrastructure."

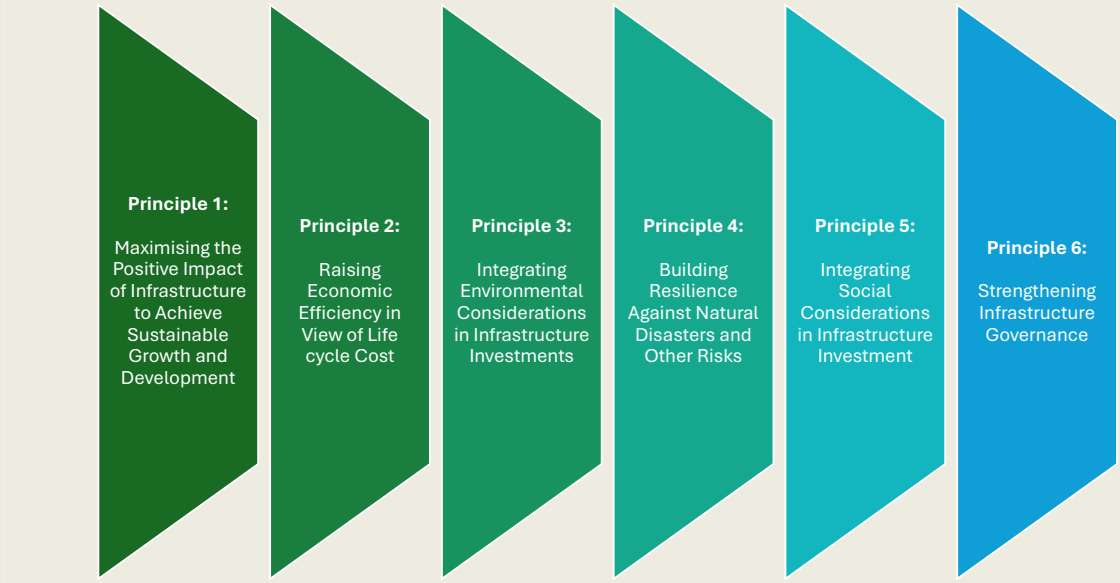
This provides an important template to achieving Principle 1, so Egypt should remain proactive in accelerating macroeconomic and sectoral reform policies and transparency that would bring greater certainty and predictability of the economic outlook, and grow an enabling environment that contributes to greater financing opportunities for infrastructure projects by the private sector.

Box 1.1. G20 Principles for Quality Infrastructure Investment

Quality infrastructure investment is essential for driving economic growth, enhancing productivity, and improving human well-being. Achieving these benefits requires governments and stakeholders to work together to establish robust policies and governance frameworks that ensure effective planning, financing, and oversight of projects. Developed under Japan's 2019 G20 Presidency, the G20 Principles for Quality Infrastructure Investment offer a voluntary framework to guide countries in making infrastructure investments that maximise economic, social, environmental, and developmental benefits.

The six principles are as follows:

Figure 1.1. G20 Principles on Quality Infrastructure Investment



These principles emphasise the importance of sustainable and resilient infrastructure, economic efficiency, inclusive development, environmental sustainability, transparency and accountability, and innovation. Quality infrastructure is therefore a foundation for *inter alia*:

- providing access to clean drinking water and sanitation which are fundamental for health and economic productivity
- mitigating flood risks and improving access to water through improved storage for multiple water uses, such as irrigation, manufacturing and hydropower
- improving access to clean and low-emission electricity
- providing reliable and accessible low-emissions transport – a key contributor to improving livelihoods and economic productivity
- expanding Internet access and telecommunication services that give rise to increasing connectivity and generate economic opportunities
- delivering social services such as health, education and affordable housing, that are essential for human development and the reduction of inequalities

- building sustainable, inclusive and livable cities
- improving cross-border connectivity which is essential for supporting trade, integration into regional and global value chains, and inclusive growth
- ensuring sustainable use of natural resources, and low-carbon and environmentally responsible societies
- to achieve such positive outcomes, infrastructure investment should be guided by a sense of shared, long-term responsibility for the planet consistent with the 2030 Agenda for Sustainable
- development, national and local development strategies, and relevant international commitments, and in the spirit of extensive consultation, joint efforts and shared benefits. Domestic resource mobilisation is critical to addressing the infrastructure financing gap. Assistance for capacity building, including for project preparation, should be provided to developing countries with the participation of international and regional organisations and development institutions and agencies.

Source: OECD (2020[1]), *Compendium of Good Practices on Quality Infrastructure 2024: Building Resilience to Natural Disasters*, https://doi.org/10.1787/54d26e88-en; OECD (2021[2]), *OECD Implementation Handbook for Quality Infrastructure Investment*, https://doi.org/10.1787/479131b2-en.

1.3. Efficiency and life-cycle costs of infrastructure

Principle 2: Raising Economic Efficiency in View of Life-Cycle Cost. Quality infrastructure investment should attain value for money. It is important to take into account the total cost of construction of infrastructure, including its operation and maintenance (O&M). The risks of delays and cost over runs should be considered. Innovative technologies should be leveraged.

Egypt's PPP Central Unit has been instrumental in providing an institutional framework to PPP development, including project preparation that would address efficiency and take a life-cycle view on costs.

The centralisation of technical capacity at the MoF PPP unit has created the need for more capacity building on technical aspects of PPP projects at other ministries. Technical ministries would benefit from greater capacity building and awareness initiatives to fully understand the benefits of PPPs and channel as many infrastructure projects to the private investment and financing path as possible. Better understanding of the technical and financial assessment of PPP projects within the different ministries is key to fully engage the private sector and ensure timely and successful implementation of the projects for Principle 2 to be realised on a fuller basis.

1.4. Sustainability considerations

Principle 3: Integrating Environmental Considerations in Infrastructure Investments. The impacts on factors such as ecosystems, biodiversity and climate should be considered. It is essential to improve disclosure of environment related information, thereby promoting the use of green finance instruments.

Egypt has developed environmental requirements to its infrastructure projects both through its PPP Central Unit, as well as procurement framework. Line ministries also have developed environmental requirements for their respective projects.

To ensure that environmental requirements across the ministries are aligned and address ecosystems, biodiversity and climate, Egypt should take stock of environmental requirements towards large

infrastructure projects, to ensure that they are being applied in a consistent manner, at a standard that could be internationally recognised.

Principle 4: Building Resilience against Natural Disasters and Other Risks. Natural disaster risk management and human-risk management should be considered when designing infrastructure. Well-designed disaster risk insurance helps incentivise resilient infrastructure.

Egypt has increasingly recognised climate-related threats and has developed and pursued a climate adaptation strategy through its National Adaptation Plan (NAP). Egypt should examine every potential financing avenue that could be made available for climate resilience, as well as pursuing measures that mainstream climate resilience of infrastructure, like reporting requirements and inclusion of climate risk in EIA. The reporting requirements should go beyond Class C projects, to ensure the mainstreaming of climate resilience.

Principle 5: Integrating Social Considerations in Infrastructure Investment. Infrastructure should be inclusive, enabling economic participation and social inclusion of all. Consideration should be given to open access, safety, gender and vulnerable groups.

Egypt has developed social requirements to its infrastructure projects both through its PPP Central Unit, as well as procurement framework. Line ministries have also developed environmental requirements for their respective projects. This includes assessing the potential effect, both positive and negative, on local communities and stakeholders. In addition, the Guideline for Gender-Responsive Planning was introduced, applying a methodology for measuring public spending directed toward women and children.

To ensure that social requirements across the ministries are aligned and address open access, safety, gender and vulnerable groups, Egypt should take stock of social requirements towards large infrastructure projects, to ensure that they are being applied in a consistent manner, at a standard that could be internationally recognised.

1.5. Infrastructure governance

Principle 6: Strengthening Infrastructure Governance. Openness and transparency of procurement, anti-corruption efforts and access to information and data are important. In addition to financial sustainability for each project, macro-level debt sustainability needs to be considered.

Egypt Vision 2030 has placed an emphasis on promoting integrity, good governance, and transparency through institutional reforms and strengthening its anti-corruption framework, as well as governance and partnerships. In addition, Egypt has reformed a number of institutions and processes to improve the government of infrastructure.

Egypt should redouble its efforts in improving integrity of processes and institutions, by centralising and clarifying the applicable monitoring and enforcing body and process. The efforts by the Cabinet of Ministers to improve governance and transparency and reduce overlap between agencies should be vigorously pursued in this respect for Principle 6 to be more fully realised.

1.6. Policy recommendations

Based on desk research and discussions with government stakeholders, local and international investors, and international organisations, the following policy recommendations are being put forward to the Government of Egypt in the following areas:

I. Enabling environment and macroeconomy

a. Increase the focus on private investment in infrastructure and utilities in the next Egypt Vision strategy update and Egypt's overall economic reform agenda together with the accelerated pace of investment reforms. This should encompass developing an enabling environment for foreign investors, which requires clear guidelines and regulations, as well as disclosure by the government to improve transparency.

b. Accelerate macroeconomic and sectoral reform policies and transparency that would bring greater certainty and predictability of the economic outlook and grow an enabling environment that contributes to greater financing opportunities for infrastructure projects by the private sector.

II. Foreign investment and market access

c. Continue to advance reforms to lift restrictions on foreign-controlled firms which could lead to greater entry of foreign private capital. Continue efforts to align with OECD and non-OECD benchmarks could further encourage foreign investment.

d. Continue to seek areas in which the enabling environment can be improved, with a focus on transparency of rules and regulations and disclosure of decisions and their rationale.

e. Demonstrate Egypt's determination to reach international standards through expedited implementation of reforms to streamline business regulations and operations led by GAFI and the Ministry of Investment and Foreign Trade. Outline steps and timeline that will be taken to implement these, designate responsible ministries for each deliverable, and monitor the outcome in terms of practical steps and duration necessary for each procedure and ensure transparency of processes to facilitate foreign investment.

III. Access to Land

a. Addressing the requirements to access land by foreigners, especially through acquisition, could improve project implementation and hence financing of projects, given the difficulty of land acquisition, in particular large land parcels, for infrastructure projects to move forward.

b. Clarify and simplify the rules related to land investment regulations and streamline the processes necessary for access to land acquisition.

c. Clarify, beyond the specific land allocation schemes, where and how significant land parcels could be made available for infrastructure projects with the relevant regulatory, technical and environmental approvals, as part of the work to develop a national land registry as a long-term objective.

IV. Regulatory integrity and investor protections

a. Redouble efforts in improving integrity of processes and institutions, by centralising and clarifying the applicable monitoring and enforcing body and process. Vigorously pursue the efforts by the Cabinet of Ministers to improve governance and transparency and reduce overlap between agencies and extend an established unified digital system to streamline the information exchange between ministries.

V. State-owned enterprises and corporate governance

a. Expedite operations of the SOE Unit to activate the State-Ownership Policy (SOP) and implementation of steps to increase the role of the private sector in the infrastructure sector. Achieve divestment targets and expedite the corporate and financial restructuring of SOEs to increase investor confidence and help expand private investment in infrastructure assets.

b. Improve the financial structure and corporate governance of SOEs that own, operate and manage infrastructure assets, including disclosure through financial and non-financial reporting, and improving the accountability of SOEs, given the critical stage of SOE reform, regardless of the timeline of the State Ownership Policy and its implementation, as a prerequisite for increased private investment in infrastructure in Egypt.

c. Enforce a separation of duties, with ownership rights (such as board appointments and financial monitoring) for commercial SOEs being transferred from technical ministries to a centralised body to resolve the conflict of interest where line ministries act as both market regulators and asset owners.

d. Advance divestment in line with government priorities and better financial disclosure of SOEs which lead to better opportunities to financial and capital market participants and provide a gateway to investing in infrastructure assets as the market develops.

e. Ensure “Gatekeeper” provisions of Law No. 170 of 2025 are implemented, with the SOE Unit being able to prevent the creation of new SOEs without prior written authorisation.

f. Pursue asset recycling (through concession-like arrangements) of infrastructure assets, which would allow private sector access to profitable brownfield, mature assets to finance greenfield infrastructure assets, as well as leading to quicker and more impactful financial opportunities.

VI. Public-Private Partnerships

a. Engage more capacity building on technical aspects of PPP projects at other ministries and on the local governorate level to ensure wider understanding and adoption of engaging with the private sector.

b. Centralise the PPP process to ensure the development of bankable project models in different sectors and to increase private sector participation and a more centralised and co-ordinated approach to allocating technically and environmentally viable land for projects. Centralisation of the PPP decision making process could be reviewed at the Cabinet level to have a scalable pipeline and fast track for project selection and approval.

c. Review all infrastructure investment projects potentially costing EGP100 million and above by the Joint Committee for PPP to increase the number of projects financed by private investment compared to financing from the state budget. The mandate of this committee could be formalised through a Prime Ministerial decree to help ensure a more consistent and objective approach to reviewing projects financed by the state budget.

d. Review smaller infrastructure projects costing below EGP100 million by a sub-committee affiliated with the Joint Committee, to expand on opportunities for SMEs to finance medium sized infrastructure projects especially in rural areas. The mandate of this committee could be formalised through a Prime Ministerial decree to help ensure a more consistent and objective approach to reviewing projects financed by the state budget.

e. Strengthen the understanding of the technical and financial assessment of PPP projects within the different ministries to fully engage the private sector and ensure timely and successful implementation of the projects. The fundamentals of the PPP Comparator concept should be elaborated within the technical ministries to clarify the merits of private investment financing versus state financing to reduce the pressure on the state budget and expand the role of private investment in infrastructure financing.

VII. Infrastructure planning and project pipeline development

a. Provide a pipeline of infrastructure projects in different sectors where the government is an off taker of the public service, improving the visibility of the pipeline of infrastructure projects, with plans for public investment and private participation as PPPs being clearly indicated, and with a mechanism of transparency of project preparation, development and other opportunities being made available through websites and international platforms. This should go beyond energy and water projects which currently dominate the pipeline of projects.

b. Expand the mandate of the inter-ministerial joint committee headed by the Deputy Minister of Finance on PPP to provide a clear roadmap for private investors and develop a national pipeline of projects in different sectors while addressing challenges facing private investors in infrastructure projects. The Joint Committee should promote more co-ordination among the various ministries and help familiarise all parties with engaging the private sector through other financing venues like private infrastructure funds.

VIII. Private sector participation and financing approaches in infrastructure

a. Expedite the liberalisation of economic infrastructure sectors and other infrastructure sectors for private sector participation as a key step to attracting more private investors.

b. Adopt a sector-specific approach to financing by aligning private financing and investment strategies consistent with each sector's characteristics and circumstances – accounting for potential revenue streams and private sector appetite. Long-term power purchase agreements (PPAs) in renewable energy could be extended to other projects that have a revenue stream, for example, and tolls for user fees in transport infrastructure can provide stable revenue streams, thereby incentivising private investments if the market is liberalised.

c. Consider the possibility of limiting government financing for renewable energy projects in some instances given the high interest and suitable geography of Egypt, which could be supplemented by long term private infrastructure investment funds instead.

d. Expand the involvement of the private sector in investment, operation and maintenance of projects and incentivise projects that manufacture spare parts so as to reduce reliance on commercial loans.

e. Encourage the Ministry of Transport to incorporate "Transit-Oriented Development" (TOD) in its transportation strategy, co-ordinating with other modernisation and urbanisation projects, as it presents an approach to ensure sustainable development by strategically linking transit infrastructure with urban centres, thereby facilitating access to economic hubs. This could stimulate private investment, as increased land value brought about by these infrastructure projects can attract private capital inflows.

f. Support the development of financial instruments to expand private investors opportunities including through i) regulatory measures (including development levies, fees, and charges) to enable municipalities to capture a share of the value generated by private developments; ii) collaborative strategies (including strategic land management and the transfer of development rights) to create a conducive environment for private capital; iii) subsidises and tax incentives can direct private investment towards priority areas like green infrastructure; iv) partnership models between cities and private entities offer comprehensive frameworks for jointly planning, designing, and executing urban projects, enhancing service delivery and local economic development.

g. Consider the possibility of issuing an infrastructure-specific bond to diversify the Ministry's financing channels.

h. Consider the adoption of hybrid annuity models (HAM), a PPP model that combines aspects from engineering, procurement and construction (EPC) and build-operate-transfer (BOT) models, for infrastructure networks which require large public investments otherwise, such as water, sanitation

and electricity sectors, which require large capital investments in upgrading and extending the networks.

i. Develop the capital market and increase liquidity in the financial market through a strong regulatory framework and clear rules, accompanied by strong disclosure regime of financial instruments.

j. Mobilise domestic institutional investors to expand private financing opportunities towards infrastructure assets, including pension funds and banks that have the possibility of long-term investment which would allow better asset-liability matching. The regulatory requirements related to pension funds and insurance should be reviewed to examine whether asset allocation towards long-term investment can be increased. Incentivising domestic and foreign infrastructure investment funds is key to diversifying private financing to complement the use of the PPP model.

k. Consider the benefits of the potential establishment of an infrastructure-mandated development bank or fund, which is well capitalised and is arm's length from the government in its decision making with strong market expertise and technical knowledge, can better manage investments and support the private capital to take part in infrastructure development. Such a bank or fund can also contribute to the development of the capital market, through the issuance of debt and equity instruments which are part of a diversified portfolio towards infrastructure assets.

l. Enable international developers and investors to contemplate contracting with a more autonomous framing with special economic zones such as the Suez Canal Economic Zone. Such economic zones create strong investment incentives, bypassing certain regulatory burdens, and can be an attractive method to attract infrastructure investment into the country. Incentives including lower taxes or customs on parts for infrastructure projects could also boost private investment in such projects.

m. Encourage greater openness to private financing into economic infrastructure, including SOEs, depending on their financial performance and bankability. This could occur through the sale of equity (if divestment takes place) or debt issuance by SOEs. This will also contribute to the development of the capital market, as well as create a baseline of investment opportunities for both domestic and global investors.

n. Improve budgeting through better financial structuring of each asset in the ownership portfolio of an SOE to account for operational expenditure (OPEX) and capital expenditure (CAPEX). Explore operations and maintenance (O&M) agreements and asset management arrangements with the private sector (concessional agreements for example) to improve asset management of infrastructure assets and preserve and extend the asset lifetime.

IX. Risk mitigation and financial guarantees

a. Explore various types of guarantees and expanding the use of risk mitigation tools, as observed in other countries, to expand private financing opportunities and mitigate risks for both public and private parties.

b. Improve credit rating of projects through improved financial auditing to support the process of understanding the risk profile of a project or sector.

c. Provide risk mitigation tools such as guarantees from a national institution for projects that cannot be privately financed on its own, to improve risk management of projects and support local bank involvement in mega projects.

d. Give a stronger role to the export credit agency of Egypt in co-ordinating and partnering with other export credit agencies, and providing a more diverse product line up to support the import of goods and services related to infrastructure development. Engaging more foreign commercial banks in this endeavour will be a critical step to improving the understanding of projects and enabling greater private capital mobilisation.

e. Improve risk management of infrastructure projects, by taking a more risk-based approach to its financing while expanding approaches to financing to pursue and manage the process of projects based on their priority.

f. Explore flexible payment options to pay part of the government payment in foreign currency which could increase private sector appetite for investment in infrastructure as the cost burden of FX conversion in the long term could be reduced.

X. Environmental and social impact assessments

a. Examine every potential financing avenue that could be made available, as well as pursuing measures that mainstream climate resilience of infrastructure, like reporting requirements and inclusion of climate risk in EIA, to strengthen climate resilience of infrastructure assets. Work on voluntary carbon market could contribute, and reporting requirements should go beyond Class C projects, to ensure the mainstreaming of climate resilience.

b. Take stock of the ESG requirements towards large infrastructure projects, to ensure that they are being applied in a consistent manner, at a standard that could be internationally recognised. In particular, given the export orientation that country is looking towards, the EU Taxonomy and Corporate Sustainability Due Diligence Directive (CSDDD) would be important rules to keep track of and bear in mind when developing ESG standards, especially for SOEs. This will also require developing experts who can carry out the external evaluation to certify their compliance with this as well.

XI. Green finance and sustainable investment instruments

a. Continue to consider ways to take advantage of how green and sustainability bonds could be further leveraged in Egypt with the support of credit enhancements.

b. Create diverse financing pathways for greenfield infrastructure projects including using blended finance tools to attract private capital, through assessment of approaches that could attract private capital and in particular working on improving the investment environment's certainty and predictability, and assessing whether existing platforms are performing in the way they were intended to.

c. Expedite regulatory changes to allow the operation of ESG funds in the domestic market given that the market for sustainability-linked instruments is expected to grow, and it could provide new capital inflows into climate-resilient infrastructure projects. Assessing the implementation of the framework, and adjusting as necessary, will be critical to have robust instruments which are externally recognised.

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2 Introduction

Egypt's capacity to achieve its long-term development objectives will depend on mobilising higher levels of private financing for infrastructure. Demographic growth, rapid urbanisation, climate risks and constrained public finances have widened infrastructure needs despite major initiatives, including Egypt Vision 2030, the Integrated National Financing Strategy and the Green Investment Plan. Recent reforms - such as macroeconomic stabilisation under the IMF programme, improvements in public investment governance, renewed foreign investor interest, and progress in renewable energy and logistics - represent important advances. However, structural constraints remain, including the dominant role of public investment, limited private participation, institutional capacity gaps, and regulatory and land management challenges. Strengthening the enabling environment, enhancing state-owned enterprise governance and transparency, and expanding financing and risk-mitigation instruments will be critical to channel private capital into bankable, climate-aligned infrastructure projects and to support resilient, inclusive and sustainable growth.

Ensuring the availability and ability to finance and invest in infrastructure is critical to driving economic growth, addressing global policy objectives, improving social welfare, and promoting sustainable development, especially in emerging markets and developing economies (EMDEs). Investment in infrastructure has been proven to enhance productivity, reduce transaction costs, and ensure the efficient movement of goods and services. It not only improves quality of life standards but also creates a conducive environment for businesses to thrive, attract investments, and promote economic diversification. Amid global economic uncertainty resulting from the COVID-19 pandemic, supply chain disruptions, inflationary pressures, and geopolitical conflicts, quality infrastructure has been recognised within policy circles as a key driver of economic prosperity and component of sustainable and resilient economic systems.

The G20 Principles for Quality Infrastructure Investment offer a voluntary framework to guide countries in making infrastructure investments that maximise economic, social, environmental, and developmental benefits (see Box 1.1). Quality infrastructure investment has emerged as a cornerstone of global efforts to achieve the UN's Sustainable Development Goals (SDGs). Promoting quality infrastructure addresses negative spillovers that may arise from improper planning, management, financing, and implementation. While infrastructure is an important driver of economic growth and development, the misallocation of scarce resources on projects that fail to deliver will not benefit society. Project delays and cost overruns, and failure to take into account environmental and social impact of infrastructure projects can lead to adverse effects such as increased exposure to risks wrought on by climate change, air pollution, and contribute to reduced trust in government and public institutions (OECD, 2020[1]).

Quality infrastructure investments therefore serve as a means to address income and gender inequality, reduce poverty, boost productivity and competitiveness while tackling pressing environmental and social challenges. This call to action is further underscored in SDG 9 as it calls upon nations to develop "quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all." Investing in quality infrastructure offers a forward-looking approach to achieving low-carbon transition, developing resilient societies and economies, and adapting to the long-term effects of climate change.

The United Nations has projected urban populations to increase by 2.2 billion people by 2050, with nearly 90% of this growth concentrated in Asia and Africa (UNDESA, 2019[2]; UN-Habitat, 2022[3]). This urban expansion will raise the global urban population share from 50% in 2020 to 58% by 2070, presenting distinct challenges for advanced and developing economies (UN-Habitat, 2022[3]). For developing economies, adequate infrastructure is essential to address housing needs, youth unemployment, effective service delivery, and rising poverty levels (UN-Habitat, 2022[3]).

Despite the importance of quality infrastructure in national development agendas, many governments, especially those of EMDEs, struggle to meet these demands due to limited technical capacities, rising public deficits, financial constraints, political instability, and inadequate planning. Private sector involvement in infrastructure will be essential to complement public sector funding, as governments often hold a significant portion of critical economic and social infrastructure assets. Current investment patterns indicate a global shortfall, with a projected investment gap of USD 5.2 trillion by 2 030, potentially reaching USD 14.9 trillion by 2040 (OECD, 2021[4]).

Regions with the greatest infrastructure investments needs are home to some of the largest sovereign wealth funds (SWFs) and have economies that are deeply tied to other developing regions through regional and global value chains. For instance, the Middle East – which includes major economies like Saudi Arabia, the United Arab Emirates and Qatar – collectively holds about 34% of global SWF assets, while Asia, with financial hubs like China and Singapore, accounts for around 40% of total SWF assets (Mohseni-Cheraghlou and Aladekoba, 2022[5]). Despite their substantial financial resources, approximately 40% of SWF cross-border investments target financial and real estate sectors in advanced economies (Mohseni-Cheraghlou and Aladekoba, 2022[5]).

Institutional investors, with their long-term investment horizons and preference for stable returns, are well-positioned to invest in infrastructure projects in EMDEs. However, the actual proportion of infrastructure investments made by several large pension funds, as surveyed annually by the OECD, continues to fall short of the expected targets. According to the OECD's Global Pensions Statistics, institutional investors – including pension funds and public pension reserve funds – held USD 63.1 trillion in assets earmarked for retirement by the end of 2 023, more than triple the USD 20.8 trillion recorded in 2 003 (OECD, 2025[6]). While the 2023 survey does not specify the portion of these assets available for infrastructure investments, the overall increase in pension assets suggests a potential rise in funds that could be allocated to infrastructure.

Earlier studies indicate that, in 2017, pension funds and insurance companies in OECD and G20 countries held a combined USD 472 billion in infrastructure assets, far below the estimated USD 11.4 trillion that was theoretically available for infrastructure investments (OECD, 2021[4]). Additionally, global undeployed (not invested) capital in infrastructure funds, often referred to as "dry powder," reached USD 212 billion by 2019–double the amount recorded at the end of 2015–highlighting a growing pool of private capital that remains unutilised for infrastructure development (OECD, 2021[4]). According to findings from 2021, infrastructure investments accounted for a small share of total assets under management among surveyed funds. Out of USD 10.6 trillion in assets held by 87 funds, only USD 211.8 billion – around 2% – was allocated to infrastructure through unlisted equity, listed equity, and debt (OECD, 2023[7]).

Despite the potential offered by institutional investors, SWFs and pension funds focus largely on highly liquid, low-risk assets like bonds and equities, limiting their involvement in infrastructure projects in EMDEs. Due to the assorted investment and financing risks, challenges, and barriers, institutional investors account for less than 1% of private infrastructure investment in developing economies (Mohseni-Cheraghlou and Aladekoba, 2022[5]). Bridging the roughly USD 15 trillion infrastructure gap through 2040 will require innovative financing mechanisms and risk mitigation instruments to attract private capital and ensure long-term investment.

From transportation networks and energy systems to water treatment facilities and telecommunications infrastructure, these infrastructure assets are essential to advancing long-term development goals. For EMDEs, addressing infrastructure gaps is crucial to meeting industrial and development targets, reducing vulnerability to climate risks, and creating an attractive investment environment to ensure resilient, steady, and sustainable economic growth.

Egypt's *Transport Sector Master Plan*, which includes developing several mega infrastructure projects related to transportation and renewable energy, including building 7 000 kilometres of new roads and rehabilitating around 10 000 kilometres of roads (OECD, 2021[8]). Since its announcement, Egypt has pursued a number of mega-projects including the development of its New Administrative Capital, projected to cost USD 58 billion, the development of New Alamein City, and a USD 23 billion high-speed railway project. Among these projects, Egypt has aimed to enhance the Suez Canal Economic Zone's infrastructure to bolster its appeal as a prime logistics and manufacturing hub – connecting Europe, Africa and Asia.

Like many emerging markets, Egypt has faced significant challenges exacerbated by recent global crises such as the COVID-19 pandemic and increasing geopolitical and regional tensions. These events, coupled with Egypt's severe fiscal and balance of payments imbalances, have strained Egypt's economy. The government grappled with rising prices for key commodities like wheat due to the war in Ukraine, reduced remittance inflows, and declining foreign currency revenues resulting from regional conflict interrupting shipping along the Suez Canal from the Red Sea. Following a landmark real estate investment deal in February 2024 worth USD 35 billion and expansion of the IMF programme in March 2024 to USD 8 billion, the government stepped up economic reforms resulting in stabilising macroeconomic indicators coupled with an increase in foreign currency revenues. Net international reserves rose to USD 50.2 billion in November 2025, while remittances jumped 53% to USD 37.5 billion in 11M of 2025.

As part of the current Extended Fund Facility programme with the IMF, Egypt has agreed to cap annual public investment to prevent crowding out private investments, with a cap of EGP 1 trillion for FY 2024/25. The cap resulted in prioritising high-impact infrastructure projects, leverage private sector participation through PPPs, and attract alternative financing sources.

These factors are designed to limit its fiscal resources to meet the growing infrastructure needs – highlighting the need for alternative financing solutions and innovative risk mitigation strategies.

Egypt has introduced broader governance reforms for public investments in recent years, as part of its home-grown fiscal consolidation and debt sustainability reform programme, covering planning, allocation, and monitoring. This includes updated project appraisal standards, mandatory feasibility studies, the automation of monitoring processes, and the inventory of investment assets. A revised allocation formula has been developed to ensure a fairer distribution of public investments across governorates, using indicators such as poverty, human development, population size, historical investment levels, and special weightings for border governorates. This framework aims to strengthen fiscal discipline, promote balanced development, and enhance the efficiency and equity of public resource allocation.

Recognising these challenges and the opportunities that could arise from a diverse financing approach, the Government of Egypt has placed infrastructure investment and private sector engagement at the crux of its economic strategy. The country's policy frameworks and development strategies have emphasised the importance of infrastructure to address its evolving economic and demographic needs. By improving productivity, reducing transaction costs, and facilitating the seamless movement of goods and services, infrastructure investments have the potential to contribute to economic diversification and elevate living standards.

Over the last decade and more recently, Egypt has embarked on a series of economic reforms geared towards achieving its economic objectives and limiting economic instability with the support from international institutions such as the International Monetary Fund (IMF). By prioritising infrastructure development, Egypt has sought to accelerate economic growth and position itself as a regional leader in trade and logistics, near shoring, and areas such as renewable energy production, leveraging its geostrategic location through the Suez Canal Economic Zone to connect European and Asian markets.

To realise this vision, Egypt will require significant and consistent funding sources beyond fiscal government expenditure. Bridging this finance gap will require robust engagement with both international development finance providers and private capital to play a key role in Egypt's infrastructure development.

2.1. Egypt's national development strategy

National investment strategies shape long-term economic growth by aligning development goals with broader policy objectives. Several emerging market economies have adopted comprehensive strategies that integrate economic, social, and environmental priorities to enhance competitiveness, attract foreign investment, and support regional development. Governments have looked to infrastructure as a conduit for sustained development, undertaking projects that retrofit and modernise existing assets while integrating new technologies and sustainable practices to improve efficiency and service delivery (see Box 2.1 on national investment strategies in Brazil and Korea). While these initiatives are often spearheaded by national and local governments – whether through conceptualisation or funding – private sector participation will play a critical role in achieving these objectives.

Since 2013, Egypt has increased public spending on infrastructure projects and developed several mega projects to boost investment and employment following the private sector's slowdown due to the 2011 revolution and resulting state of uncertainty (Warner, 2014[9]). These investments marked the beginning of a comprehensive national development agenda aimed at transforming Egypt's economic landscape. Egypt Vision 2030, launched in February 2016 and revised in 2023 led by the Ministry of

Planning and Economic Development (MPED), became the first version of the country's development strategy, enhancing the interlinkages and integration of sustainable development in terms of economic, social, and environmental aspects. (Government of Egypt, 2023[10]). The strategy aims to modernise Egypt's economy and lay the groundwork to address pressing issues facing the country, including low economic growth and diversification, rising poverty levels, increasing climate-related challenges, rapid population growth and urban sprawl.

Egypt Vision 2030 focusses on enhancing infrastructure development though legislative reforms to address poverty reduction and the empowerment of women, and support Egypt's youth to strengthen the nation's social fabric. Egypt Vision 2030, the country's sustainable development strategy, lays the foundation for sustainable development in all sectors across the country on a strategic level. The Vision aims at having a competitive, balanced, and diversified economy, based on knowledge and innovation; to be built on a just, inclusive, and participatory society; with a sustainable and diverse ecosystem. This will pave the way forward towards achieving sustainable development and improving the quality of life for Egyptians, without compromising the rights of future generations.

In September 2025, the government led by the Ministry of Planning and Economic Development launched the Egypt's Narrative for Comprehensive Development: Reforms for Growth, Jobs and Resilience. The Narrative presents a new economic model, shifting focus from non-tradable activities to productive, tradable and export-oriented sectors; and aligning sectoral strategies, underpinned by the National Structural Reform Program and clear, quantitative targets. More than providing a comprehensive framework integrating national strategies (FDI, foreign trade, and labour, among others), programmes and Egypt Vision 2030, the Narrative serves as an economic reform program, consolidating ongoing reforms, showcasing Egypt's economic foundations and outlining structural measures that drive growth, job creation and investment. It also emphasises private sector participation, introduces diverse financing alternatives and highlights promising sectoral opportunities that define the future of Egypt's economy.

Egypt Vision 2030 serves as the main conduit through which Egypt addresses national, regional, and global development targets into several standalone programmes to leverage Egypt's geostrategic position and establish itself as a key player in regional and global value chains – enabling access to new goods and services, employment opportunities, skills development, and higher wages (OECD, 2020[11]). It acts as a comprehensive roadmap for integrating, interlinking, and achieving economic, social, and environmental objectives, especially through the fifth strategic goal of "Well-Developed Infrastructure" (OECD, 2021[8]).

Egypt Vision 2030 also aligns with international frameworks such as the UN's 2030 Agenda for Sustainable Development and the African Union's Agenda 2063. Additionally, it is simultaneously supported by other national programmes, such as the National Structural Reform Programme (NSRP), which focusses on improving the nation's business climate and encouraging private sector involvement – both foreign and domestic – in financing infrastructure projects (OECD, 2021[8]).

Egypt launched the Integrated National Financing Strategy (MPED, 2024[12]) which sets a roadmap for Egypt's sustainable development financing through domestic, international, public, and private financial resources. It aims at closing the financing gap and strengthening private sector engagement in sustainable development (Government of Egypt, 2024[13]).

Among other key initiatives supporting Egypt Vision 2030 is the Green Investment Plan, a strategic framework for green recovery led by MPED in collaboration with the Ministry of Environment. This national strategy aims to transition Egypt toward a more sustainable, environmentally friendly economy, aligning with global efforts to combat climate change, promote sustainable development, and support the nation's green energy transition. In the context of infrastructure investment, the Green Investment Plan ensures that all new projects integrate environmental considerations, making them both economically viable and ecologically sustainable.

Green investments under this plan are concentrated in infrastructure sectors like renewable energy, sustainable transportation, water desalination, and waste management. For example, in FY 2023/24, a share of green investments was directed toward the transportation sector, which accounted for 64% of total green investment. Green urbanism followed, receiving 10%, whereas renewable energy accounted for 6% of green investments from total public investments. Moreover, 92% of the mitigation projects are implemented by green investments. Furthermore, green international financing (loans and grants) accounted for 61% of total international financing.

Regarding Egypt's decarbonisation and energy transition, the Green Investment Plan is supported by the country's National Low-Carbon Hydrogen Strategy which aims to position the country as a global leader in green hydrogen production and export. This strategy requires significant investment in renewable energy generation, specifically green hydrogen production facilities, and the infrastructure necessary for hydrogen storage and transportation. In support of the strategy, Green Hydrogen Incentives Law (Law No. 2/2024) provides a legal framework for green hydrogen projects, offering investors incentives such as tax exemptions, land allocations, and access to grid connections. Additionally, Egypt's Investment Law, Law No. 72/2017 offers broader incentives for green investments, like its Golden License (see Box 3.1), which provides expedited approvals, tax exemptions, and customs privileges to investors in key projects.

Box 2.1. Incorporating the territorial dimension in national investment strategies

Infrastructure investment in Brazil's National Strategy for Economic and Social Development

In 2018, Brazil published the National Strategy for Economic and Social Development (*Estratégia Nacional de Desenvolvimento Econômico e Social*, ENDES) 2020-2031, which is organised along five axes: economic, institutional, infrastructure, environmental, and social. The axes aggregate the problems that the Brazilian state must solve and represent the major fields of public policies that are structured around these problems. For each of these axes, megatrends, challenges, guidelines, key indices, and targets are identified.

For the Infrastructure Axis, one particular challenge is to ensure greater well-being, which is tackled by improving urban and rural infrastructure. This includes:

1. planning urban infrastructure considering the complementarities and synergies of public and private investments in urban infrastructure (e.g. sanitation, mobility and housing)
2. expanding the satisfactory condition of well-being of households in rural areas, respecting local characteristics
3. increasing the capacity of federal entities in planning and regulating public services and providing greater security for the expansion of private initiatives in service provision.

In addition, the strategy highlights inter-regional transport and modernising communication infrastructure, with a clear territorial dimension, as priorities. For the former, it aims to develop various modes of regional passenger and cargo transportation, in such a way as to promote territorial integration and the intensification of spatial interactions. For the latter, the strategy specifies that the country needs to ensure rules and instruments for the expansion and access of broadband infrastructure in needy/remote regions and in those with the highest population density, as well as incorporate new technologies (e.g. Internet of Things) in urban planning, to make smart city projects viable.

Korea's regionally balanced New Deal

In July 2020, Korea adopted the New Deal to combat the economic setbacks caused by COVID-19, with a distinctive territorial approach. According to the government's plan, KRW 75.3 trillion will be

invested in projects that are conducted outside of Greater Seoul. The majority of the spending will be funded by the central government, which will cover KRW 42.6 trillion, or 57%, while local governments will match those funds with a total of KRW 16.9 trillion. The remainder will be in the form of private sector investments.

The government will assign major projects, such as installing green technology in outdated government leased apartments, or installing artificial intelligence technology in traffic systems, after categorising the 299 local governments according to their development status. The local governments will be divided into the top 25%, middle 50%, and bottom 25%.

Some of the planned projects will be led by local governments rather than by the central government, including the expansion of a robotics factory in Daegu, the establishment of an autonomous vehicle testing site in Sejong, and the development of a publicly backed delivery platform in Gyeonggi.

The plan will also create special economic zones by providing fiscal and tax support while lifting regulations. This includes a KRW 35 billion regulation-free zone fund. The central government said it will speed up regional participation in New Deal projects by cutting regulatory red-tape, including feasibility evaluation requirements and local government fiscal situation reviews.

Source: OECD (2021[4]), *OECD Implementation Handbook for Quality Infrastructure Investment*, https://doi.org/10.1787/479131b2-en.

As of early 2024, Egypt secured financial support exceeding USD 55 billion through external budgetary support programmes, which include concessional loans and investments from international financial institutions. This financial package comprises an USD 8 billion loan from the International Monetary Fund (IMF), USD 6 billion from the World Bank over three years and USD 8.1 billion from the European Union until 2027. A significant investment has come from the United Arab Emirates (UAE), via Abu Dhabi Development Holding Company (ADQ), which has finalised a USD 35 billion investment deal to acquire development rights for prime land along Egypt's Mediterranean coast in the Ras El-Hekma area. These efforts illustrate a collective response from international partners aimed at stabilising and supporting Egypt's economic reforms.

Table 2.1. Financial support packages following Egypt's financial crisis

Year	Entity	Programme / Project	Arrangement
2022	International Monetary Fund (IMF)	Extended Fund Facility (EEF) 46-month Extended Arrangement	USD 3bn (SDR 2.35bn)
2024	International Monetary Fund (IMF)	Extended Fund Facility (EEF) 46-month Extended Arrangement Augmentation	USD 5bn (SDR 3.76bn)
2024	World Bank Group	USD 3 billion – Financial Support to Government Programmes USD 3 billion – Private Sector Participation and Mobilisation	USD 6bn
2024	European Union	EU-Egypt Strategic and Comprehensive Partnership	USD 8.1bn
2024	Abu Dhabi Development Holding Company	Ras El-Hekma Investment Deal	USD 35bn

Source: IMF (2022[14]), IMF Executive Board Approves 46-month USD 3 billion Extended Arrangement for Egypt, https://www.imf.org/en/News/Articles/2022/12/16/pr22441-egypt-imf-executive-board-approves-46-month-usd3b-extended-arrangement; IMF (2024[15]), IMF Staff and the Egyptian Authorities Reach Staff Level Agreement on the First and Second Reviews under the EFF Arrangement; IMF (2024[16]), IMF Executive Board Completes the First and Second Reviews of Extended Fund Facility Arrangement for Egypt, Approves https://www.imf.org/en/News/Articles/2024/03/29/pr24101-egypt-imf-executive-board-completes-first-second-reviews-eff-approves-augmentation.

The IMF's USD 8 billion loan deal was aimed at bolstering Egypt's foreign currency reserve levels while implementing structural reforms and a state-asset divestment programme to establish a stable growth

trajectory and render it an attractive, stable investment destination (The Economist, 2024[17]; Saleh and Cotterill, 2024[18]). Under the 46-month programme, Egyptian authorities have agreed to a structural reform plan predicated on preserving macroeconomic stability and restoring investor confidence. Key measures implemented by the Egyptian Government include currency liberalisation, transitioning to a flexible exchange rate regime, tightening monetary and fiscal policies, and addressing fiscal and balance of payments imbalances. The Central Bank of Egypt (CBE) began easing its monetary policy by cutting key interest rates in April 2025, initiating a cycle of reductions throughout the year as inflation declined and the Egyptian Pound strengthened, with a cumulative policy rate cuts of 725 basis points by December 2025. In addition to these measures, the government is pursuing economic and investment reforms designed to create an enabling environment conducive to more private sector activity. It has capped public infrastructure spending to increase private sector investment and to alleviate inflationary pressures from increased public spending (Lubin, 2024[19]; IMF, 2024[15]).

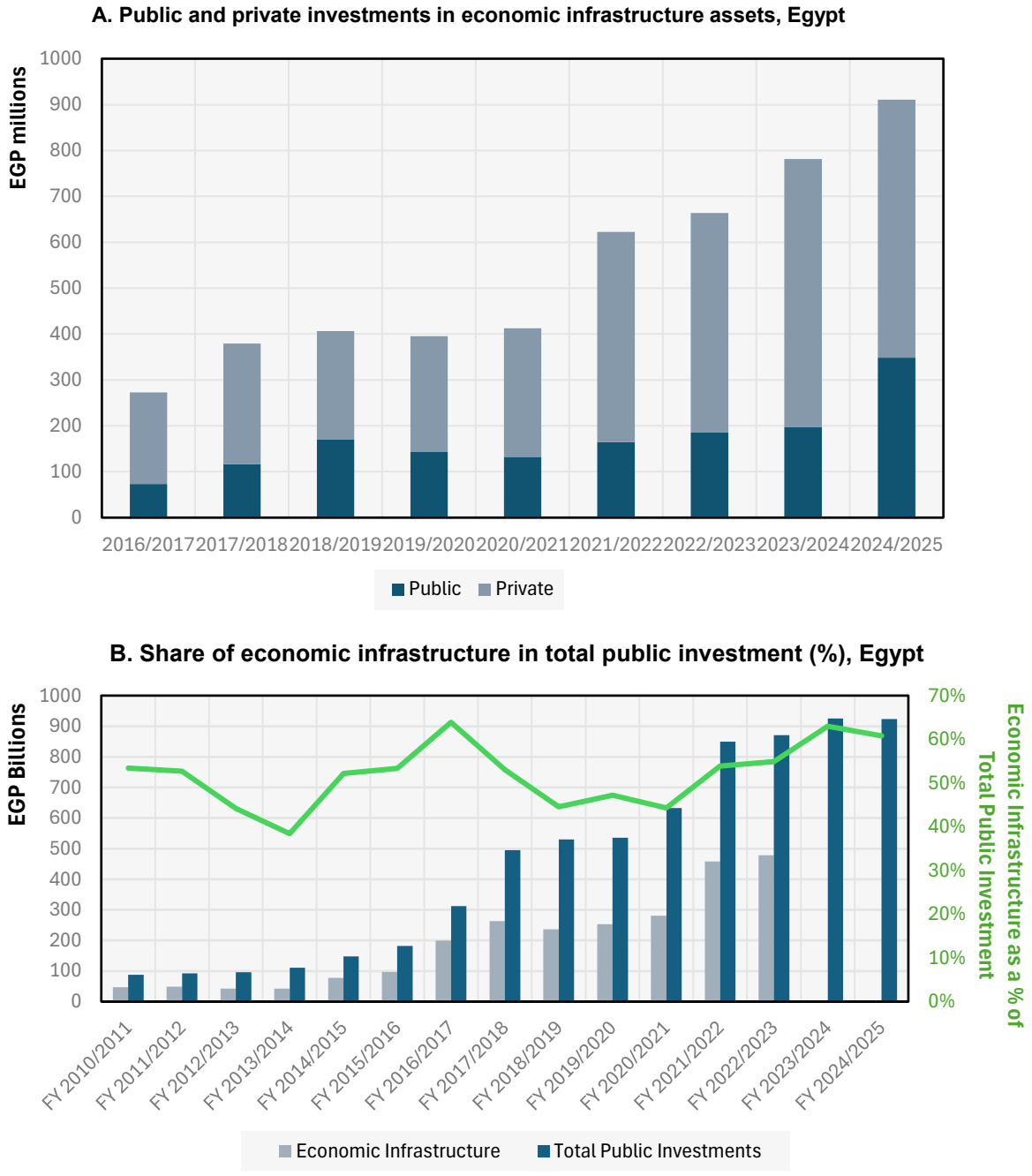
2.2. Infrastructure investment gap in Egypt

Historically, the operation of a large number of state-owned enterprises (SOEs) has served as the main provider of public infrastructure and essential services, and subcontracting certain service provisions to private sector entities, including foreign investors (OECD, 2021[8]) for the government. However, external economic pressures and fiscal tightening tied to the 2016 IMF engagements have led to gradual decreases in public spending on new projects and a shift in the government's role in the economy. Private investment rose between 2016 and 2019 before declining in 2020, likely due to the economic slowdown triggered by the COVID-19 pandemic. The pandemic led to a contraction in private investment not only in Egypt but also globally, with investors being cautious due to uncertainty around the challenged economic outlook and market conditions, and the disruptions caused by lockdown measures and supply chain bottlenecks. Since 2021, the relative level of private investment has grown (see Figure 2.1, Panel A) although the state's role in the economy was perceived to be among the highest and private share of investment and credit among the lowest, in emerging markets (IMF, 2025[20]).

Moreover, Figure 2.1, Panel B shows that investments in economic infrastructure have consistently accounted for a significant portion of total public investments, ranging between 45% and 60%. There was a noticeable dip to 44% in FY 2024/25, although between FY 2018/19 and FY2023/24, the share of public investment in economic infrastructure remained above 50% during this period. In line with this, in FY2024/25, the share of private investment rose above 50% to 56% for the first time.

Due to economic challenges experienced during this period, public finances had been particularly strained, prompting the government to seek alternative funding methods and increase private sector participation and foreign investment (IMF, 2021[21]). The negative economic impact of the COVID-19 pandemic was further exacerbated by regional geopolitical conflicts, particularly those arising from the Gaza war. Rising import costs and disruptions to international shipping through the Suez Canal have led to lower foreign currency revenue streams. However, the foreign exchange situation, while impacted, has not reached the levels seen in 2023.

Figure 2.1. Public and private investment in economic infrastructure sectors, Egypt



Note: Economic infrastructure covers investments in "Electricity", "Water", "Drainage", "Construction and Building", "Transportation and Storage", "Communications", "Information", and "Suez Canal".
Source: Ministry of Planning and Economic Development

Despite these challenges, infrastructure development remains a key priority of Egypt's economy, addressing pressing issues such as stagnant growth, unemployment among youth and climate change. However, the scale of Egypt's infrastructure needs is vast. Even if Egypt were to maintain an average annual infrastructure spending of USD 61.4 billion, as observed from 2015 to 2020, the country would still face an investment gap of USD 230 billion over the period until 2040 (OECD, 2020[11]).

The Egyptian Government has shown a growing understanding of the need to attract foreign investment, especially from the private sector, to not only address the pressing economic challenges it faces but also fund the projects it has envisioned in its national development strategy. Although Egypt has sought to improve its business environment and attract foreign investment through the introduction of several reforms, and improved laws and decrees since 2023, some obstacles remain. Investors in the country continue to encounter some challenges, including inconsistent enforcement of laws and regulations, limited transparency, and significant bureaucracy in some areas

Despite the existing challenges, investor appetite has improved due to policy developments in Egypt. The transition from a fixed to a floating exchange rate was pivotal in controlling inflation and maintaining Egypt's attractiveness to foreign investors (Agarwal and Mazarei, 2024[22]). For instance, non-resident holdings in local currency Treasury bills and bonds surged to approximately USD 20 billion by April 2024, reflecting an increase of about USD 19 billion since the exchange rate adjustment in March 2024 (IMF, 2024[23]). Following the adjusted agreement with the IMF along with the Ras El Hekma investment deal, international investors demonstrated confidence in the new policy trajectory by investing in the country's debt market, particularly in short-term (one-year) Treasury bonds with double-digit interest rates (Saleh and Cotterill, 2024[18]). Foreign holdings of Treasury bills soared to USD 38 billion by October 2025. In addition, the Ministry of Finance introduced a tax dispute settlement mechanism and a filing procedure as part of the tax facilitation package reform launched in 2025 (Government of Egypt, 2025[24]).

Table 2.2. Key challenges and policy recommendations for national strategy towards infrastructure

Challenges	Recommendation
Egypt Vision 2 030, the country's sustainable development strategy, lays the foundation for sustainable development in all sectors across the country on a strategic level. This could be the basis for which macroeconomic conditions are improved to facilitate better financing of infrastructure, through better risk perception by investors.	I.a.) Increase the focus on private investment in infrastructure and utilities in the next Egypt Vision update and Egypt's overall economic reform agenda together with the accelerated pace of overall investment reforms. This should encompass developing an enabling environment for foreign investors, which requires clear guidelines and regulations, as well as disclosure by the government to improve transparency. I.b.) Accelerate macroeconomic and sectoral reform policies and transparency that would bring greater certainty and predictability of the economic outlook and grow an enabling environment that contributes to greater financing opportunities for infrastructure projects by the private sector.

Note: The numbering in the recommendation column reflects the numbering applied in list of policy recommendations in Section 1.6.

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3 Enabling environment for infrastructure financing and investment

Egypt has made progress in strengthening its enabling environment for infrastructure financing and investment, yet further efforts could facilitate unlocking private capital, and support sustainable, long-term growth. A predictable and transparent investment climate – underpinned by clear legal and regulatory frameworks, and improved governance of state-owned enterprises – is essential to mobilising private investment and financing for large-scale infrastructure projects. While reforms have enhanced market access and reduced administrative barriers, persistent constraints – including complex land-acquisition rules, sector-specific ownership restrictions, overlapping institutional mandates, and limited state-owned enterprise (SOE) transparency – continue to weigh on investor confidence. Continued regulatory simplification, strengthened dispute-resolution mechanisms, accelerated SOE restructuring and divestment, and greater clarity in land-use procedures could attract more investment into sustainable infrastructure and ensure that Egypt's infrastructure development is efficient, resilient, and aligned with national economic and climate objectives.

Maintaining a robust enabling environment is essential for attracting and sustaining investments, especially for long-term and complex investments into infrastructure. A strong investment climate provides the stability and predictability that investors need to manage and mitigate risks, achieve returns, and commit to projects with long gestation periods. To address infrastructure gaps, an enabling environment should involve not only sound policy frameworks and financial incentives, but also effective procedures and governance, institutional capacity, and risk mitigations mechanisms. Promoting competition will ensure greater efficiency, cost effectiveness, technology transfers, and innovation which improve service delivery and pricing. Strengthening these elements is key to unlocking private capital inflows and ensuring infrastructure projects – whether economic or social – are sustainable, resilient, and aligned with national development strategies.

Beyond financial incentives, clear legal and regulatory frameworks are part and parcel of a strong institutional setting, as they ensure fair competition, investor protections, and dispute resolution mechanisms. With regards to infrastructure financing, transparent procurement processes are essential as large-scale projects often entail complex contractual arrangements and long-term commitments. Optimising bureaucratic inefficiencies and improving co-ordination among relevant public entities can further enhance investor confidence and yield smooth project implementation.

State-owned enterprises (SOEs) can play an integral role in sponsoring, operating, and financing infrastructure assets, as well as fill investment gaps where private sector participation remains limited. In Egypt, SOEs have played a prominent role in the nation's economy, especially in sectors like energy, transportation, and utilities. In Egypt, SOEs are an integral part of the infrastructure sector as all infrastructure and utilities are primarily owned and manged by SOEs emphasising the importance of their role when discussing mobilising private investment in infrastructure. While well-managed SOEs can mobilise public and private capital and enhance delivery of essential services, they can also crowd out private investment. This is especially the case in economies where SOEs enjoy preferential treatment, face limited market competition or operate under weak corporate governance and financial oversight.

Egypt's infrastructure sector faces growing demands for economic growth and expansion driven by rapid population growth, urbanisation, and the need for more sustainable solutions. However, as the country seeks to address growing demands in sectors like energy, transport, and water management, financing these large-scale projects remains a challenge. In a global environment where access to capital is increasingly competitive, the country faces obstacles such as the need for significant capital inflows, high debt burdens, and regional disparities in infrastructure access.

To address these challenges, Egypt has taken steps to create an enabling environment for investment by implementing structural reforms aimed at attracting both domestic and foreign capital. Policy measures have focussed on enhancing transparency, reducing investment risks, and fostering collaboration between the public and private sectors. By improving its regulatory framework, advancing public-private partnerships, and leveraging multilateral development banks for concessional financing, Egypt has expanded pathways for private sector involvement, which is essential to bridging the infrastructure financing gap.

3.1. Foreign investment in Egypt

For much of the last decade Egypt has consistently ranked as a top destination for foreign direct investment (FDI) inflows in the Middle East and North Africa. FDI trends indicate a steady increase in FDI stock since 2018 with the United Kingdom and European Union as the largest investors in the country (see Figure 3.1, Panel C). Although FDI inflows declined in 2011 due to political instability and economic uncertainty wrought on by the Araspring protests, Egypt has gradually recovered its attractiveness to foreign investors (see Figure 3.1, Panel B). However, when examining FDI as a percentage of GDP, FDI has constituted an average between 1% and 2% of the country's GDP from 2020 to 2022–a 1% decrease from levels seen in

2016 to 2019 (see Figure 3.1, Panel A). This drop is due to the decline in investment during COVID-19 pandemic and the subsequent disruption in economic activity. According to Central Bank of Egypt data as of FY2023/24 net FDI to GDP registered 11.7%, compared to 1.9% and 2.5% in FY2021/22 and FY2022/23 respectively, as a result of macroeconomic reforms and stabilisation. FDI in Egypt recorded a net inflow of USD 9.84 billion and USD 46.58 billion in 2023 and 2024 respectively. Their share was a percentage to GDP 2.5% and 11.9% respectively (Central Bank of Egypt, n.d.[1]).

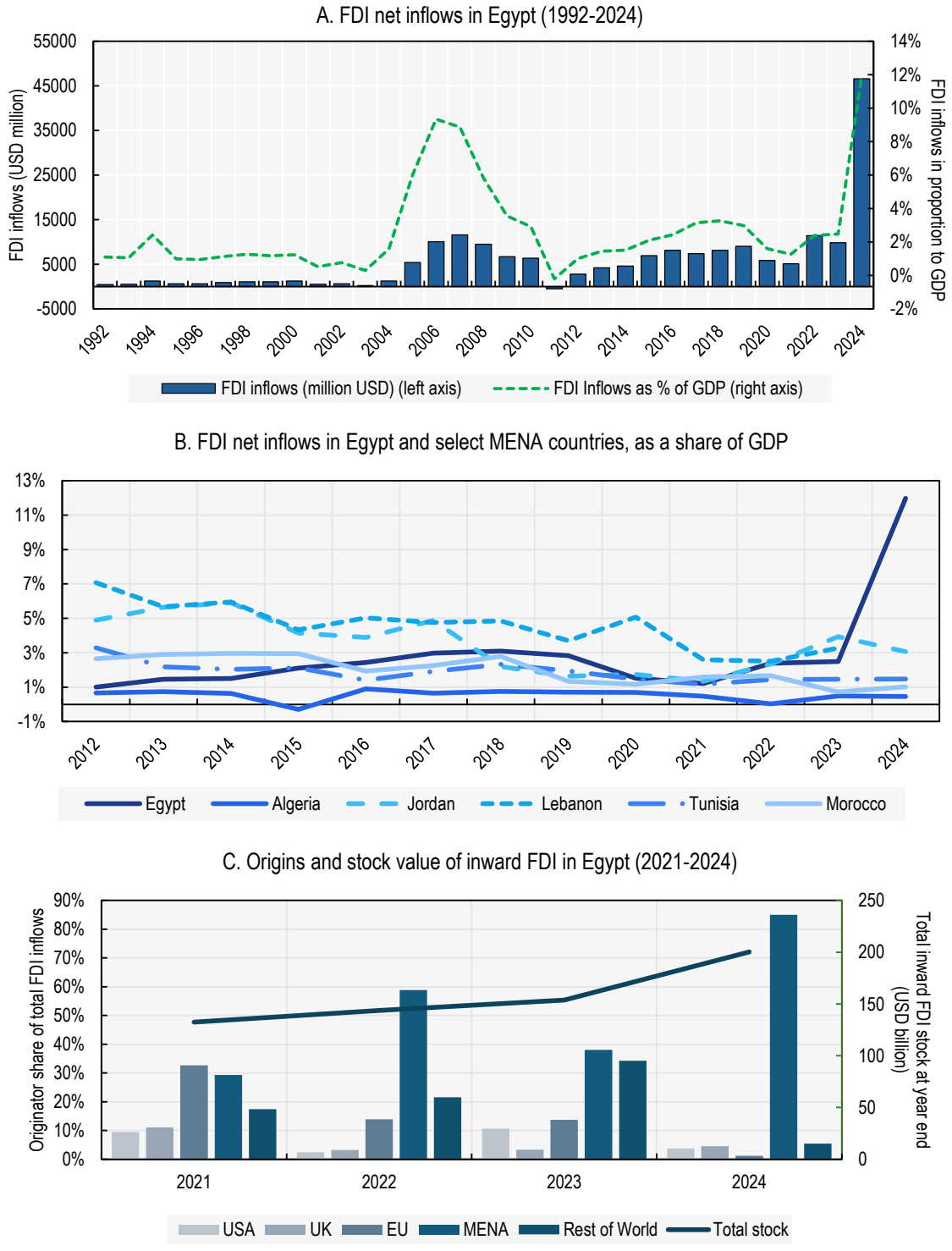
The introduction of Egypt's Investment Law of 2017 (Law No. 72/2017), along with other legislative reforms such as amendments to the Bankruptcy Law of 2018 (Law No. 11/2018), Companies Law of 2018 (Law No. 4/2018), and Customs Law of 2020 (Law No. 207/2020), were carried out with the intention to lift restrictions and improve the investment climate for foreign investors (OECD, 2024[2]). The 2017 Investment Law included provisions that would grant equitable treatment to foreign and domestic investors and protect invested capital against nationalisation and expropriation, as well as discriminatory or coercive measures (OECD, 2020[3]). Since the implementation of the Investment Law, FDI inflows have generally increased, experiencing a drop during the COVID-19 pandemic before rebounding and surpassing pre-pandemic levels shortly thereafter.

Moreover, macroeconomic reforms, backed by a three-year IMF programme amounting to USD 12 billion, from 2016 to 2019, supported Egypt's economic growth during that period (IMF, 2016[4]; ITA, 2022[5]). Additional reforms have sought to reduce current account deficits by boosting investor confidence, encouraging greater involvement from the private sector, addressing long-standing customs and trade policy shortcomings, supporting industrial modernisation, and increasing trade outflows (ITA, 2022[5]). In addition, structural reforms that target foreign direct investments are taking place to improve the business environment in Egypt (MPED, 2024[6]).This is in addition to the home-grown national structural reform programme being implemented in the same time frame and continuing under more comprehensive national strategies in addressing various issues including FDI, employment, industrialisation, among others.

Egypt is also advancing the National Foreign Direct Investment Strategy for 2025-2030. The strategy is designed to unify Egypt's vision for FDI, sharpen sector focus, and translate opportunity into an actionable investment pipeline by identifying targeted sectors and assesses their readiness for promotion (Government of Egypt, 2025[7]; OECD, 2026[8]).

Financial incentives have also been introduced alongside ongoing legislative reform to lure foreign investment. Egypt's Investment Law offers certain incentives, such as income tax exemptions and reduced customs duties, while new "special tax incentives" cover 35% to 55% of investment costs for FDI-financed (e.g. green hydrogen) and labour-intensive projects (OECD, 2024[2]). To further encourage investment, the government has activated its "Golden License"–an instrument that was previously unused under the Investment Law – and expedited the processing of special visas and permits to attract investment in select projects, including green and infrastructure projects (see Box 3.1 for more information on Egypt's Golden License) (OECD, 2024[2]). These measures not only offer tax incentives and reductions in customs duties and fees but also facilitate the licensing and operational setup of new ventures or expansions.

Figure 3.1. FDI flows in Egypt and select MENA countries, 2012-2024



Note: Due to data availability issues, FDI stock origins were estimated based on FDI inflows data published by the Central Bank of Egypt covering the 2012 to 2024 period. Total volume of FDI stock based on reported international investment positions.

Source: OECD (2024[9]), *Towards More Sustainable Investment Frameworks: Evaluating the Feasibility of Sustainable Investment Facilitation Agreements with Southern Neighbourhood Countries*, https://doi.org/10.1787/411468b9-en; OECD estimations based on FDI inflows data of the Central Bank of Egypt, World Bank, and the IMF Balance of Payments and International Investment Position Statistics (BOP/IIP).

Box 3.1. Egypt's Golden License

Egypt's "Golden License," also referred to as the "Single Approval," was established under the 2017 Investment Law (Law No. 72/2017). The license was designed to simplify the process for investors by integrating the required approvals for a project into a single approval issued by a Prime Ministerial decree. It seeks to streamline the entire project lifecycle for new projects that meet specific criteria, covering everything from land allocation and building permits to project operation and management (USDoS, 2024[10]).

Golden License holders benefit from tax incentives, reduced fees and customs duties, and other special in-kind incentives, such as special customs outlets for the import or export of project-related goods granted in the Investment Law (OECD, 2024[2]). The Investment Law also grants investors incentives including partial coverage of costs associated with utility connections, personnel training, and land allocation, among other benefits. Council of Ministers Decree No. 56 of 2022 regulates projects eligible for a Golden License and the requirements that must be met by those projects with eight requirements, of which two at least must be met by the project in order to obtain that license.

On 16 May 2023, following President El-Sisi chairing of the inaugural meeting of the Supreme Council for Investment, the Council approved 22 recommendations aimed at enhancing Egypt's business and investment climate (USDoS, 2024[10]). Changes include amendments to the Investment Law, removal of restrictions to foreigners in commercial activities, as well as other reforms such as removing preferential treatment of state-owned enterprises (SOEs). The Council decisions also led to the amendment of the Golden License significantly expanding its eligibility scope and introduced a suite of new incentives to attract foreign direct investment, particularly in priority industries such as fertilisers, natural gas, petroleum, and other energy sources (USDoS, 2024[10]). In July 2023, President El-Sisi ratified Law No. 160/2023, which amended the Investment Law and further expanded the Golden License programme under GAFI.

To support the program, GAFI developed the "Golden License Guidebook" to inform investors about eligibility conditions and application procedures for the program, encouraging them to apply for the license and its incentives online via the Egyptian Cabinet's official website (OECD, 2024[2]). In parallel, GAFI launched the Golden License Electronic Platform in November 2023, accessible at www.goldenlicense.gov.eg. Upon implementation, Golden Licenses were mostly awarded to larger firms, but they are now being granted to a broader range of projects. As of February 2026, GAFI has issued 54 Golden Licenses.

Source: General Authority for Investment and Free Zones (GAFI); OECD (2024[2]), *OECD Economic Surveys: Egypt 2024*, OECD Publishing, Paris, https://doi.org/10.1787/af900de2-en; USDoS (2024[10]), 2024 Investment Climate Statements: Egypt, https://www.state.gov/reports/2024-investment-climate-statements/egypt/.

Previous efforts to streamline processes have taken place, and work continues to further improve regulatory procedures around the procurement of licenses and permits which remain complex, and prevailing regulations shielded incumbent firms from foreign competition (OECD, 2020[3]). Since 2022, the government has expanded business-related reforms and the use of the Golden License to better facilitate setting up and expanding businesses, including expedited approvals, tax exemptions and reductions, and enhanced access to government services. These measures aim to reduce bureaucratic hurdles and accelerate project implementation. It has also enacted measures allowing for more facilitation of investment procedures through the Industrial Development Authority (IDA) and the General Authority for Investment and Free Zones (GAFI), among other government entities. In response to these challenges, in 2023, the Egyptian Government has taken steps to address the complex governance structure,

overlapping laws, and multiple incentive-granting bodies which challenged foreign investors' ability to navigate and benefit from tax and non-tax incentives (OECD, 2024[2]). Since 2023, the Egyptian Government has taken steps towards removing preferential treatment for domestic investors, lifting restrictions on foreign ownership in several activities and granting more tax incentives to foreign investors. The government, in collaboration with the IMF, is also working on compiling a list of investment incentives it grants across different activities and sectors to assess and evaluate their effectiveness. In 2023, Law no. 160 was issued amending several provisions of the Investment Law No. 72 of 2017 to enhance the accessibility, flexibility, and impact of both general and special incentives. A new article added to the Investment law (11 bis) grants a cash investment incentive of 35-55% of the value of taxes paid on income generated by qualifying industrial activities, provided that at least 50% of the investment is financed in foreign currency. This incentive is disbursed within 45 days of tax filing and is not considered taxable income.

To address licensing complexity, GAFI has initiated a licensing reform delivery programme combining (i) process re-engineering of licensing procedures (simplifying steps, standardising requirements, and reducing processing time variability across authorities) and (ii) end-to-end digital enablement through unified platforms. In parallel, the Economic Entities Platform[1] is being implemented to integrate key entity lifecycle services (establishment, licensing, and post-establishment actions) and strengthening interoperability with competent authorities and core registries – supporting more predictable, transparent, and investor-oriented service delivery.

A number of tax reforms were introduced in an attempt to create a more transparent and investor-friendly business environment such as the replacement of multiple fees charged by various government agencies with a single unified additional tax on net profits to simplify the fee structure (expected to be 3% to 5% according to Cabinet statement. Egypt's 2025 tax reform package (Laws No. 5, 6, and 7) introduced measures aimed at supporting small and medium-sized enterprises (SMEs) with annual revenues up to EGP 20 million.

As part of Egypt's broader strategy to improve the business climate and enhance investor confidence, the government – through the General Authority for Investment and Free Zones (GAFI) – accelerated the digital transformation with automation of investor services, establishing a unified electronic platform that facilitates investors' access to licenses and approvals. As of Feb 2026, the platform provides 566 services, including licenses, approvals, and permits required to conduct economic activities in Egypt. The fees can be paid electronically for 360 services, with ongoing work to the availability.

To further attract private capital, Egypt has revamped its investment institutional ecosystem by strengthening its investment promotion agency, GAFI, and establishing Special Economic Zones (SEZs), in addition to the investment zones, free zones and technological zones created by the Investment Law. SEZs operate with greater autonomy and offer specific incentives such as tax breaks and simplified regulations to create an investor-friendly landscape (see Box 3.2 on the Suez Canal Economic Zone). Meanwhile, GAFI plays a central role in investment facilitation and promotion by providing information to potential investors, facilitating interactions with government entities, and offering tailored incentives.

Box 3.2. Egypt's Suez Canal Economic Zone (SCZone)

Inaugurated in 2015, the SCZone is a special economic zone spanning the 455km^2 along the eastern and western banks of the Suez Canal. Since its establishment, it has served as one of the main projects driving economic growth and attracting foreign investment to Egypt. The USD 8.6 billion project is designed to upgrade and expand the 156-year-old waterway to increase global trade flows through six maritime ports, boost industrial growth and green hydrogen capabilities, and modernise Egypt's economy.

Expanding Egypt's renewable energy potential: Green Hydrogen

Egypt has been actively pursuing a comprehensive renewable energy agenda as part of its Green Investment Plan, focussing on green hydrogen. Despite the SCZone's geopolitical, strategic, and economic importance as an investment hub, global macroeconomic disruptions and rising interest rates have led to capital fluctuations.

Investment incentives

Designed as a one-stop-shop for foreign investors, the SCZone offers favourable conditions for foreign developers and private investors through mechanisms like the Golden License programme as well as through incentives stipulated in the Special Economic Zones Law (Law No. 83/2002) and Investment Law (Law No. 72/2017).

Although each special economic zone operates under a distinct customs and tax framework set by its board of directors and approved by the Minister of Finance, the Special Economic Zones Law outlines certain privileges, guarantees, and protections (e.g. safeguards against nationalisation), as well as exemptions for companies established and operating in these zones. For instance, regarding taxes, Special Economic Zones Law offers reduced corporate tax rates, exemptions from sales and indirect taxes, and duty-free importation of equipment, tools, raw materials, and intermediate goods.

Meanwhile, Egypt's Investment Law establishes rules for domestic and foreign investments across four regimes: inland investment, investment zones, technological zones, and free zones. The SCZone's special investment regime, combined with its diversified infrastructure project portfolio – which includes maritime ports, industrial zones, water treatment complexes, green hydrogen plants – reflects Egypt's commitment to attracting sustainability-focussed investments. The range of infrastructure, commercial, and industrial projects in the SCZone is expected to contribute to local development efforts by creating an estimated 1 million jobs and residential complexes supporting nearly 2 million residents.

Previously, all foreign investors, were subject to a security screening and needed to obtain government approval on a case-by case basis (OECD, 2024[2]), but this process was streamlined in 2023 for foreigners, limiting it to ten days, after which approval is automatically granted if no impeding issues are identified by Prime Ministerial Decree No. 1889 of 2023 which introduced a predictable timeline for security clearance procedures for foreign shareholders (OECD, 2024[2]).

One of the most pressing challenges facing investors in Egypt, however, relates to restrictions and barriers to investment in specific sectors – especially with regards to foreign ownership and land use. Sector-specific legislation imposes limitations on foreign-controlled firms' entry and operations as well as restrictions on foreign ownership in a variety of sectors, ranging from maritime and air transport, construction and civil aviation to tourism services (OECD, 2020[3]; 2024[2]). For example, Egypt's 1992 Construction Law (Law No. 104/1992) and 1998 Maritime Law (Law No. 1/1998) restricts foreign investment in these sectors to joint ventures with foreign equity not exceeding 49% and further restricts foreign participation in certain construction services to projects over USD 10 million (OECD, 2020[3]). Additionally, previous regulations stipulated importers had to be Egyptian nationals, but this restriction was later amended in FY 2023/24.

Box 3.3. Recent legislative reforms to improve FDI

In November 2024, GAFI published the Unified Negative List of FDI Restrictions (GAFI, n.d.[11]), which outlines restrictions imposed on foreign investment in specific sectors of a special nature. This includes ensuring reviewing by all relevant authorities and the Cabinet of Ministers' Advisory Board to ensure

legal and regulatory alignment; and publishing them in Arabic and English on both GAFI's official website and the Invest in Egypt platform.

Other recent legislative reforms include:

- Law No. 173 of 2023 (Amending the Importers' Register Law No. 121 of 1982) allows non-Egyptian majority ownership in companies registered in the Importers' Register, which was previously limited to companies with at least 51% Egyptian ownership. Companies can remain on the register for up to 10 years, extendable once for an additional 10 years by decision of the Council of Ministers.
- Law No. 11 of 2024 (Amending the Desert Lands Law No. 143 of 1981) grants foreign investors the right to own desert land for the first time, removing a longstanding barrier to land ownership. It resolves the inconsistency between the previous Desert Lands Law and Article 55 of Investment Law No. 72 of 2017, which guarantees all investors the right to acquire real estate to establish or expand their projects without discrimination. It also clarifies that foreign investors may now acquire land without being subject to Egyptian ownership thresholds, provided the land is used to conduct or expand business under the Investment Law.
- Prime Ministerial Decree No. 1889 of 2023 introduced a more predictable timeline for security clearance procedures for foreign shareholders. The decree stipulates that relevant authorities must issue a security opinion within 10 working days; if no response is received within this period, implicit approval is assumed; and if approval is denied, GAFI or the Financial Regulatory Authority (FRA) must be officially notified to take appropriate action.
- Presidential Decree No. 128 of 2022 exempts the cities of Sharm el-Sheikh, Dahab and the Gulf of Aqaba Tourist Area from the provisions of the Integrated Development Law in the Sinai Peninsula. Through GAFI as the facilitator of the approval chain, this decree intends to provide more flexible rules for land disposition and corporate structuring in these investment zones, while ensuring that national security and strategic oversight remain. It enables long-term arrangements of up to 75 years, recognises the ownership of constructed facilities by investors, and defines the roles of defense and intelligence authorities in approving investment-related transactions.

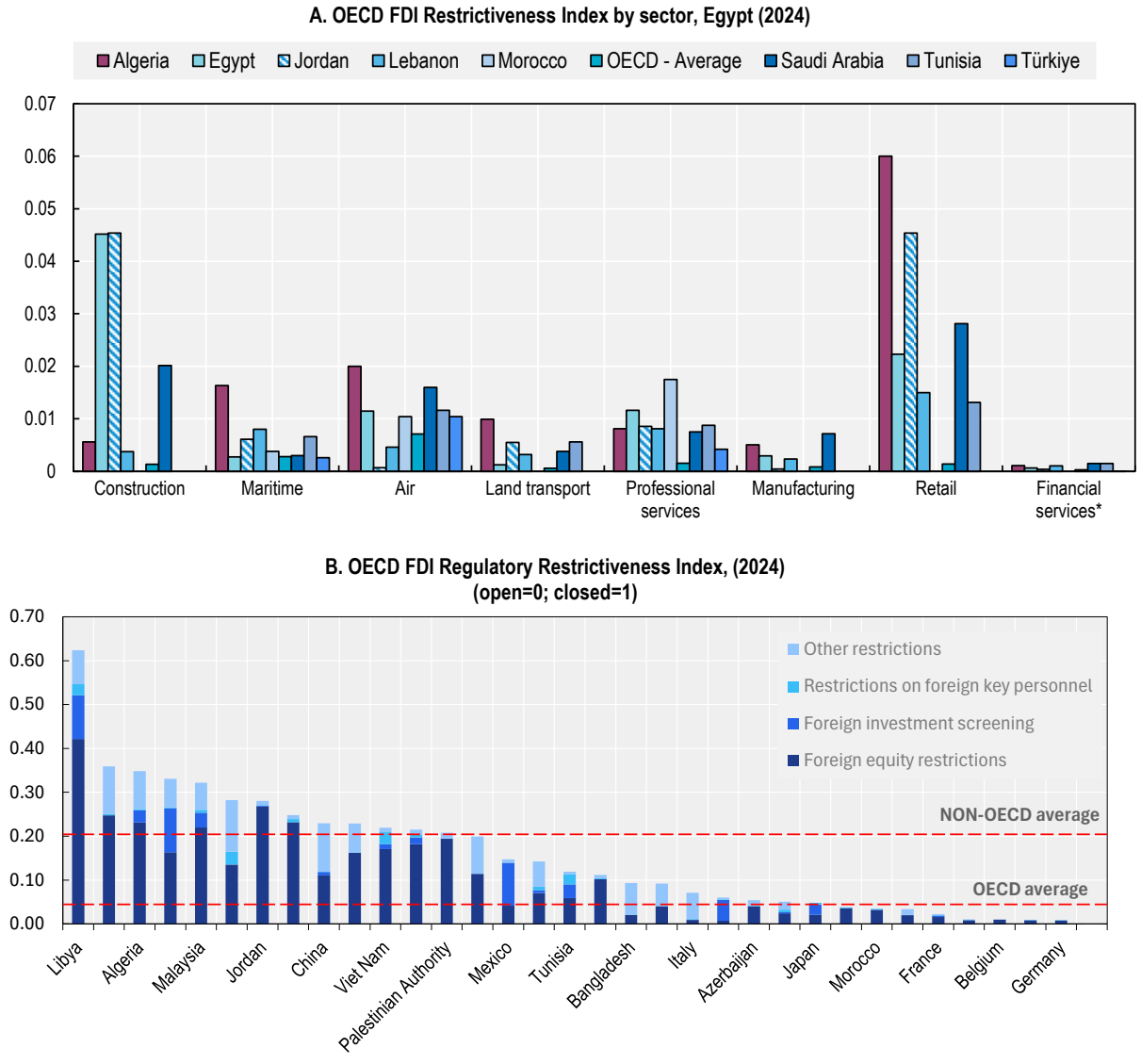
Source: Egyptian GAFI.

Egypt's level of restrictiveness has continued to decline, reflecting steady progress in liberalising its investment regime. Egypt's level of FDI restrictiveness in sectors such as construction, maritime, aviation and transportation remains higher than the OECD average as illustrated in Figure 3.2, Panel A (OECD, 2025[12]). These restrictions and regulatory barriers may stem from national security concerns, economic sovereignty policies, or the protection of domestic industries. When comparing to select regional peers such as Morocco, Algeria and Jordan, Egypt maintains relatively lower restrictions in most sectors, yet its construction sector remains an outlier with the highest level of regulatory constraints in the region. Figure 3.2, Panel 3, further underscores the extent of Egypt's regulatory restrictiveness from a policy perspective.

Among select OECD economies and emerging markets in 2021, Egypt imposes particularly stringent foreign equity limitations, surpassing the levels observed by most countries bar Libya, the Palestinian Authority, the Philippines, and Jordan. While certain regulatory measures are intended to safeguard strategic industries and maintain state influence over key assets, the broader implications included reduced investor confidence, constrained capital inflows, and a less competitive business environment. Although Egypt's overall FDI restrictiveness remains above both the OECD and non-OECD averages, its economy is not substantially closed compared to other observed countries.

There have been a number of reforms that the Government of Egypt has undertaken since 2015 but particularly since 2023 geared towards creating a conducive business environment. These reforms can be seen in the revised 2 017 investment law as well as legislative changes to the several laws including the Bankruptcy Law, Companies Law and Customs Law (OECD, 2024[2]). However, some sector-specific legislation imposes foreign equity restrictions and limits the entry and operations of foreign-controlled firms, particularly in sectors like civil aviation and tourism transportation (OECD, 2024[2]). In 2024 Egypt agreed with the International Finance Corporation (IFC) to offer 11 airports to the private sector for management and operation through PPPs opening the aviation sector to long term private investment.

Figure 3.2. OECD FDI restrictiveness index by sector and policy (2024)



Note: The OECD FDI Regulatory Restrictiveness Index (FDIRRI) assesses regulatory restrictions in 22 economic sectors, categorised into four policy areas: 1) foreign equity limits; 2) screening and approval; 3) restrictions on key foreign personnel; and 4) other restrictions. Other important aspects of the investment climate (e.g. regulatory transparency, state monopolies, and any preferential treatment for selected investors, such as treaty-covered investors or those in special economic zones), as well as measures implemented for protecting the public order and essential security interests are not considered. Each policy measure is scored on a scale from 0 (fully open to FDI) to 1 (fully closed). The discriminatory nature of measures, i.e. when they apply to foreign investors only, is the central criterion for scoring a measure.
Source: OECD (2026[13]), *OECD FDI Regulatory Restrictiveness Index database* and OECD estimations.

3.2. Land acquisition

Access to land for investment projects can involve multiple competent authorities and procedures that vary by land type and location, with approximately 90 to 95% of the land being state-owned, with over 40 laws and executive decrees dictating which government entities oversee specific lands, the conditions under which land can be disposed of, and who has the authority to decide on land use (OECD, 2020[3]). Restrictions on foreign ownership of land exist in agricultural and desert zones, border regions, and the Sinai Peninsula, although some projects in the Sinai are permitted so long as an Egyptian entity maintains a minimum 55% stake (OECD, 2024[2]). For example, Egypt's Sinai Law (Law No. 14/2012), restricts real estate ownership in the Sinai to Egyptian individuals and fully Egyptian-owned companies, but allows foreign individuals and companies to obtain usufruct rights for a period of up to 75 years for investment or economic development, contingent upon obtaining various government approvals. Presidential Decree No. 128 was issued in 2022 exempting the cities of Sharm el-Sheikh, Dahab and the Gulf of Aqaba Tourist Area from the provisions of the Integrated Development Law in the Sinai Peninsula (General Authority for Investment and Free Zone of Egypt, 2025[14]). This decree introduces more flexible rules for land disposition and corporate structuring in high-potential investment zones, while securing national security and strategic oversight. The decree defines the roles of defence and intelligence authorities in approving investment-related transactions. It also reassigns application review and supervision responsibilities to GAFI and other competent authorities for the facilitation of investment in South Sinai.

The complexity and ambiguity surrounding land investment regulations in Egypt can affect greenfield investment. Cabinet Decree No. 2067 of 2022, the committee chaired by the Industrial Development Authority (IDA), with membership from the New Urban Communities Authority (NUCA), the Ministry of Local Development and GAFI was formed to facilitate the immediate allocation of serviced industrial land to investors once the required documents and conditions are fulfilled.

The Industrial Development Authority manages industrial land allocation through the Egypt Industrial Digital Platform, which provides real-time access to available land plots. The platform presents detailed information for each parcel, including city, co-ordinates, area, activity type, service connections, price per square metre, and the applicable disposal system (ownership or usufruct).

Prime Ministerial Decree No. 1670 of 2024 sets out procedures and payment options under the ownership-usufruct system. This decree introduced two payment models for ownership (including grace periods and instalment options) and clarified terms for usufruct agreements of up to 50 years, renewable under the Investment Law and other relevant statutes.

As of March 2023, foreign investors have been able to obtain Egyptian citizenship through Prime Ministerial Decree No. 876, which amended the 2019 Decree No. 3099, streamlining the citizenship application process (USDoS, 2024[10]). Investors who make an investment (e.g. purchase of state-owned or private assets) of over USD 300 000 or a non-refundable deposit of a similar amount to the Egyptian Treasury are eligible for citizenship (OECD, 2024[2]). In theory, obtaining citizenship would indirectly enable foreign investors to bypass certain investment restrictions that apply to foreigners, such as the ownership of agricultural land – which is subject to certain conditions such as adherence to sustainable agricultural projects. However, it remains uncertain whether this citizenship would permit land purchases in restricted areas (OECD, 2024[2]). In any case, this solution is not viable for many. Other avenues for obtaining permanent residency include establishing an investment project, either solo or joint, worth at least USD 350 000 with a USD 100 000 deposit at the Central Bank, or by making a non-refundable deposit of USD 250 000 (USDoS, 2024[10]). Alternatively, investors can also make a refundable USD 500 000 deposit in a zero-interest account at an Egyptian bank, which is returned in local currency after three years (USDoS, 2024[10]).

3.3. State-owned enterprises (SOEs)

SOEs play a large role in the Egyptian economy. The socialist-oriented policies that followed independence in 1952 led to the nationalisation of natural resources and strategic assets, resulting in increases in public spending on sectors including health, education, and infrastructure to further industrialise the nation (Raballand et al., 2015[15]). While Egypt underwent a period of economic liberalisation, known as *Infitah* or "Open Door Policy," starting in 1974 and adopted several reforms in the subsequent decades, the state's role in the economy remains prominent. These SOEs operate across various sectors such as electricity, aviation, banking, housing, petroleum, agriculture, textiles, chemicals, mining, transport, construction, tourism, pharmaceuticals, and food processing.

SOEs traditionally own and manage all infrastructure assets in Egypt. Recently the private sector has been involved in public infrastructure through PPPs and operation and maintenance arrangements. Over the years, SOEs have faced challenges in financing and operations, prompting the government to implement a comprehensive reform programme as part of its broader national economic reform agenda, with support from the IMF program. As these reforms are implemented, the need for larger investment in infrastructure to preserve existing assets and create new ones highlights the need to enable private investment in infrastructure, in collaboration with the SOEs, and to expedite the restructuring of SOEs to ensure the efficiency and effectiveness of infrastructure assets.

The Egyptian Government fully recognises the large presence of SOEs in economic activity in Egypt, which is not an objective in itself. Rather, it reflects the aim to achieve social, strategic, and economic goals of the country, where and if necessary, and the objective to end this involvement when the goals are met. The recurring crises that the Egyptian economy has experienced necessitated, at times, the State's involvement in protecting Egyptian citizens from the crises' implications.

Following the 2011 revolution, the State expanded its economic presence to stabilise the economy amid low growth, declining FDI and tourism, rising unemployment, and balance-of-payment pressures. Building on this, the government adopted three main directions to restore growth and resilience, which included injecting government investments to support economic activity; implementing national projects to stimulate growth and launching structural economic reforms to improve competitiveness and advance sustainable development.

To address the strong presence of SOEs in the economy, Egypt is embarking on several reforms to reduce SOEs influence and to transition from previously established benefits to SOEs in the domestic market that include preferential treatment and certain privileges bestowed upon them, which include exemptions from income tax, real-estate tax and VAT as well as exemptions from paying fees, fines, or service charges (Thiemann, 2024[16]). SOEs comprise of different types of legal forms where the state may have an ownership stake and include public business sector companies, public sector companies, joint venture (JV) companies, and companies in which the military has an ownership stake.

As part of the national reform programme, Egypt has committed to policies that promote private sector investment by reducing the privileges granted to SOEs, such as preferential tax treatment and exemptions from legal requirements (Saleh and Cotterill, 2024[17]). Additionally, the government has pledged and is implementing reforms to expand private sector investment in the economy aiming to create new investment opportunities and increase employment as part of this programme (Government of Egypt, Ministry of Finance, 2025[18]).This includes removing non-tax preferential treatment as well which includes SOEs' preferential access to land, subsidised energy, and "soft loans" from state-owned banks that private competitors cannot access.

Law No. 159/2023 was issued, aiming to revoke the preferential treatment applied to SOEs, excluding military-owned firms or companies engaged in military actions and activities necessary for defence, national security, and basic utility services (Thiemann, 2024[16]). This measure reflects the broader

rationale of the law, which aims to promote competitive neutrality. SOEs that do not engage in economic activities remain outside the scope of the decree, consistent with their non-commercial role. Exemptions may also continue to apply where justified by national security, ensuring that essential public functions are preserved without undermining the overall objective of competitive neutrality (Government of Egypt, Ministry of Finance, 2025[19]).

In implementation of the 2023 law, the government has committed to publishing a report on institutional changes and procedures to secure the collection of taxes from SOEs, in addition to the amount collected as a result of the removal of special tax privilege from each type of tax (CIT, VAT, other), and projected collections on these taxes in FY2025/26 (IMF 2025). In October 2025, the Minister of Finance announced that a total of EGP 67.3 billion in various taxes has been paid by SOEs for 2 024 in the first implementation of Law 159 (Ministry of Finance, 2025[20]).

This legislation was coupled with a new State Ownership Policy (SOP) –first introduced in December 2 022 and subsequently updated as part of its implementation progress in 2024 and 2025 (Government of Egypt, 2023[21]). The SOP sets out the government's rationale for state-ownership in broad terms, outlining reasons to reduce, maintain or even increase the state's share in specific activities, specifically for strategic reasons. Beyond national defence, "strategic" activities include activities in sectors like agriculture and food processing, energy, housing, transport, publishing, education and health. At the end of 2025, an update was presented to the Supreme Committee on the Implementation of the State Ownership Policy which is still under review and consultation until its launch at the end of the first quarter of 2026.

In addition to defining the role of the government in the economy and each sector, the SOP outlines a divestment programme featuring several models for divestment._The policy also includes indicators to measure the private sector's expansion in the economy and economic activity, such as its contributions to investment, employment, credit growth and exports. The government also agreed with the IMF to establish an indicator related to divestment from entities present in the non-strategic sectors identified in the SOP (Government of Egypt, 2025[22]). The government aims to increase the private sector's share of total investment to 70% by 2030 (Government of Egypt, 2026[23]).

Box 3.4. State Ownership Policy Implementation Performance Index

The State Ownership Policy document represents a strategic framework aimed at strengthening the role of the private sector in the economy and achieving a balance between public and private investments, thereby supporting economic growth. To monitor progress in implementing this policy and ensure the achievement of its intended objectives, the Information and Decision Support Center has developed in co-ordination with the IMF a performance index to track implementation outcomes, attract investment, and identify gaps that require corrective action. The performance index is a quantitative index issued on a semi-annual basis and is composed of three main pillars: monitoring the implementation of the document, progress in improving the business climate and overall economic impact.

Source: Egyptian Cabinet (2025[24]), State Ownership Policy Implementation Performance Index – Issue 1, https://www.idsc.gov.eg/Official%20Documentation/details/11157.

The annual SOE report published in August 2025 indicated that there are 561 companies distributed among 18 sectors and owned by 45 different government entities, including some governorates (Government of Egypt, 2025[22]) Around 31% of SOEs in the database are in the manufacturing sector, 13% are in administrative and support services, 17% in financial, insurance, and real estate sector, 9% in transport and storage, 7% in retail and wholesale trade, 6.7% in construction and 6.6% in CIT sectors. Four ministries including the Ministry of Public Business Sector, Ministry of Planning and Economic

Development, through the National Investment Bank (NIB), Ministry of Housing, Utilities and Urban Communities and Ministry of Supply and Internal Trade own 57% of SOEs in the database. According to the report, the state holds majority ownership of 75% or more in 257 companies (46% of total number of companies) and 65% of SOEs are profitable. A 2024 World Bank study notes that 72% of the SOEs in Egypt operate in competitive sectors, which is the highest percentage among peer economies in the region (Morocco, Oman, Jordan, Djibouti, Tunisia), indicating overlap between SOE activity and areas typically served by the private sector raising competitive neutrality concerns (World Bank, 2024[25]). The Egyptian Competition Authority (ECA) was established under Law No. 3/2005 on the Protection of Competition and the Prohibition of Monopolistic Practices to monitor the market and regulate large economic players, but it was often unable to fully regulate or control mergers or market consolidation, particularly concerning SOEs (OECD, 2024[2]). Recently, the ECA law and executive regulations were amended, empowering the ECA to enhance its monitoring capabilities and its ability to block monopolistic practices and alliances, whether they occur domestically or involve international entities with a local presence. ECA approval is now necessary prior to conclusion of mergers or acquisitions in the Egyptian market.

Another policy that Egypt could pursue is asset recycling of infrastructure assets, which would sell profitable brownfield, mature assets to finance greenfield infrastructure assets, which could lead to quicker financial opportunities.

At the end of 2024, the government announced plans to accelerate the divestment process and is preparing several companies in multiple sectors for full or partial sales. These sales are intended to occur either through initial public offerings (IPOs) on the stock market or direct transactions with strategic investors. Among the companies identified for divestment, at least four are owned by the military.

The State Ownership Policy outlined three main forms of future state involvement in SOEs: i) remain in sector while maintaining or reducing public investments; ii) remain in sector while maintaining or increasing public investments; and iii) exit the sector within three to five years. The August 2025 SOP update indicated the government intends to exit (within three to five years) 12 companies, reduce or maintain ownership in 16 companies, and maintain or increase ownership in 7 companies. The government has set out several models for divestment:

- full privatisation or sale of a majority stake to a strategic investor or in the stock market via an initial public offering (IPO)
- offering a minority stake up to 45% of the company to a strategic investor or in the stock market
- capital increase offered to the private sector to dilute public sector ownership
- self-financed improvement of the company without involving an investor, for an interim phase as preparation for partnership with the private sector
- establish new companies [special purpose vehicles (SPVs)] to manage the execution of improvement or development projects
- merge with sister companies
- execute projects with the private sector that do not include a direct sale, e.g. revenue share agreements or management contracts
- liquidation as a last resort if other options fail or are not possible.

The State Ownership Policy identifies partnerships with private sector investors as the preferred method of divestment, particularly in key infrastructure or strategic sectors where maintaining government control is essential. Most state-owned entities will likely be sold to strategic investors. A number of SOEs, however, will require significant financing for new projects that involve technology transfer. In such cases, capital increases from the private sector are prioritised. For example, Aluminium Company is seeking partnership with private sector investors who have technical expertise for a project to double the current capacity 320 tons/year to reach 600 tons/year within an estimated capital expenditure of USD 1 billion.

For distressed firms in strategic sectors, such as those involved in import substitution or state-owned hotels which face substantial debt burdens, state preference will be given to specialised international investors. These distressed firms would then be restructured through the creation of a new company, or special purpose vehicle (SPV) designed to introduce both technical and financial capacities. Each case will be evaluated on a case-by-case basis.

The Supreme Committee for SOP Implementation, chaired by the Prime Minister, was established in the Cabinet to oversee the update and implementation of the SOP. The Cabinet's Information and Decision Support Centre (IDSC) collaborated with the Committee and other government entities to develop a unified database of all SOEs. This database aims to support divestment programme and improve governance of SOEs to analyse the data and determine the government's role in these companies. The World Bank and the International Finance Corporation (IFC) are serving as the government's strategic advisors. The IFC, in particular, is collaborating with the Government of Egypt on the privatisation of the majority of all state-owned airports through long-term partnerships with the private sector, aiming to attract greater investment and improve operational efficiency.

In February 2023, a list of 32 companies was announced to offer their shares either through public listings on the stock exchange, to strategic investors, or via a combination of both, starting from the first quarter of 2023 to the end of the first half of 2024. The list included companies spanning several sectors including banking, insurance, energy, and petrochemicals. The initial timeline for execution was postponed from June 2023 to June 2024. In August 2023, three additional companies were added to the list: the Eastern Company for Tobacco, the Arab Company for Pharmaceuticals and Chemical Industries (ACDIMA), and the Egyptian Company for Tourism Resorts.

Divestment efforts are also taking place through the Sovereign Fund of Egypt. According to the SOP August 2025 update report, between March 2022 and February 2024, stakes in 13 companies were offered for sale in collaboration with the Sovereign Fund for a total value of USD 5.1 billion. The sale included a portfolio of seven historic government-owned hotels and shares in six listed companies. The following phase of the divestment programme targeted exits from assets including a wind farm, two banks and 4 companies with some transactions executed and others still in the pipeline. Three transactions were executed until mid-2025, including a stake in a company for USD 0.625 billion in October 2023 and stakes in a bank and a company for USD 0.142 billion until 2025, raising total divestment proceeds in the period March 2022 to June 2025 to USD 5.862 billion from 16 companies. This compares with the target of USD 12.2 billion from the divestment of 23 companies, banks and assets. The government will also hire investment advisors for a subset of the deals, the completion of which will signal concrete progress toward achieving their divestment goals according to the agreed benchmarks under the ongoing IMF reviews (IMF, 2025[26]). It is also working with the IFC to complete the first of several transactions to offer concessions in 11 airports, in addition to other transactions. The government is expected to generate an additional USD 3 billion from divestment until the end of the IMF reviews by the end of 2026.

Law no 170 of 2025 on Regulating State Ownership in Companies marks a milestone in the implementation of the State Ownership Policy and the broader agenda to strengthen private sector participation in Egypt's economy. This legislative framework regulates implementation of a system to govern the presence of state-owned companies in economic activity according to specific criteria and determining the most appropriate paths for divestment or partnership with the private sector. The law relates to companies that are wholly or partially owned by any public entity and the companies that are wholly or partially owned by these state-owned companies or any stakes in companies. The law does not apply to stakes owned by public insurance companies or companies that have a strategic or national objective as specified by a Cabinet decree.

Key provisions of Law no 170 of 2025 include:

- The Gatekeeper Clause: Government entities and economic authorities are legally prohibited from establishing or investing in any company operating in activities the state has decided to exit.

- Mandatory Approval: Even for sectors where the state remains, entities must not establish or invest in any company unless they receive written authorisation from the Central Unit.
- Monitoring & Compliance: The Companies Register and GAFI are mandated to monitor compliance during the company registration process and must notify the Unit of any violations.
- Binding Authority: The Unit's recommendations, once approved by the Cabinet, are binding on all relevant entities.

The law also establishes a centralised unit within the Cabinet to implement the State Ownership Policy according to specific binding plans and schedules in co-ordination with the entity that owns the SOE to ultimately encourage the private sector in economic activity, develop and improve SOEs, based on sector and market studies, take inventory, monitor, and propose timelines for state withdrawal from selected sectors, while ensuring a clear separation between ownership and management. Recommendations of the unit are presented to the Economic Ministerial Committee before referral to the Cabinet and once approved by the latter the recommendations are binding to the relevant entities and state representatives. Government entities and economic authorities should refrain from establishing any company unless authorised in writing by the unit based on market studies that justify establishment of a new entity and on the categorisation of the SOP for the role of government in any given sector. Relevant entities such as the Companies Register and GAFI should monitor adherence to these regulations when companies are being created and should notify the unit of any violation. In October 2025 the Prime Minister appointed the head of the SOEs Unit and it has commenced its operations.

According to Law 170 the State-Owned Enterprises Unit will be responsible for:

- implementing the State Ownership Policy according to specific plans and targets and monitoring adherence of government entities to their relevant plans
- preparing periodical reports on progress with the implementation of the SOP to be presented to the Cabinet
- proposing the suitable methods to encourage the private sector according to sectoral needs and the appropriate legal frameworks, amending them if needed
- proposing legal frameworks, procedures, and strategic plans to improve performance and maximise returns on state-owned assets
- developing a comprehensive database of all state-owned enterprises (SOEs) and identifying the economic feasibility justifying continued state ownership in addition to preparing detailed reports and information memoranda for each company to guide strategic decisions and attract potential investors or partners
- classifying SOEs into categories: retention and development, maximising returns, or partial or full divestment, in line with State Ownership Policy in co-ordination with the owning entities and preparing annual lists of potential divestments according to the sectoral studies, identifying the method of divestment and of merging SOEs if needed for efficiency objectives
- proposing legal frameworks, procedures, and strategic plans to improve performance and maximise returns on state-owned assets
- defining governance standards and recommending board restructuring plans to ensure effective implementation of SOP plans while monitoring the performance of executive teams against quantitative targets
- evaluating company performance based on key performance indicators (KPIs)
- endorsing the choice of investment banks and financial advisors identified to manage transactions in co-ordination with the owning entities. Reviewing the analytical bases for fair value assessments prepared by independent financial advisors in accordance with domestic and international standards

- co-ordinating with the relevant entities to implement the societal community engagement strategy to increase awareness about the SOP and its plans.

In February 2026, a Cabinet change abolished the Ministry of Public Business Enterprises, moving the supervision of holding companies and their affiliate SOEs to the newly appointed Deputy Prime Minister for Economic Affairs who oversees the restructuring of economic authorities. The Deputy PM and the SOE Unit are responsible for monitoring the SOEs restructuring and divestment according to the newly revised SOP and SOE reform plans. Future ownership arrangements should aim to align with the internationally accepted OECD Guidelines on Corporate Governance of State-Owned Enterprises.

The updated second edition of the State Ownership Policy document is being reviewed by the Prime Minister Mostafa Madbouly, to enhance the role of the private sector in promoting sustainable economic growth, job creation, and competitiveness. It includes divestment and restructuring of state-owned entities, implementing asset governance, and introducing integrated institutional frameworks for monitoring and evaluation (Government of Egypt, 2026[27]).

3.4. Governance and institutional capacity for infrastructure investment

Integrity of processes and governance can lead to trust in infrastructure projects and avoid adverse downstream effects such as misappropriation of resources, delays, inflated project costs, and ultimately poor-quality infrastructure (Zhang et al., 2023[28]). Systemic factors can compromise integrity and contribute to low levels of trust in government and the rule of law, raising the level of uncertainty and its negative impact on the business climate (Schoeberlein, 2019[29]). In general, a lack of transparency will result in uncertainty of processes and costs and will manifest as a negative factor for investors.

Since its launch in 2016, Egypt Vision 2030 (Government of Egypt, Ministry of Planning and Economic Development, 2023[30]) has placed an emphasis on promoting integrity, good governance, and transparency through institutional reforms and strengthening its anti-corruption framework, as well as governance and partnerships. Through participatory decision making at both the national and local levels, it aims to combat corruption and improve citizens' services. Key measures include the adoption of the Civil Service Law (Law No. 81/2016), the 2017 Investment Law, and legislation such as the Prevention of Conflict of Interest Law and the expansion of the Administrative Control Authority's (ACA) mandate to include corruption prevention in the public sector (OECD, 2020[3]). Other initiatives include judicial reform, developing social accountability systems, automation of services to reduce corruption in addition to the establishment of the National Anti-Corruption Academy to train civil servants and raise awareness about transparency and integrity in public service delivery, the digitisation of public services, and the creation of Investment Service Centres to improve efficiency and transparency for investors (OECD, 2020[3]).

At the end of 2022, the Egyptian state launched the National Anti-Corruption Strategy (2023-2030), which was based on five strategic objectives:

1. An efficient and effective administrative body that provides distinguished services to citizens and investors
2. A legislative and judicial structure that supports the fight against corruption and achieves speedy justice
3. Anti-corruption and law enforcement agencies
4. A society that is aware of the dangers of corruption and is able to combat it
5. Effective international and regional co-operation in the fight against corruption

In 2023, the Egyptian Government cracked down on building violations and suspended granting new licenses pending a review of violations, only allowing in early 2024 a reconciliation process of minor violations that can be remediated.[2] As part of the new government programme presented by Prime Minister

Madbouly to Parliament on 8 July 2024, the government outlined its vision for the period from FY 2024/25 to FY 2026/27. The government programme focusses on four pillars: strengthening national security, enhancing individual well-being, developing a competitive and investment-friendly economy, and promoting political stability and national unity. Consequently, the government vowed to present a new Local Government law (Municipalities Law) to address challenges at the governorate level and issues related to inadequate performance (Abdel Razeq, 2024[31]) as well as tackle pressing issues such as rising prices and inflation, market regulation, and power outages (Government of Egypt, 2024[32]).

This renewed focus on governance and economic reform underscores the importance of efficient public systems in achieving the government's objectives. One such system is public procurement, which plays a central role in the public investment and development of national infrastructure. Transparency, in the form of publicly available information and data related to a country's public procurement processes and awards, is crucial for analysts, investors, and other private stakeholders to gauge the prevalence of direct awards and non-competitive bidding and understand how these practices have evolved over time (Youssef, Kumar and Rahman, 2020[33]).

The Ministry of Finance published basic financial statements of the public sector business companies for FY2022/23. In addition, the General Authority for government Services and the Ministry of Finance published on their respective websites an inaugural monthly report in September 2024 of the procurement activity of 31 of the largest economic authorities (EA) and SOEs. For procurement awards from June – August 2024, listing the deals, mode of transaction (direct order/ limited tender, etc.), number of offers submitted, date of checking tenders, award date, selected company, value of tender, duration of contract (IMF, 2025[26]). A public portal is currently being developed under the General Authority of Government Services to enhance transparency in procurement processes. The portal will publish procurement opportunities, award decisions, and procurement plans, and collect information on project benefits and costs, bidder participation, delivery models, pre-selection criteria, bid evaluation results, and total project cost. Procuring entities are also required to assess risks across the full lifecycle.

As part of the governance and financial restructuring of state entities the government established a committee to reform and restructure economic authorities (EA), working on the portfolio of 59 EAs to increase their efficiency and effectiveness through restructuring to maintain, merge, liquidate or convert into a public authority or holding company. According to the Egyptian Cabinet the committed decided in December 2 025 to maintain 39, liquidate 4, merge 7, and convert 9 EAs into public authorities. The EA budgets have been integrated with the main State Budget under the Unified Budge law as part of the fiscal restructuring reforms.

Based on Cabinet decree No. (739) of 2024, a committee was formed to review the ceiling of public investments and their governance. The ceiling is set by the decree at EGP 1 trillion with the committee compiling investment plans details for FY 2024/25 for all government owned entities at that have ownership of 50% or more to ensure adhere to the ceiling restriction. In addition, this committee is tasked with enumeration, auditing, and following up on the structure and investments in companies. It is headed by the Accountability State Authority (ASA) and includes members from several entities and ministries, including the Ministry of Finance and the Ministry of Planning and Economic Development.

Following this Cabinet decree, a Technical Secretariat of the Public Investment Governance Committee was formed (decree number (960) of 2024 issued by the President of the Administrative Control Authority (ACA). The Technical Secretariat is hosted by the Ministry of Planning and Economic Development, with members from the Ministry of Planning, Ministry of Finance and ASA, and it meets regularly to enumerate the structure of these companies and follow up on their investments, as this data is now being tracked since July 2024, through the electronic system for Planning and Monitoring at the Ministry.

Box 3.5. Thailand: Improved transparency results in cost savings

Since 2015, Thailand has adopted CoST (The Infrastructure Transparency Initiative) Infrastructure Data Standard, which promotes data transparency and disclosure in infrastructure projects. CoST is a cross-government platform that involves other actors including the private sector and civil society in promoting transparency in infrastructure development. It is global initiative with 15 participating countries spanning four continents that aims to improve transparency and accountability in public infrastructure. CoST's approach features four elements: multi-stakeholder working, disclosure, assurance (i.e. review of disclosed data), and social accountability. CoST's multi-level approach limits corruption, inefficiency and mismanagement across the project cycle and increases the benefits arising from infrastructure investment. In 2020, Thailand's Ministry of Finance confirmed USD 360 million in cost savings between 2015 and 2020 as a result of the deterrent effect of the CoST approach. This has led to lower contract prices and a more efficient use of public money. The adoption of CoST Infrastructure Data Standard in Thailand has inhibited misbehaviour in procurement and strengthened bidding competition, as proposals and the delivery of projects are subject to greater scrutiny.

Source: OECD (2021[34]), *OECD Implementation Handbook for Quality Infrastructure Investment*, https://doi.org/10.1787/479131b2-en.

The Egyptian Competitive Authority (ECA) has been actively enforcing Egypt's 2005 Competition Law (Law No. 3/2005), investigating public and private operators. In 2017, the ECA conducted its largest investigation into bid-rigging concerning public tenders for governmental and university hospitals, involving seven major suppliers in Egypt specialising in medical equipment for heart and chest surgeries (OECD, 2024[2]). The Central Auditing Organisation (CAO) provides additional oversight, auditing government contracts and procurement post-transaction to ensure adherence to procurement legislation. There is ECA and CAO supervision, both pre- and post-transaction, with CAO reports serving as the pending action. Egypt's Public Contracts Law (Law No. 182/2018) and the law Regulating Partnership with Private Sector in Infrastructure, Services and Public Utilities (Law No. 67/2010) stipulate competitiveness when allocating projects and tenders to public or private counterparts. Under the agreement with the IMF, the CAO reports are to be published within a specific timeframe following the end of the fiscal year to ensure transparency and accountability following the audit of the state entities' budgets (OECD, 2024[2]).

There are other institutions mandated with similar responsibilities related to oversight, regulation, and management of key sectors, including international trade, governance, and financial systems. These include the Central Agency for Organisation and Administration (CAOA), the General Authority for Financial Supervision, the General Organisation for Export and Import Control (GOEIC), and the National Institute for Governance and Sustainable Development (NIGSD is a para-public economic body under the supervision of the Minister of Planning and Economic Development). While their respective mandates differ and do not primarily focus on anti-corruption efforts, these entities contribute to ensuring compliance with regulations, facilitating trade processes, and supporting governance frameworks across various sectors.

In 2024, the legislation governing economic courts was amended to allow the referral of more commercial disputes to these specialised courts to expedite their resolution.

The revised 2017 Investment Law (Law No. 72/2017) introduced new extrajudicial channels for resolving commercial disputes for both foreign and domestic investors, including mediation (OECD, 2024[2]).

- Article 85 established the Ministerial Committee for Investment Disputes Resolution to settle disputes arising between investors and state entities.

- Article 88 established the Ministerial Committee for Settlement of Investment Contract Disputes, which focusses on disputes relating specifically to investment contracts to which the state or its affiliated entities are a party.
- Articles 83-84 established the Grievance Committee, tasked with considering grievances submitted by investors against administrative decisions issued under the Investment Law.

Each committee has a specific jurisdiction, and the law was designed to avoid duplication or institutional conflict.

While these channels are supported by the Investment Dispute Resolution and Investment Contracts Dispute Resolution centres within GAFI, including a Grievance Committee, the Egyptian Government also established a Ministerial Committee on Investment Disputes Resolution and another on Investment Contracts Dispute Resolution (OECD, 2024[2]). The introduction of several committees and actors makes it difficult for investors to identify the appropriate acting body, thereby leading to delays in dispute resolution and project overruns (see Box 3.6 for insights on how infrastructure deployment in Chile has been driven by strong institutions, transparent public investment processes, and cost-benefit analysis, with reforms to limit contract renegotiations and strengthen governance). Currently the committees exist to address dispute resolution, but the reinstating of the Ministry of Investment in the July 2024 cabinet overhaul will facilitate communication and dispute resolution with investors.

Box 3.6. Chile: Strong institutions and processes underpin successful infrastructure investment

Since the early 1990s, Chile has successfully deployed infrastructure on a significant scale that has supported rapid economic growth largely by strengthening its institutions and the quality of public administration. The Chilean National Investment System (SNI) has established a number of well-institutionalised processes that ensure value for money and transparency in the use of public investment. One of them is the social cost-benefit analysis (CBA) process that is a core element of project evaluation. Key components of the social cost-benefit analysis process include a simple and clear target rate of return, well-documented methodologies for conducting CBA, and a clear institutional division of roles between project development, evaluation, and approval. In addition, the country has a long history of inter-ministerial committees that bring together government institutions, civil society, experts and others to develop policies with supports from various actors, promoting dialogues between central and local actors.

Chile has also adopted reforms that address the challenge of repeated renegotiations. In 2010, Chile reformed its PPP law in order to make it mandatory to bid out any additional work on a project and prohibit the concessionaire from participating in the new contract. In addition, the law established an independent board, the *Panel Técnico de Concesiones* (Technical Panel for Concessions), to review renegotiations and resolve conflicts between the contracting authority and the private party. This reform has resulted in a significant reduction in renegotiated cases during the construction phase.

Source: OECD (2021[34]), *OECD Implementation Handbook for Quality Infrastructure Investment*, https://doi.org/10.1787/479131b2-en.

Several public authorities and ministries are involved in ensuring good governance and public integrity. Institutions like the Administrative Control Authority (ACA) play a central role in monitoring and enforcing anti-corruption measures. The ACA serves as Egypt's independent general oversight body, exercising administrative, financial, and criminal control over public bodies. It is dedicated to combating corruption, addressing obstacles to justice, co-formulating and implementing national anti-corruption strategies, and raising awareness of the detrimental effects of corruption. There are other institutions mandated with similar responsibilities, granted with varying tasks and specialisation. Lack of centralisation can be

counterproductive, as it can create challenges around achieving transparency in administrative policies. Other institutions include the Accountability State Authority (ASA) which focusses primarily on financial oversight and also contributes to the implementation of certain aspects of the national anti-corruption strategies.

According to responses received from the Ministry of Local Development and Environment, the Cabinet of Ministers is taking steps to improve governance and transparency and reduce overlap between agencies. Digitisation efforts are underway to enable better tracking and accountability, further promoting transparency. For instance, a unified digital system has been introduced in the New Administrative Capital to facilitate digitisation and seamless data exchange between ministries. To support these initiatives, collaboration mechanisms have been implemented across institutions. Dedicated units and departments have been established in all ministries, operating under the same governance framework, which is technically supervised by the ACA while remaining administratively accountable to their respective ministries.

As of 2020, public entities are obliged to establish a dedicated governance and compliance unit responsible for internal audits and monitoring of procurement (OECD, 2024[2]). Additionally, under its agreement with the IMF, the Ministry of Finance has started to regularly (i.e. monthly) publish government procurement contracts above EGP 20 million on its website (OECD, 2024[2]). This is in parallel with the releasing of annual reports detailing overdue payments between the Ministry of Finance and public entities within 90 days following the conclusion of each fiscal year (OECD, 2024[2])

Table 3.1. Key challenges and policy recommendations for the enabling environment for infrastructure investment

Challenges	Recommendation
Egypt's overall FDI restrictiveness remains above both OECD and non-OECD averages, while its economy is not substantially closed compared to other observed countries. Sector-specific legislation imposes limitations on foreign-controlled firms' entry and operations as well as restrictions on foreign ownership of land in specific areas and in a variety of sectors, ranging from construction to tourism services. Although Egypt has attracted foreign investment into its sustainable infrastructure through various channels, there is a need to step up FDI into sustainable infrastructure to achieve domestic needs and international commitments.	II.a.) Continue to advance reforms to lift restrictions on foreign-controlled firms which could lead to greater entry of foreign private capital. Continue efforts to align with OECD and non-OECD benchmarks could further encourage foreign investment. II.b.) Continue to seek areas in which the enabling environment can be improved, with a focus on transparency of rules and regulations and disclosure of decisions and their rationale.
Efforts to streamline processes are taking place and work continues to further improve regulatory procedures around the complex procurement of licenses and permits and prevailing regulations shielding incumbent firms from foreign competition. Despite the various reforms introduced in recent years, Egypt's complex governance structure, overlapping laws, and multiple incentive-granting bodies still challenge foreign investors' ability to navigate and benefit from tax and non-tax incentives.	II.c.) Demonstrate Egypt's determination to reach international standards through expedited implementation of reforms to streamline business regulations and operations led by GAFI and the Ministry of Investment and Foreign Trade. Outline steps and timeline that will be taken to implement these, designate responsible ministries for each deliverable, and monitor the outcome in terms of practical steps and duration necessary for each procedure and ensure transparency of processes to facilitate foreign investment.
One of the most pressing challenges facing investors in Egypt relates to restrictions and barriers to foreign ownership and land use. The complexity and ambiguity surrounding land investment regulations in Egypt can affect greenfield investment. Streamlined land allocation and project bankability were identified by investors as challenges to further expansion of investment under the PPP model.	III.a.) Addressing the requirements to access land by foreigners, especially through acquisition, could improve project implementation and hence financing of projects, given the difficulty of land acquisition, in particular large land parcels, for infrastructure projects to move forward. III.b.) Clarify and simplify the rules related to land investment regulations and streamline the processes necessary for access to land and its acquisition. III.c.) Clarify, beyond the specific land allocation schemes, where and how significant land parcels could be made available for infrastructure projects with the relevant regulatory, technical and environmental approvals, as part of the work to develop a national land registry as a long-term objective.

Challenges	Recommendation
Egypt has been pursuing many legal and institutional reforms to improve governance and transparency in the government. This is extremely important in terms of improving the enabling environment and ensuring integrity of processes. However, given the multiple channels of monitoring and enforcing anti-corruption and integrity of processes, ongoing efforts to improve governance and transparency in administrative policies are important, as are the further centralisation, and monitoring and enforcement to enhance efficiency and clarity.	IV.a.) Redouble efforts in improving integrity of processes and institutions, by centralising and clarifying the applicable monitoring and enforcing body and process. Vigorously pursue the efforts by the Cabinet of Ministers to improve governance and transparency and reduce overlap between agencies, and extend an established unified digital system to streamline the information exchange between ministries.
Financial and governance restructuring of SOEs is essential to achieve operational efficiency and attract private investment in infrastructure.	V.a.) Expedite operations of the SOE Unit to activate the State Ownership Policy (SOP) and implementation of steps to increase the role of the private sector in the infrastructure sector. Achieve divestment targets and expediting the corporate and financial restructuring of SOEs to increase investor confidence and help expand private investment in infrastructure assets. V.b.) Improve the financial structure and corporate governance of SOEs that own, operate and manage infrastructure assets, including disclosure through financial and non-financial reporting, and improving the accountability of SOEs, given the critical stage of SOE reform, regardless of the timeline of the State Ownership Policy and its implementation, as a prerequisite for increased private investment in infrastructure in Egypt. V.c.) Enforce a separation of duties, with ownership rights (such as board appointments and financial monitoring) for commercial SOEs being transferred from technical ministries to a centralised body to resolve the conflict of interest where line ministries act as both market regulators and asset owners. V.d.) Advance divestment in line with government priorities and better financial disclosure of SOEs which lead to better opportunities to financial and capital market participants and provide a gateway to investing in infrastructure assets as the market develops. V.e.) Ensure "Gatekeeper" provisions of Law No. 170 of 2025 are implemented, with the SOE Unit being able to prevent the creation of new SOEs without prior written authorisation. V.f.) Pursue asset recycling of infrastructure assets (through concession-like arrangements), which would allow private sector access to profitable brownfield mature assets to finance greenfield infrastructure assets, as well as leading to quicker and more impactful financial opportunities.

Note: The numbering in the recommendation column reflects the numbering applied in list of policy recommendations in Section 1.6.

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Notes

[1] Process re-engineering and the Economic Entities Platform includes: A) Process re-engineering of licensing procedures (BPR), End-to end mapping and simplification, standardised requirements and service design, time and service level standardisation, risk-based controls, digital readiness and automation, inter-agency co-ordination, outcome monitoring.

[2] In December 2023, the Government of Egypt ratified the Construction Violations Reconciliation Law (Law No. 187/2023), repealing a previous law, Law No. 17/2019, and legalising several categories of informal housing and construction. In line with Law No. 187/2023 and its accompanying executive regulations, the government – through the Ministries of Planning, Economic Development (MPED), Ministry of Housing, Utilities & Urban Communities (MHUUC) and Local Development (MLD)–launched an electronic system for reconciliation in May 2024 that seeks to streamline applications and enhance service delivery.

4 Mobilising investment and finance in quality infrastructure

Egypt continues to prioritise large-scale, sustainability-oriented infrastructure development as a core driver of economic growth, focussing on mobilising public and private investment to modernise essential services, strengthen domestic and international connectivity, and enhance long-term resilience. Through the Green Investment Plan, the government is increasing the share of public investment allocated to climate-resilient sectors – such as sustainable transport, renewable energy, water and wastewater management, and desalination – while advancing regulatory reforms, expanding the pipeline of public-private partnerships, and diversifying financing through concessional loans, blended finance, and sovereign thematic bonds. These efforts are complemented by improved engagement with development partners and targeted institutional reforms to attract private capital. Yet challenges persist in scaling private participation, ensuring bankability, and addressing sector-specific constraints.

Egypt has been actively pursuing large-scale infrastructure development as a cornerstone of its national strategy for economic growth and sustainable development. While sustainability remains an important pillar in the country's national development strategy, the government is focussing on mobilising investment – both public and private – towards projects that modernise essential services, boost connectivity domestically and internationally, and promote long-term resilience.

A central component of the Egyptian Government's investment strategy has been increasing the share of public investment into green, environmentally friendly, and climate resilient infrastructure through Egypt's Green Investment Plan. The investment plan prioritises sectors such as sustainable transportation, renewable energy generation, solid waste management, water desalination, and sewage treatment. According to MPED, the plan has set investment targets, namely raising green investments from 15% of total public investments in FY 2020/21 to 40% in FY 2023/24, 50% in FY 2024/25, and eventually to be 55% by FY 2025/26 and 60% by FY 2026/27.

To attract greater private sector participation and achieve its infrastructure priorities, the government has introduced reforms to improve the regulatory environment, expand the number of PPP projects, and diversify its use of alternative finance instruments. Although public investment has been a key driver of infrastructure development in Egypt, the government increased efforts to leverage private financing as seen through the use of blended finance models, public-private partnerships (PPPs), and collaboration with multilateral development banks.

This chapter draws on insights and exchanges with high-level officials and technical experts from relevant ministries, multilateral development banks, and private sector stakeholders, as well as responses to a questionnaire[1] distributed among government entities, development agencies, private enterprises, and investors involved in infrastructure financing. Section 3 considers the barriers that private investors face when entering Egypt's infrastructure market, the policy measures that could be taken to support greater private financing, as well as the challenges the Government of Egypt encounters in mobilising private capital for projects that are part of the country's Green Investment Plan.

4.1. Existing mechanisms for funding national projects

Over the past five years, Egypt has pursued a diversified approach to financing its infrastructure investment needs, drawing on public and private sector funds through mechanisms and instruments like PPPs, concessional loans, and funding from international development agencies in the form of grants and long-term soft loans. According to responses received from several Egyptian ministries, PPPs have emerged as the preferred financing scheme, particularly for long-term projects where private sector expertise and investment are needed. Key projects benefiting from investment under this model include power plants, sewage and water treatment facilities, and transportation projects such as railways and ports, which have attracted significant private investment. Under PPP arrangements, ministries (e.g. the Ministry of Transport) typically implement projects and cover expenses, while the private sector, identified as the operator, oversees the superstructure and related investment requirements. This model has gained popularity due to its ability to distribute risks and investment costs between the public and private sectors.

A Joint Committee created by the PPP amended Law no. 153 of 2021 and its Executive Regulations have enabled a level of co-ordination between ministries and localities.

Looking ahead, critical sectors such as energy generation, waste disposal, information technology and communications (ICT), transport and logistics (including ports), and water and sewage management are expected to garner substantial private sector financing. Social infrastructure projects, such as schools and healthcare facilities, as well as logistics infrastructure like sea and dry ports, are also set to benefit from PPP arrangements, supported by Egypt's PPP Law (Law No. 67/2010). A driving force behind the growing

reliance on PPPs is the government's strategic focus on enhancing private sector participation in infrastructure development.

In addition to PPPs, concessional loans have played a critical role in Egypt's infrastructure projects, often secured through bilateral agreements and facilitated by bilateral development agencies. The Ministry of Transport, for example, has successfully attracted diverse financing from development partners and multilateral development banks (MDBs). These include global and regional institutions like the World Bank, the European Investment Bank, the African Development Bank and the European Bank for Reconstruction and Development (EBRD), alongside large development agencies and funds like the Japan International Co-operation Agency (JICA) and the Saudi Development Fund.

In terms of financing sources, Egypt has tapped into domestic commercial banks, MDBs and DFIs. While Egypt has relied on traditional financing mechanisms for infrastructure, the country has, in recent years, turned to more innovative approaches to financing. The issuance of sovereign green bonds, for instance, set an important benchmark, particularly Egypt's 2020 Sovereign Green Bond Issuance. The sovereign bond issuance was shortly followed by Egypt's first corporate green bond, issued in 2021 by Commercial International Bank (CIB) in partnership with the International Finance Corporation (IFC), which mobilised investment in renewable energy. The experience with green bond issuances also paved the way for other sovereign bond issuances in the years following the 2020 offering, notably foreign currency-denominated bonds (e.g. Samurai and Panda bonds).

Egypt's Samurai bond issuance was first launched in March 2 022 followed by a subsequent issuance in November 2023. These bonds, denominated in Japanese yen, each amounted to approximately JPY 75 billion (USD 500 million) (OECD, 2024[1]). The November 2023 issuance featured a five-year term with an annual yield of 1.5% which was relatively low compared to Egypt's USD-denominated bonds, where interest rates have ranged from 3.875% to 10.875% (Egypt Today, 2024[2]). The JPY-denominated bonds provided Egypt with access to Japan's investor base and offered an investment opportunity without exposure to foreign exchange risks. Moreover, support from the African Finance Corporation (AFC) as a re-guarantor along with a guarantee provided by SMBC not only broadened the appeal of Egypt's Samurai bonds but also allowed Egypt to extend the average maturity of its public debt portfolio and reduce external borrowing costs (AFC, 2023[3]).

While USD-denominated Eurobonds still represent the largest share, the Egyptian portfolio now includes Euro-denominated Eurobonds, JPY Samurai bonds, RMB Panda bonds, Sukuk, green and sustainable bonds, gradually reducing reliance on USD instruments and broadening funding sources across currencies, markets, and investor profiles.

While the examples above illustrate the mechanisms Egypt has employed, the country's efforts to diversify its financing mechanisms appear to remain ongoing. The Government of Egypt has made significant strides in combining traditional approaches with innovative and alternative solutions to address the nation's infrastructure needs and priorities. The use of PPPs, concessional loans, and sovereign bond issuances has allowed Egypt to tap into domestic and foreign capital resources.

Box 4.1. Thematic bond issuance for sovereign issuers

Capital markets have always been among the main sources of long-term funding for bond issuers, and of steady revenue and risk diversification for investors, thus matching different economic interests and creating value. Even though capital markets offer heterogeneous products, as all types of bonds matching different needs can be found, the issuance of specific types of debt instruments is largely driven by investor demand, that in turn reflects current market preferences.

That is why, in the last decade, investment instruments designed to help the transition to sustainable development and climate mitigation and adaptation have seen developments in terms of both volume and structure (IOSCO, 2020[4]). This reflects a globally widespread requirement that capital markets align with political and social concerns and help in achieving related goals.

At the issuer's level, the challenge has been to offer investors products that, on top of raising capital and diversifying risk at the same rate as traditional products do, also direct funding towards financial instruments and projects that contribute to the achievement of climate and social goals. Such capital raising instruments are often generally referred to as sustainable bonds. Lower-middle and low-income countries faced particularly challenging funding conditions, with many struggling to access global bond markets. With the number of countries with high credit risk close to record levels, large refinancing needs and high borrowing costs threaten to further constrain fiscal space. Countries relying on foreign markets are especially vulnerable. Accelerating the development of local currency bond markets is crucial for ensuring sustainable and resilient sovereign financing for these countries.

Certain types of sustainable bonds, such as green bonds, are characterised by what is called the "greenium", i.e. a lower yield and volatility in secondary markets if compared with "vanilla" bonds (Amundi, 2020[5]). This secondary market negative yield is heterogeneously present across green bond issuance, evolves over time and depends on various characteristics of the issuers and the bond's subscribers (Pietsch and Salakhova, 2022[6]). In terms of effect size, many studies find a primary market negative premium for green bonds between -5 and -2 basis points on average, and a lower volatility of green bonds portfolios compared to conventional ones.

While the momentum of sovereign thematic (specific purpose) bond issuance has strengthened, structural challenges remain. At the same time, sovereign issuance can have a positive impact on general bond market development by establishing best practices in verification and reporting.

Sovereign green bond issues stand out in terms of their reliance on external reviews. Importantly, all sovereign issuers solicit a seal of approval from at least one, and often a variety of, specialised service provider(s). By contrast, as many as a fifth of corporate green bonds are self-labelled as green by the issuer without any external review. This will be an important consideration given the transaction and administrative cost that can accompany some thematic bonds.

Source: OECD (2023[7]), Green, social and sustainability bonds: Multilateral development banks and infrastructure financing, https://one.oecd.org/document/DAF/CMF/AS(2023)3/REV2/en/pdf; BIS (BIS, 2022[8]), Sovereigns and sustainable bonds: challenges and new options, https://www.bis.org/publ/qtrpdf/r_qt2209d.htm; OECD (2025[9]), *Global Debt Report 2025: Financing Growth in a Challenging Debt Market Environment*, https://doi.org/10.1787/8ee42b13-en.

4.2. Egypt's national infrastructure priorities

In an effort to achieve Egypt Vision 2030, Egypt has prioritised well developed infrastructure across several key sectors, including energy, social housing, utilities, transportation, roads, irrigation, and agriculture, with various ministries overseeing projects in their respective areas. Water and wastewater treatment have emerged as a cross-ministry priority, involving multiple stakeholders in tendering and managing projects. These initiatives aim to ensure the safe reuse of treated wastewater, reduce non-revenue water, promote water conservation, build capacity through technical training, create opportunities for private operators, and achieve financial sustainability while ensuring effective asset management to preserve long-term investments.

Several ministries have an important role in addressing Egypt's infrastructure development needs, according to the Ministry of Planning and Economic Development. The Ministry of Transport oversees

road, bridge, and Nile axis projects to enhance connectivity, while the Ministry of Housing, Utilities and Urban Communities focusses on new urban communities, social housing, slum redevelopment, and expanding water and sanitation infrastructure. The Ministry of Water Resources and Irrigation manages canal lining and rehabilitation to improve water efficiency, and the Ministry of Electricity and Renewable Energy works on securing energy for agricultural and other projects and electrical interconnection with Europe to boost energy security and integrate renewable energy generation.

Of these ministries, the Ministry of Transport has highlighted several key projects it oversees that align with Egypt's sustainable development strategy. As part of the broader strategy to attract investment and position Egypt as a regional trade and logistics hub, the ministry has prioritised infrastructure development across multiple sub-sectors over the ten-year period from 2014 to 2024, with a total budget of EGP 2 trillion. These projects, which encompass roads, railways, metro systems, seaports, dry ports, and river transport, are outlined as follows, each contributing to sustainable economic growth and national development:

- Roads and Bridges: The National Road Project aims to enhance economic integration and improve the efficiency of Egypt's transportation network. With a budget of EGP 175 billion, the construction of new roads (7 000 km) and the development of existing roads (10 000 km) are key components of the plan. The primary objective is to connect Egypt's road infrastructure with industrial, agricultural, and tourism areas, enabling the transport of goods and reducing operating costs through improved traffic flow. New roads with a total length of 7 000 km were planned at a cost of EGP 175 billion, with 6 300 km completed at a cost of EGP 155 billion. Work is underway on 700 km. Additionally, the development, expansion, and upgrading of 10 000 km of the existing road network has been planned at a cost of EGP 130 billion, with 8 400 km completed at a cost of EGP 110 billion. Work is underway on 1 600 km.
- A plan has been devised to construct 35 new Nile axes, bringing the total number of Nile crossings/bridges to 73, up from 38 axes/bridges This will save the state USD 8 billion annually in energy costs and mitigate environmental damage from traffic congestion. With regards to funding mechanisms the road sector has a stable stream of funding, relying entirely on the public budget and adhering to a policy of avoiding foreign loans unless critically necessary. This strategy ensures that road construction and maintenance are shielded from external financial pressures, enabling consistent investment within the sector.
- The construction of elevated bridges and tunnels includes removing road-level crossings with railway lines through the construction of bridges over level crossings, as well as elevating bridges for vehicles over windstorms instead of ferries. A plan has been set to build 1 000 bridges and tunnels at a total cost of approximately EGP 140 billion, increasing the overall count to 2 500.
- Railways: The railway sector is undergoing a significant transformation, with plans to modernise rolling stock, signalling systems, production workshops and infrastructure to improve both passenger and freight transport and increase transport capacity, maximise passenger and freight movement across the network, improve safety and security rates, and reduce carbon emissions. The target is to increase daily passenger capacity from 1.2 million in 2014 to 2 million by 2030. Freight transport will also increase from 5 million tonnes annually in 2014 to 13 million tonnes by 2030, significantly reducing the carbon footprint of Egypt's logistics sector by shifting the transport of goods away from road-based trucking. The expansion in freight capacity also aims to generate financial resources to help balance the subsidised more costly passenger transportation. It was noted that overcapacity issues due to high demand, however, continue to impede significant expansion (see Box 4.2 for relevant country experience). To address this challenge pending more structural measures to increase capacity, the ministry is restructuring operational schedules to maximise the network's efficiency, upgrading signalling systems to reduce journey times and establishing new lines to expand capacity and ease congestion on existing lines.

While Egypt has focussed on expanding its rail capabilities, the sector faces high costs of maintenance and reliance on international commercial loans for the purchase of parts and goods – due to limited local manufacturing capabilities – which pose barriers to development. Key international financiers include MDBs such as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and the Arab Bank. Recent advances include "green financing," as seen through loans provided by KfW (Kreditanstalt für Wiederaufbau), Germany's development bank. These green loans, secured in July 2023, feature certain criteria to support sustainable projects and extended tenors of 20 to 24 years. The ministry aims in its new strategy to involve the private sector in the operation of railways, the metro and electric traction.

- Metro and Electric Traction: Urban expansion is driving investment in mass transit systems, particularly in Greater Cairo. Major projects include the development of new metro lines and the construction of electric mass transit systems. For example, the Light Rail Transit (LRT) (Electric Train), now operational over 70 km, is set to expand to 105 km, while additional metro expansions (Lines 3 and 4) are enhancing urban mobility. The construction of a high-speed electric train network spanning 2 000 km is also underway, with three major lines: the Ain Sokhna – El Alamein – Matrouh line (675 km), the October – Aswan – Abu Simbel line (1 100 km) and the Qena – Hurghada – Safaga line (225 km). These projects aim to reduce congestion, enhance economic and tourism development, and provide safe, energy-efficient transportation for Egypt's growing population. Additionally, VIP trains and luxury services represent a potential avenue for privatisation, with retail spaces at stations also identified as a revenue source. Under current models, the government retains ownership of rolling stock and tracks, while private firms lease operations, paying rent and a percentage of revenues back to the government.
- Seaports: Egypt's seaports are being transformed into integrated international logistical corridors to enhance the country's trade capacity. The plan includes adding 67 km of new berths with depths ranging from 18 to 22 metres, accommodating the growth in trade volumes, and boosting container capacity to 40 million 20-foot equivalent units (TEUs) annually by 2024. Significant upgrades are planned for ports such as Safaga, Sokhna, Port Said and Alexandria, which are strategically located on key international trade routes. Furthermore, the construction of wave barriers and the deepening of navigational channels will enable Egypt to accommodate larger vessels and increase its annual cargo capacity from 185 million tonnes to an estimated 400 million tonnes. The ministry has been working with private sector partners to manage and maintain ports through concession agreements to ensure efficient operations and investments for operation and maintenance. Ports under concession agreements with local and international private sector operators include Sokhna, Safaga and Alexandria. The government handles the infrastructure of ports while bringing in the private sector for the superstructure and managing operations.
- Dry Ports and Logistics Centres: Egypt is establishing 31 dry ports and logistics centres to support the efficient movement of goods and reduce port congestion. These include major facilities in strategic locations like the Sixth of October, New Administrative Capital, Borg Al Arab and New Damietta. The dry ports will reduce the costs of transporting goods, improve logistics services, and contribute to sustainable trade flows while mitigating the environmental impact of transport congestion. These dry ports are being developed through public-private partnerships (PPPs) in collaboration with the Ministry of Finance and the EBRD, and the Ministry of Planning and Economic Development. Through the expansion of dry ports, the Ministry of Transportation aims to streamline freight logistics and reduce congestion at seaports.
- River Transport: River transport is a key component of Egypt's plan to reduce logistics costs and environmental impact. The government is enhancing navigational routes along the Nile, improving links between Cairo and major ports like Alexandria and Aswan. Projects include developing the Cairo-Alexandria route via the Nubaria Canal, removing bottlenecks on the Cairo-

Aswan and Cairo-Damietta routes, development of the Aswan-Sudan navigational route and modernising navigational systems like the River Information System (RIS). River transport's low operational costs and reduced environmental footprint make it a vital part of Egypt's infrastructure strategy.

To address the reliance on foreign partners for financing of the railway network, ongoing efforts to localise the manufacturing of railway components in co-operation with the Arab Organization for Industrialization (AOI) and local private sector companies is taking place, with the aim of gradually reducing reliance on imports. (Voestalpine – NERIC – Alstom – Colas Rail – Suez Rail Production). In addition, partnerships with global companies to transfer technical know-how and train Egyptian personnel in maintenance and local manufacturing is taking place.

In light of the scale and scope of these transportation projects, the Ministry of Transport could consider incorporating "transit-oriented development" (TOD) in the nation's transportation strategy, co-ordinating with other modernisation and urbanisation projects spearheaded by relevant ministries. TOD presents an approach to ensure sustainable development by strategically linking transit infrastructure with urban centres, thereby facilitating access to economic hubs. This wholistic integration could drive economic growth, create new employment opportunities, and stimulate private investment, as increased land value brought about by these infrastructure projects can attract private capital inflows (see Box 4.2).

Box 4.2. Transit-oriented development

Transit-oriented development (TOD) is a planning concept that promotes urban compactness, mixed-use, and pedestrian- and cycle-friendly development organised around a transit station (e.g. train station, metro station, tram stop) (ITF, 2023[10]; OECD, 2023[11]). One of TOD's defining characteristics is having public and civic spaces near transit stations, which themselves can act as community hubs. By promoting greater use of transit systems, TOD approaches seek to create inclusive access to resources such as retail and housing, employment, and other amenities as well as reduce reliance on motorised travel. Since its inception in the 1970s, TOD has gained traction among G20 countries as a framework for sustainable urban development.

This approach not only supports sustainable living but also offers significant economic opportunities. Infrastructure projects around transit hubs often attract private investment by enabling cities to capture rising land values, which can then be reinvested into public capital projects. TOD provides private developers with stable revenue streams from transit operations, increased property values, and improved commuter efficiency, making it a compelling model for long-term investment. Additionally, developers are often incentivised to enhance the broader built environment, contributing to the creation of parks, green spaces, and other community amenities, further enhancing the area's liveability and appeal.

Hudson Yards: New York City, the United States

Before redevelopment in 2012, New York City's Hudson Yards was a largely underutilised area dominated by railyards and modern structures but lacked significant residential or commercial development. Limited public transit access and low population density further isolated it from the city. The Hudson Yards project became a prime example of TOD through public-private collaboration.

The Hudson Yards project involved co-ordinated efforts between the municipal government, developers, and other stakeholders to transform land use in the area (e.g. transferable development rights (TDRs) or air rights) and attract private investment. By revising land use guidelines, including zoning, building heights, and development density, the city established a clear investment vision for the neighbourhood, boosting confidence among investors. The municipal government also worked closely

with developers to address legal, financial, and regulatory challenges while negotiating development agreements with private partners.

To finance infrastructure improvements and urban development, the government leveraged mechanisms like "land value capture" (LVC) mechanisms. By working closely with real estate developers, the City of New York employed various financial instruments to generate revenue from rising property values. These included "tax increment financing" (TIF), which redirected property tax revenues from increased land values towards public infrastructure and services, as well as bilateral agreements requiring developers to contribute payments in place of future property taxes. Additional property taxes were also imposed on owners in the area to support the funding of public projects.

This strategy helped the Metropolitan Transportation Authority (MTA) secure over USD 1 billion in private investment for future capital projects, including a new metro line to serve the area. Through public-private partnerships (PPP), private developers took on the responsibility of financing and constructing public infrastructure in return for long-term leases of revenue-sharing agreements. This collaborative approach allowed for the large-scale development of urban areas while reducing the fiscal burden on the municipal government.

Shibuya Station: Tokyo, Japan

Japan has long embraced TOD as a core principle of its urban planning. Early 20th-century pioneers like Ichizou Kobayashi, followed by Eiichi Shibusawa and Keita Gotou, integrated rail construction with real estate development, creating high-density areas around transit lines in cities like Kansai and Tokyo, respectively. Private transit operators have played a pivotal role in shaping these developments, designing neighbourhoods with essential services within walking distance of stations and linking them through rail and bus systems. The connectivity offered by TOD stations provides residents with access to most recreational activities via mass transit, supported by feeder buses, rail lines, subways, and efficient transport demand management measures, such as high fuel costs, limited parking, and narrow roads, which discourage car use.

The redevelopment of Shibuya Station in Tokyo stands as a modern example of TOD at work. As one of Tokyo's busiest transit hubs, Shibuya integrates eight rail lines and surrounding urban spaces into a cohesive city-station complex. In 2005, Shibuya Station and its surrounding area were designated an Urban Renaissance Urgent Redevelopment Area, easing regularity frameworks and restrictions around urban redevelopment. The project, which was shaped by public-private co-operation, has touched on several major upgrades to Shibuya station and infrastructure developments in the district. New facilities and areas within and around the station have integrated pedestrian systems, thereby enhancing accessibility and transforming the station into a multifunctional urban hub. This approach illustrates how Japan's TOD model blends transit efficiency with private sector-driven mixed-use development, creating vibrant, accessible communities.

Note: **Land value capture** (LVC) is a public financing mechanism where the increase in land value resulting from public investments (in infrastructure for example) or regulatory changes is recovered by the government. The idea behind LVC is that public actions enhance land values, and capturing this "unearned" increment allows for investment into community services or further infrastructure. **Tax increment financing** (TIF) is a value capture tool that enables municipalities to promote economic development in designated zones. When a TIF district is established, the current property tax base is frozen. Once development occurs and property values rises, the tax revenue (the increment) generated by the increase property value is used to finance the initial development costs (e.g. infrastructure improvements). In other words, future gains in taxes help subsidise current improvements.

Source: ITF (2023[10])Transit-Oriented Development and Accessibility: Case studies from Southeast Asian cities, https://www.itf-oecd.org/sites/default/files/docs/transit-oriented-development-accessibility-southeast-asia.pdf; OECD (2023[11]), *Financing Cities of Tomorrow: G20/OECD Report for the G20 Infrastructure Working Group under the Indian Presidency*, https://doi.org/10.1787/51bd124a-en; Reggiani (2021[12]), Urban regeneration strategies and place development in contemporary Tokyo: The case of Shibuya Station area, https://doi.org/10.1108/JPMD-04-2021-0046; GI Hub (2021[13]), Hudson Yards air rights monetisation, https://www.gihub.org/innovative-funding-and-financing/case-studies/hudson-yards-air-rights-monetisation/.

In line with Egypt Vision 2030, the Ministry of Communications and Information Technology (MCIT) reported that the Government of Egypt has invested USD 3 billion in internet infrastructure upgrades as part of its development strategy and digital transformation goals via MCIT's Digital Egypt Strategy. The investment addresses the growing demand for remote work, digital payments, and e-commerce platforms since the COVID-19 pandemic. This effort is guided by four core pillars: fostering collaboration for efficient operations, expanding internet access through upgrading infrastructure, empowering citizens to participate in the digital economy, and promoting entrepreneurship and innovation in the ICT sector. To achieve these advancements, MCIT has concentrated on three areas: fixed broadband, mobile voice and data services, and global information infrastructure.

Egypt has expanded its international infrastructure cable network, constructing an additional 2 600 km of new routes in one year, nearly doubling the Trans-Egypt corridor to 5 350 km as of June 2022. In addition, Telecom Egypt have extended into the east bank of the Suez Canal within Egypt's Asian territory in the Sinai Peninsula, providing access to the subsea systems landing in Egypt, with seven to eight subsea systems planned to land in Sinai. This is achieved by integrating more than 21 in-service and planned subsea cable systems that traverse the Red Sea and Mediterranean over 10 diverse trans-Egypt terrestrial crossing routes and five landing stations located on each coast. MCIT invested over USD 3 billion to enhance fixed internet services to replace outdated copper infrastructure with fibre-optic cables with broadband speed expected to reach 86.06 Mbps in March 2025 as part of the Digital Egypt Strategy. Complementing these efforts, the government has prioritised improvements to cell tower infrastructure and is employing innovative technologies through a USD 2 billion allocation to bolster its mobile network operators' capabilities.

In addition to Egypt Vision 2030, MCIT plays a significant role in Egypt's *Haya Karima* ("Decent Life") initiative, aimed at improving the quality of life in rural areas. As part of this initiative, MCIT is developing telecommunication infrastructure to develop services and facilities for all 4 500 target villages by installing a fibre-optic cable network and extending mobile phone network services. MCIT's initiative seeks to link government buildings, homes, hospitals, schools, and service centres to modern digital infrastructure, directly benefitting over 58 million citizens across 3 million households. During the first phase of the *Haya Karima* initiative, a fibre-optic cable network is planned to be installed in 1 400 villages, connecting an estimated 1 million buildings within a year. Subsequent phases will extend these upgrades to all target villages over a three-year period.

MCIT has also launched a mobile towers project to improve essential infrastructure and increase mobile phone service provision, including internet and mobile communication, in underserved areas. This project employs an infrastructure-sharing model, allowing service providers to share telecom infrastructure (i.e. mobile towers), thereby reducing investment costs and improving service provision to enhance connectivity in targeted villages. While this initiative aims at improving communication services and living conditions in these communities as part of *Haya Karima*, it also serves as an investment opportunity for the construction and manufacturing of mobile towers in these areas.

In relation to water management, including desalination, the Government of Egypt has designated certain desalination and sludge management plants to be assigned to and operated by the private sector. This is in line with the country's State Ownership Policy (SOP), the general divestment plan to be implemented within three to five years of its launch in end-2022. Private sector participation is being promoted in areas such as potable water pump stations and distribution networks, sewage pump stations and networks, and wastewater purification plants (WWTPs). This includes service areas such as in the reuse of treated wastewater and the collection, treatment, and recycling of sludge and solid waste. Activities such as bill collection, metre installation, and the management, operation, and maintenance of potable water and sanitation services will also be opened up to private sector involvement. The Ministry of Housing, Utilities and Urban Communities highlighted several opportunities for private sector involvement, including sludge treatment and utilisation in four WWTPs with a combined capacity of 3.89 million cubic metres per day, six

WWTPs with a total capacity of 395 000 cubic metres per day, and a project focussing on the reuse of water supernatant from sludge treatment and backwash water from filters.

Between 2025 and 2030, the Ministry of Housing, Utilities and Urban Communities plans to include the construction of 23 desalination plants with a total capacity of 2.56 million cubic metres per day, which is to be facilitated through private sector participation. The Government of Egypt is also preparing the second phase of the *Haya Karima* (Decent Life) initiative, targeting 52 sub-governorates (*markaz*) across 20 governorates to enhance services such as health, education, electricity, water, and sanitation. This mega project is financed by the government but is executed by the private sector. The *Haya Karima* initiative's second phase is planned to encompass approximately 1 680 villages and their satellite communities. Additionally, 27 projects are under construction, including water purification plants and WWTPs, sludge treatment facilities, desalination plants, and safe water reuse projects are under construction, alongside feasibility studies with the 14 development partners (Arab Funds – World Bank – European Development Partners – African Development Bank – Asian Infrastructure Investment Bank) with a total investment of USD 3.6 billion.

4.3. International lending in infrastructure financing

According to the Ministry of Planning and Economic Development's (MPED) 2024 Annual Report, total Official Development Assistance (ODA) directed toward public sector development from 2020 to 2024 amounted to USD 14.5 billion in total (MPED, 2024[14]). These funds have been instrumental in driving substantial advancements across various sectors.

Over the past four years, Egypt has signed country programmes with multilateral development banks (MDBs) and bilateral development partners, including comprehensive development strategies and sector-specific projects. These agreements are aligned with Egypt's national priorities and presidential initiatives. For example, the Agence Française de Développement (AFD) Country Strategy for Egypt (2021-2025), the World Bank Country Partnership Framework (2023-2027), the United Nations Sustainable Development Co-operation Framework (2023-2027) and the EBRD Country Partnership Framework (2022-2027) all outline medium- to long-term commitments by partners across various sectors.

MPED supports these efforts through a country-led multi-stakeholder engagement framework. This framework maps Official Development Assistance (ODA) to Sustainable Development Goals (SDGs), ensuring that partner interventions align with national objectives and improve the effectiveness of development co-operation in accordance with the Global Partnership for Effective Development Co-operation (GPEDC). These strategic engagements and financial mechanisms underscore the vital role of MDBs in advancing Egypt's infrastructure development and sustainability goals, facilitating both large-scale investments and capacity-building efforts.

Although foreign and domestic private actors, such as commercial and investment banks alongside development funds, have played an active role in funding certain projects, a significant portion of private engagement, however, comes from MDBs – notably the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and the International Finance Corporation (IFC).

In this regard, MPED plays a pivotal role in securing and managing foreign investments through various schemes involving multi-stakeholder partnerships, concessional finance, and grants. As Table 4.1 illustrates, since 2020, through MPED, the Egyptian Government has secured a total of USD 38.8 billion in financing – USD 28.5 billion for public sector development and USD 10.3 billion for private sector development – specifically allocated for sustainable development projects. These investments have been directed towards critical sectors such as electricity, renewable energy, water management, transportation, and social infrastructure. For instance, the transport sector received a total of USD 7.28 billion between 2020 and 2023, followed by energy, renewable energy, and petroleum with USD 1.96 billion, and housing

and utilities with USD 1.77 billion. The government's strategic approach has focussed on both enhancing existing infrastructure and developing new projects that align with Egypt's sustainable development goals (SDGs).

Egypt has worked on mobilising development financing tools beyond PPP arrangements, including debt, trade finance, risk guarantees, blended finance, and technical assistance, with USD17 billion in development financing deals since 2020 (MPED, June 2025[15]). Private sector development financing has expanded and diversified, reflecting the state's strategy of strengthening private sector participation in priority development areas, most notably renewable energy and logistics, comprising 33% of total private sector development financing since 2020.

Since the launch of the NWFE (Nexus of Water, Food, and Energy) in partnership with development partners – most notably the European Bank for Reconstruction and Development (EBRD) as lead partner for the energy pillar – approximately USD 4.5 billion has been mobilised toward a USD10 billion financing target for the energy sector for the private sector to support the deployment of 10 GW of renewable energy capacity, significant progress has been achieved. To date, approximately 8.25 GW of power capacity has been secured through long-term Power Purchase Agreements (PPAs) between the Egyptian Electricity Transmission Company (EETC) and private sector developers. In addition, USD 4.5 billion in concessional financing has been mobilised to support clean energy projects, enabling the development of renewable energy capacity of 5.2 GW. At the same time, measures have been undertaken to phase out thermal power plants totalling up to 1 200 MW, as part of a wider strategy to decommission 5 000 MW overall, generating annual fuel savings estimated at USD 1.2 billion.

Additional strategic projects include the Gulf of Suez Wind Farm (1 100 MW) with an investment of USD 1.1 billion, cofinanced by EBRD, the African Development Bank (AfDB), British International Investment (BII), the German Investment Corporation (DEG), the OPEC Fund for International Development (OFID), and the Arab Petroleum Investments Corporation (APICORP, now the Arab Energy Fund). In addition, the Abydos Solar Power Plant in Kom Ombo (500 MW), with an investment of USD 500 million, is funded by the International Finance Corporation (IFC), the Dutch Development Bank (FMO), and the Japan International Co-operation Agency (JICA). In addition to renewable energy projects such as the Ras Ghareb Wind Farm (200 MW), developed by Masdar and Infinity, with financing from EBRD and partners totalling USD 215 million; the Obelisk Solar Power Plant, led by SCATEC Norway, integrating solar capacity with a 200 MW Battery Energy Storage System (BESS), backed by EBRD, BII, AfDB, and the U.S. International Development Finance Corporation (DFC) at a cost of USD 600 million; and the Dandara Solar Power Plant, also developed by SCATEC Norway, offering 1 000 MW of solar capacity and a 200 MW BESS, financed by EBRD, the European Investment Bank (EIB), and AfDB, with an equivalent investment of USD 600 million.

Egypt's logistics and transportation sectors have benefited from development financing of USD 1 billion, since 2021. Among the most prominent projects is the Second Container Terminal at Damietta Port, financed through a partnership with EBRD, IFC, the Asian Infrastructure Investment Bank (AIIB), DEG and Proparco. The project has secured a USD 455 million financing package under a public-private partnership (PPP) framework with the aim to boost the port's annual container handling capacity to 3.3 million (Twenty-Foot Equivalent Units) TEUs, while creating over 2 200 direct and indirect jobs. In addition, Beko Egypt benefited from USD 50 million concessional development finance from EBRD, enabling the establishment of its first regional industrial complex in 10th of Ramadan City. The facility includes an R&D centre and production lines with a total annual capacity of 1.1 million units.

In addition, MPED developed the Hub for Advisory, Financing and Investments for Enterprises platform, HAFIZ Platform, which is an integrated platform that links development partners, international institutions, the government, the business community and the private sector to enhance the benefit of international partnerships (Government of Egypt, Ministry of International Cooperation, 2023[16]). It provides a single, transparent entry point to financial tools, business support services, and tenders and opportunities from

Egypt and worldwide, offered with international development partners. HAFIZ is designed to significantly reduce transaction costs, accelerates matchmaking with development partners, and enables companies to identify bankable financing and technical assistance opportunities.

Table 4.1. ODA directed to finance public and private sector development, Egypt

TOTAL ODA DIRECTED TO FINANCE PUBLIC SECTOR DEVELOPMENT THROUGH MULTILATERAL AND BILATERAL DEVELOPMENT PARTNERS FROM 2020-2023		
Sector	Development Partners	Amount (USD Million)
Transport	KFAED, AFDB, China, Austria, AIIB, Japan	7 289
Budget support	WB, AIIB, AMF, Japan, AFDB	3 922
Agriculture, supply, and irrigation	United States, IFAD, EU, Germany, Canada, Spain	3 346
Energy, renewable energy & petroleum	SIDA, AFD, Germany, ITFC	1 966
Housing and utilities	EU, EIB, Germany, AFD, AFESD, KFAED, WB, Switzerland	1 776
Gender and social protection	Spain, AFD, WB, EU	1 111
Education	Spain, AFD, WB, EU	490
MSMEs	United States, Germany, Japan, Switzerland	456
Environment	EU, AFD	440
Governance	United States, Germany, EU	276
Health	WB, United States, Canada, China	136
Local Development	EBRD	90
Trade and Industry	Germany, Italy, EU	53
Framework Agreements	ITFC, China, Spain, AFD	7 187
		TOTAL: USD 28.5 billion

OTAL ODA DIRECTED TO FINANCE PRIVATE SECTOR DEVELOPMENT THROUGH MULTILATERAL AND BILATERAL DEVELOPMENT PARTNERS FROM 2020-2023	
Development Partners	Amount (USD Million)
European Investment Bank (EIB)	2 803
European Bank for Reconstruction and Development (EBRD)	2 122
International Finance Corporation (IFC)	1 660
OPEC Fund for International Development	1 278
JBIC	521
United Kingdom (CDC)	420
French Development Agency (AFD)	331
Credit line between JICA & Mitsubishi Financial Group	200
Japan International Co-operation Agency (JICA)	188
Asian Infrastructure Investment Bank (AIIB)	150
Netherlands	115
MIGA & EBRD	100
Abu Dhabi Exports Office	100
African Development Bank	51.5
World Bank Group	50
Arab Fund for Economic and Social Development (AFESD)	50
AFREXIMBANK	44
Islamic Co-operation for the Development of the Private Sector	30
Saudi Fund for Development	27
Green Climate Fund	24
European Union	15
KFW	7
Switzerland	5

Source: MPED (2024[14]), Annual Report 2024: MACROECONOMIC STABILITY, STRUCTURAL REFORMS & ECONOMIC DIPLOMACY TO ADVANCE SUSTAINABLE ECONOMIC DEVELOPMENT, https://mped.gov.eg/adminpanel/sharedFiles/annual-report-2024_496.pdf.

MDBs have used concessional financing, which has helped Egypt catalyse private sector investments, particularly in strategic sectors like renewable energy, through loans with lower interest rates and extended repayment terms. In addition to financial support, MDBs offer technical assistance through grants, which aid in project preparation activities such as feasibility studies, risk assessments, and capacity building (see Box 4.4 on SOURCE, an infrastructure project platform supported by several multilateral institutions that enhances project planning and financing which will now be introduced in Egypt).

A prime example of MDB involvement in Egypt can be seen through Egypt's Country Platform for the Nexus of Water, Food and Energy (NWFE), which integrates multilateral co-operation to leverage diverse sources of financing, including concessional loans, debt swaps, guarantees, and private investments. Over 30 stakeholders contribute to the platform, with a focus on ensuring that climate finance is supplemental rather than replacing traditional development finance. The EBRD, in particular, plays a central role in the Energy Pillar of the NWFE, leveraging its substantial experience in clean and renewable energy projects. EBRD's private sector engagement in Egypt, where more than 80% of its portfolio is directed towards private-sector partnerships, aligns with Egypt's ambitious goal to mobilise USD 10 billion in private capital for renewable energy projects.

Box 4.3. NWFE Program (Nexus of Water, Food, and Energy)

The **NWFE Program (Nexus of Water, Food, and Energy)**[1] serves as a strategic platform launched by the Egyptian Government to mobilise climate finance and accelerate infrastructure development in three critical sectors: water, food, and energy.

Introduced in 2022 under Egypt's Country Platform for the NWFE, the initiative is designed to translate Egypt's climate commitments – particularly its Nationally Determined Contributions (NDCs)–into actionable, investment-ready infrastructure projects. By focussing on the interdependence of these sectors, the programme addresses key national priorities related to sustainability, resource efficiency, and climate resilience.

NWFE plays a central role in infrastructure financing by adopting a **blended finance model** that combines public funds, concessional finance, technical assistance, grants, debt swap and private sector investment. This approach enhances the bankability of infrastructure projects, reduces financial risk, and encourages greater participation from international partners such as the European Bank for Reconstruction and Development (EBRD) and the African Development Bank (AfDB). The programme includes a pipeline of flagship projects such as renewable energy development, sustainable agriculture modernisation, and water infrastructure upgrades. By linking policy with finance and implementation, NWFE represents a replicable model for climate-smart infrastructure investment in emerging economies.

1. NWFE+ refers to the expanded version of Egypt's Nexus of Water, Food, and Energy (NWFE) climate-action program, now including a sustainable transport pillar to integrate low-emission mobility into the country's broader green growth and climate strategy.

Similarly, the African Development Bank (AfDB) is a Key Partner within the NWFE's Water Pillar. The AfDB provides financial and technical support for sustainable water management practices, such as solar pumps for irrigation, which directly contribute to Egypt's green transition. These efforts align with the AfDB-Egypt Country Strategy 2022-2026, which aims to foster food, water, and energy security in Egypt while promoting private-sector participation in sustainable development (NWFE, 2024[17]). At its midterm review, the implementation of AfDB's Egypt's Country Strategy Paper (CSP) 2022-2026 has made strong progress, with overall portfolio performance remaining positive. The portfolio covers key sectors including finance, energy, governance, agriculture, transport, and water and sanitation, with infrastructure accounting for 52% of investments. The Results Measurement Framework tracks progress in enhancing

private sector engagement and building resilience in food, water, and energy security. The CSP's two priority areas remain relevant for 2025-2026 and aligned with national priorities. The Bank also integrates cross-cutting themes such as gender, climate, and youth employment across its operations.

The European Investment Bank (EIB) plays a prominent role in NWFE+, focussing on financing infrastructure in the transport sector. The EIB's deep experience in national and international infrastructure projects helps ensure effective implementation of critical transport initiatives. Additionally, the EIB also serves as the largest implementation partner for the EU's European Fund for Sustainable Development Plus Guarantee (EFSD+)–a key financing tool of the EU's Global Gateway Initiative. As of late 2024, the EFSD+ has earmarked EUR 1.8 billion in investment guarantees, as part of the Strategic and Comprehensive Partnership between the European Union and Egypt, to support Egypt's infrastructure financing needs and encourage private sector engagement.

The Investment Guarantee Mechanism between the European Union and Egypt was officially launched in June 2025 as a financing platform to support Egypt's green transition and sustainable development, with a value of EUR 1.8 billion. The mechanism is integrated into the "HAFIZ" platform to mitigate investment risks and provide financial and technical support to the private sector. Through the EFSD+ mechanism, the EU seeks to mobilise both public and private capital via risk-sharing instruments – such as guarantees, credit facilities, and blended finance. The mechanism reduces investor risk through blended finance tools (partial credit guarantees, risk-sharing arrangements, and technical support for projects), thereby facilitating the mobilisation of financing for green projects.

For the Water and Food Pillars, these MDBs provide advisory services and technical assistance to national stakeholders, enhancing institutional capacity for project planning and execution. Grants from development partners fund these efforts, which include comprehensive feasibility studies covering economic, social, and environmental dimensions.

Box 4.4. The SOURCE platform

SOURCE is the multilateral infrastructure project platform implemented by the Sustainable Infrastructure Foundation (SIF). Several MDBs, including ADB, IADB, EIB, World Bank, and EBRD, provide key inputs into SOURCE, and since 2018, the strategic and financial management of SOURCE is under the supervision of the SOURCE Council, which is composed of representatives from MDBs. SOURCE provides a structured approach to the investment cycle through sectoral templates, thereby enabling:

1. the provision of a standardised and comprehensive map of all aspects to take into account the development of high quality, sustainable infrastructure
2. delivery of MDB tools, reference notes, and best practices to project managers at the right juncture in the decision making process
3. monitoring whether projects meet their intended outcomes and benefits during the implementation period
4. collection of structured and standardised project data at a global scale to assess performance of projects against standards, and generate analytics and benchmarks (for example, unit costs).

SOURCE has been designed as a public good, to be used by government agencies and MDBs.

Source: OECD (2021[18]), *OECD Implementation Handbook for Quality Infrastructure Investment*, https://doi.org/10.1787/479131b2-en.

In terms of blended finance, the NWFE platform also serves as a model for blending public and private capital to finance climate-related infrastructure projects. Egypt has committed to the equitable allocation of

blended finance by ensuring that funds reach regions and sectors that may face challenges in attracting private investment. This commitment is reflected in initiatives like the Sharm El Sheikh Guidebook for Just Financing, launched during COP27, which offers a roadmap for mobilising climate finance in an equitable manner.

4.4. Public-private partnerships in Egypt

PPPs are emerging as a strategic approach to leveraging private capital and expertise to deliver public goods and services. Egypt's engagement with PPPs dates back to 2006, when it established a dedicated PPP Central Unit (PPPCU) within the Ministry of Finance (MoF) (OECD, 2020[19]). The PPPCU was later formalised under the 2010 PPP Law (Law No. 67/2010), which the World Bank recognised as the best PPP law that same year (OECD, 2020[19]).

While the institutional framework is in place, Egypt has faced several challenges in executing PPPs over the years. These include limited financial and staffing resources at the PPPCU relative to project flow, lengthy approval procedures around the endorsement and implementation of PPP projects, and limited PPP support from line ministries (OECD, 2020[19]). Between 2010 and 2020, Egypt facilitated 35 projects through PPP contracts that reached financial closure, totalling approximately USD 9.5 billion (World Bank, 2024[20]). Of these projects, 29 were in the electricity sector, while the remaining six spanned various sectors, including ports, railways, waste treatment and disposal, and water and sewage. To improve execution, the Government of Egypt amended the PPP Law 153 of 2021, followed by its executive regulations in 2022, easing implementation of the law, allowing better private sector participation, and facilitating the process for government entities.

A PPP Unit at the Ministry of Planning and Economic Development (MPED) co-ordinates with the MoF's PPPCU on the choice of projects to be directed to the PPP route for financing and execution taking into consideration technical ministries' requests. A number of ministries, including the Ministry of Transport and Ministry of Housing, Utilities and Urban Communities, have also established PPP units to follow up on implementation of PPP projects. Centralisation of technical capacity at the MoF PPP unit has created the need for more capacity building on technical aspects of PPP projects at other ministries. Technical ministries require further capacity building to better understand how to structure projects to be eligible for PPPs, and to clarify the merits of executing projects via the PPP track versus the state budget financing track to direct more projects towards private financing.

The PPP Comparator is conducted for all infrastructure projects submitted by line ministries that fall within the scope of the PPP Law and its amendments and meet the applicable criteria for consideration under the PPP framework. In line with the provisions of the PPP Law and its executive regulations, such projects are subject to formal appraisal under the PPP system by the Ministry of Finance and the Joint Committee, which comprises representatives of the Ministry of Finance, the Ministry of Planning and Economic Development, and the relevant line ministries. Following the Joint Committee's consideration that a project is appropriate for implementation under the PPP framework, the PPP Comparator is undertaken by the PPP Central Unit within the Ministry of Finance to verify that the project offers stronger value for money under the PPP modality. The Comparator therefore serves as an analytical basis for confirming whether the project should proceed under the PPP route or be implemented through conventional budget financing and public procurement.

Better understanding of the technical and financial assessment of PPP projects within the different ministries is key to fully engage the private sector and ensure timely and successful implementation of the projects. It is recommended to review all infrastructure investment projects potentially costing EGP100 million, the legal threshold to consider a PPP project, and above by the Joint Committee for PPP to increase the number of projects financed by private investment compared to financing from the state budget. Smaller infrastructure projects costing below EGP100 million could be reviewed by a sub-

committee affiliated with the Joint Committee to expand on opportunities for SMEs to finance medium sized infrastructure projects. Both committees' mandates need to be officially decreed by the Prime Minister to remove subjective review of projects financing by ministries and expand on private investment and financing of infrastructure projects.

The need for capacity building extends beyond national ministries to local governments. While the MoF's PPPCU primarily collaborates with national ministries, its direct involvement with local government on the governorate level is limited. Strengthening PPP implementation, at both national and local levels, requires the PPPCU to expand its capacity-building efforts among local authorities and establish clearer frameworks for direct collaboration with local government entities. As illustrated in Box 4.5, central PPP bodies can play a pivotal role in supporting local development through training, capacity building, and feasibility studies.

Box 4.5. The PPP Centre in the Philippines

The 1991 Local Government Code (Republic Act No. 7160) in the Philippines devolved the provision of local infrastructure to local governments, stipulating the institutional mechanisms for formulating and implementing local plans. The PPP Centre in the Philippines is the central co-ordinating and monitoring agency for PPP projects within the country, and primarily responsible for monitoring and evaluating local governments' PPP projects. The main objective of the Centre is to assist local governments in preparing projects, clarifying procedures, and evaluating PPP projects as well as providing training and capacity building programmes, and financing for pre-investment process for potential PPP projects. The Centre launched a PPP strategy for local governments including the preparation and dissemination of a PPP manual for local governments. The PPP subcommittee assisted the local development council in drawing action plans and strategies for the implementation of PPP projects at local levels. In addition, local governments have access to the Local Government Unit Guarantee Corporation (LGUGC), which offers guarantees for municipal bonds as a private risk guarantor for PPP projects in the Philippines. The country has been proactive in streamlining the business environment for PPPs over the last decade.

Source: OECD (2021[18]), *OECD Implementation Handbook for Quality Infrastructure Investment*, https://doi.org/10.1787/479131b2-en.

As part of the PPP process, the MoF provides a sovereign guarantee to secure payment of the financial obligations to investors in case where the off-taker is a government-owned entity. The cost is reflected as a contingent liability. To manage fiscal exposure, the MoF has started identifying an annual cap for contingent liabilities as part of its fiscal consolidation and ongoing discussions with the IMF. This would ultimately cap the number of PPP projects that can be processed annually. Continued improvement in the sovereign credit rating of Egypt and ongoing clear signs of stability in the foreign currency market would allow projects to move forward without the need for sovereign guarantees.

With the move to expand and increase the number of projects financed through the PPP track, centralisation of the decision making process could be reviewed at the Cabinet level to expedite the process and expand it to most infrastructure projects, and be supported by more workshops and training in line ministries and authorities. This could thereby reduce the reliance on commercial and development funds' financing and expand the role of the private sector in such projects. Projects in the telecommunications, international trade, logistics and maritime sectors, among others could benefit from increased private sector investment through the PPP track.

In early 2025, the Government of Egypt, alongside the MoF, signed two agreements with the European Bank for Reconstruction and Development (EBRD) to establish a EUR 10 million (about EGP 531 million)

Egypt Project Preparation Facility (EPPF) within the MoF's PPPCU. The fund aims to expedite project development by significantly reducing approval times for study funding – from one year to two months. By streamlining relevant contracting processes, PPPCU's initiative is expected to increase private investment.

Moreover, the signing of the memorandum of understanding (MoU) between MPED and EBRD seeks to enhance co-operation with the multilateral development bank through technical support in the form of capacity building and assistance in developing and implementing PPP projects across key sectors. The partnership is expected to support Egypt's upcoming infrastructure projects. For instance, nine projects worth EGP 53.9 billion – spanning transformer stations, electricity distribution, water desalination, wastewater treatment, technical and language schools, and service centres – are currently in the tendering phase. An additional ten projects in electricity distribution and wastewater treatment, valued at EGP 37 billion, are under preparation and awaiting approval from Egypt's Supreme Committee for Public-Private Partnership Affairs

Box 4.6. Egypt Project Preparation Fund (EPPF)

Egypt and the European Bank for Reconstruction and Development (EBRD) have established the Egypt Project Preparation Fund (EPPF) to provide support to the Egyptian Ministry of Finance through the PPP Unit to boost private sector involvement in infrastructure projects. This initiative aims to accelerate investment in key sectors and enhance private sector participation in Egypt's development efforts.

EPPF established a joint fund of EUR 10 million, which will be managed by the EBRD to provide all means of support to maximise private sector participation in infrastructure projects by reducing the time required to obtain funding for feasibility studies and appoint technical, financial, and legal consultants for PPP projects from development partners from one year to just two months.

At the local level, discussions have focussed on enabling governorates and municipalities to participate more effectively in PPPs, particularly in alignment with initiatives like "Haya Karima" (Decent Life). Capacity-building efforts, supported by development partners such as the World Bank and EBRD, have targeted local authorities to enhance their ability to structure, manage, and oversee PPP projects.

The Ministry of Planning and Economic Development has signed a memorandum of understanding (MoU) with EBRD to enhance co-operation in implementing public-private partnership (PPP) projects. The agreement aims to provide institutional support, capacity building, and technical assistance for these projects across various sectors. The co-operation will focus on priority sectors such as transportation, ports, healthcare, electricity, energy, and water desalination, with the goal of expanding Egypt's PPP model and boosting private sector involvement in national projects.

Table 4.2. Signed and tendered PPP projects, Egypt

Project signed	Sector	Tendering Authority	Contract Duration	Investment Capital
New Cairo Wastewater plant	Water and Sanitation	Ministry of Housing, Utilities & Urban Communities (MHUUC) New Urban Communities Authority (NUCA)	20 Years	USD 140 million
New Schools PPP project (Phase 1)	Social and Commercial	The Ministry of Education and Vocational Education	30 Years	USD 40 million
Benban solar park	Energy	Egyptian Electricity Transmission Company, S.A. E	25 years	USD 2 billion
6th of October Dry Port PPP Project	Transport and Logistics	Ministry of Transport – General Authority for Land and Dry Ports (GALDP)	30 years	USD 220 million
Three Strategic warehouses for Strategic Commodities	Transport and Logistics	Internal Trade Development Agency – Ministry of Supply and Internal Trade	35 years.	4 EGP 200 million
Container terminal 2 (Tahia Misr 1) New Damietta	Transport and Logistics	Ministry of Transport – Damietta Port Authority	30 years.	USD 200 million
8 Waste to Energy plants PPP Project	Energy	Ministry of Local Development	30 years	USD 110 million
10th of Ramadan Dry port and Logistics Center	Transport and Logistics	General Authority for land and Dry Ports (GALDP)	30 years	USD 220 million
Sub Station S13	Energy	MHUUC – NUCA	30 Years	EGP 250 million
El-Alamein Electricity Grids	Energy	MHUUC – NUCA	25 years	-
Sub Station (for Booster No. 3)	Energy	MHUUC – NUCA	25 years	EGP 800 million
Tora Cement Sub Station	Energy	MHUUC – NUCA	25 years	-
International Technical School “Ta’heal International Academy”	Social and Commercial	The Ministry of Education and Vocational Education	25 years	EGP 168 million
Electrical networks for the industrial zone between A1-A6 in 10th of Ramadan City	Energy	MHUUC – NUCA	25 years	–
Projects being tendered				
6th October Wastewater Treatment Plant	Water and Sanitation	Ministry of Housing, Utilities & Urban Communities (MHUUC) – New Urban Communities Authority (NUCA)	20 years	USD 95 million
The Development of Desalinated Potable Water Plants powered by Renewable Energy sources in Different Locations Across Egypt	Water and Sanitation	NUCA, Holding Company for Water and Wastewater, Suez Canal Economic Zone (represented by the Sovereign Fund of Egypt)	30 years	USD 3 billion
Phase 2 for the PPP new Schools Project	Social and Commercial	The Ministry of Education and Vocational Education	30 years	USD 30 billion
Investors Services Center in Maadi “Shaa El Tebaan”	Social and Commercial	Cairo Governorate	25 years	EGP 450 million
SCZone Desalination Plant	Water	SCZone – General Authority For Suez Canal Economic Zone.	25 years	EGP 18.5 billion
Abu Rawash Wastewater Sludge Treatment Plan	Energy	MHUUC – Construction Authority for Potable Water & Wastewater (CAPW)	20 years	EGP 7 000 million
Back-wash water recyclying plant	Water	MHUUC – CAPW	20 years	EGP 1 100 million
Sub Station (for Booster Dahshour building)	Energy	MHUUC – NUCA	––	EGP 900 million

Project signed	Sector	Tendering Authority	Contract Duration	Investment Capital
Al-Motawrin Substation and the Electricity Networks in Sadat City	Energy	MHUUC – NUCA	25 years	EGP 400 million
Sadat City Electricity Network Project	Energy	MHUUC – NUCA	25 years	EGP 1 000 million
Al-Ayyat Water Intake Substation and the Electricity Networks in 6th of October City	Energy	MHUUC – NUCA	25 years	EGP 200 million
Operation and maintenance project of the new October Industrial Transformer Station and electricity networks.	Energy	MHUUC – NUCA MHUUC – NUCA	25 years	---
New Mansoura City Electricity Network Project	Energy	MHUUC – NUCA	25 years	EGP 550 million
New Aswan City Electricity Network Project	Energy	MHUUC – NUCA	25 years	EGP 100 million

Source: Information provided by the Ministry of Finance of Egypt.

Table 4.3. PPP Project Pipeline, Egypt

Project Pipeline				
Project	Sector	Tendering Authority	Contract Duration	Investment Capital
Establishing a technical school for hotels and tourism and an international school in partnership with the private sector. (Kafr El-Sheikh Governorate)	Education	The Ministry of Education and Vocational Education	30 years	EGP 160 million
Treatment and recycling of organic waste	Waste	Qalyubia Governorate	15 years	EGP 3 000 million
Sludge treatment plant generated from Al-Baraka Wastewater Treatment plant	Water	Holding Company for Water and Waste Water (HCWW)	20 years	EGP 1 200 mln
Sludge treatment plant generated from Al-Belqas Wastewater Treatment plant	Water	Holding Company for Water and Waste Water (HCWW)	20 years	EGP 1 300 mln
Amreya/Alexandria Industrial Wastewater Plant	Water	General Authority for Investment and Free Zones	–	–
Sub Station in the industrial area (270 feddans) in October city	Energy	MHUUC – NUCA	–	EGP 900 mln
Sub Stations to supply the area of decree No. 77 in Sheikh Zayed city	Energy	MHUUC – NUCA	–	–
Substation for the Intake Pumps of the 10th Ramadan in the Abu Samran Area, Belbeis, and the Right to Utilise the Substation, Its Connection Lines, and the Power Supply Networks Feeding the Intake.	Energy	MHUUC – NUCA	25 years	EGP 900 mln
Substation for the Eastern Industrial Zone and the Right to Utilise the Substation, Its Connection Lines, and the Power Supply Networks in New Borg El Arab City."	Energy	MHUUC – NUCA	25 years	EGP 1 500 mln
Beni Suef Industrial Wastewater Plant	Energy	MHUUC – NUCA	–	EGP 500 mln
Extension of Rashid Domestic Wastewater Treatment Plant	Water	Holding Company for Water and Waste Water (HCWW)	–	EGP 800 mln
Extension of Serabeum Domestic Wastewater Treatment Plant	Water	Holding Company for Water & Wastewater (HCWW)	–	EGP 1 400 mln
Extension of Zenein Domestic Wastewater Treatment Plant	Water	Holding Company for Water & Wastewater (HCWW)	–	EGP 1 500 mln

Project Pipeline				
Project	Sector	Tendering Authority	Contract Duration	Investment Capital
Gharbia Domestic Treatment Plant	Water	Holding Company for Water & Wastewater (HCWW)	–	EGP 320 mln
Sadat Dry port	Transport	Ministry of transport – General authority for land and dry ports (GALDP).	–	EGP 7 650 mln

Source: Information provided by the Ministry of Finance of Egypt.

4.5. Private sector involvement in infrastructure financing

Attracting private capital towards the financing of infrastructure projects remains a key component and challenge towards Egypt's infrastructure development strategy. Over the past few years, Egypt has demonstrated a growing commitment to expanding private sector involvement in infrastructure financing, particularly through public-private partnerships (PPPs). Plans are underway to expand the scope of PPPs, as evidenced by the pipeline of upcoming projects (Table 4.2 and Table 4.3), and Egypt has already seen numerous infrastructure developments take place through these mechanisms. Both domestic and foreign developers play a role, often forming consortia that combine local knowledge with international expertise. This approach has been particularly useful in large-scale projects, allowing Egypt to tap into a broader pool of capital and technical capabilities.

Although private sector involvement in economic infrastructure is growing – particularly through PPPs – there still remains much scope to advance their role (IMF, 2023[21]). For example, while the private sector has been able to engage in the telecommunications sector, its engagement has been limited to network development and service provision. Telecom Egypt, with 70% government ownership, controls the legacy cable network and remains the primary provider of cable services to end-users, while the country's regulator acts as a key investor in network expansion and installation in underserved areas (IMF, 2023[21]). As a result, the private sector has an important role to play to bridge the supply-demand gap. According to the State Ownership Policy in 2022 the government would partially exit and reduce ownership in some services in the Communication and Information Technology sector including programming, IT consulting and mobile services while maintaining or increasing its ownership in other services. A 10% stake in Telecom Egypt was offered on the stock market in May 2023.

Similarly, the energy sector has attracted private investment through Independent Power Producers (IPPs) and Power Purchase Agreements (PPAs), yet the rate of private sector participation is minimal, and commercial incentives are very limited. This is largely due to the monopolistic position of the Egyptian Electricity Transmission Company, which acts as the sole off-taker and seller of electricity to distributors (IMF, 2023[21]). While private investment in electricity generation and distribution is permitted, the private sector accounts for 2% of the distribution volume, with the bulk of production and distribution coming from the Egyptian Electricity Holding Company via its subsidiaries, the Egyptian Electricity Production Corporation and the Egyptian Electricity Distribution Corporation (IMF, 2023[21]).According to the State Ownership Policy in 2022 the government would partially maintain and reduce ownership while allowing more private sector involvement in power generation, distribution networks, air conditioning and gas networks, and increase ownership while allowing private sector involvement in power transmission.

The broadness and depth of the financial sector have a direct relationship on the types of financing available, a robust regulatory regime, protections to investors and availability of professional services that can support a variety of financing. Having a strong, competitive and well capitalised banking sector lends itself to having financial intermediation that can support complex and long-term financing, as well as providing enabling the development of counterparties in a transaction. A strong capital market allows diversification of financing through access to a broad range of investors, as well as a wide range of instruments that are available both in the market as well as in a structured manner.

Having the backbone of an active and stable banking sector and/or capital market serves infrastructure financing by providing choices on the types of financing that is available, for both the government, as well as financial institutions and investors. This is particularly important when a government wants to mobilise private capital to infrastructure, as it will permits more diverse parties with different risk tolerance to take part. It also serves to diversify investors' choices.

In addition, institutional investors and savings provide a potential source of infrastructure financing, that could serve as domestic private capital mobilisation, if the regulatory regime can be aligned and financial instruments that create infrastructure as an asset class are available.

Liquid and robust financial markets will also provide opportunities for innovative financing approaches such as asset securitisation and risk mitigation measures to be deployed. This will facilitate risk management of projects, as well as take advantage of value of existing assets.

Beyond PPPs, to further close its infrastructure gap and enhance private sector involvement in infrastructure financing, Egypt can draw from a diverse range of instruments designed to leverage private investment in urban areas (see Table 4.4). These instruments include regulatory measures like development levies, fees, and charges, which enable municipalities to capture a share of the value generated by private developments. Collaborative strategies, such as strategic land management and the transfer of development rights, create a conducive environment for private capital, encouraging investments in commercial, residential, and public infrastructure. Subsidies and tax incentives can also direct private investment towards priority areas like green infrastructure and affordable housing. Partnership models between cities and private entities offer comprehensive frameworks for jointly planning, designing, and executing urban projects, thereby enhancing service delivery and local economic development. Global examples – such as the Mayoral Community Infrastructure Levy in the United Kingdom and Transfer of Development Rights in Chongqing – demonstrate the effectiveness of these measures (see Box 4.7).

Table 4.4. Types of instruments to leverage private investment in urban areas

Categories	Development levies, fees and charges	Strategic land and building rights and management	Subsidies and tax incentives	Partnership models between cities and the private sector
Type of public sector engagement	← (Regulatory)			(Collaborative) →
Suggested action	Take advantage of development opportunities of developers to gain funding for public urban infrastructure investments that increase the value of private developments	Create a conducive investment environment to attract private capital in urban space	Use incentives to direct private investment towards local policy priorities, such as the green transition or affordable housing development	Explore comprehensive partnership agreements across levels of government, the private sector and communities to plan, design, and implement urban development
Type of development/infrastructure leverage by private investment	Local infrastructure (e.g. streets, parks, schools). City infrastructure (e.g. metro networks)	Offices, commercial, and residential buildings in urban areas	Affordable housing, green buildings	Local infrastructure, urban services (e.g. street maintenance), investment in real estates
Types of private sector to be engaged	Developers, individual, landowners	Developers, individual landowners, institutional investors	Developers, individual landowners, institutional investors	Local business owners, landowners, enterprises, etc.

Categories	Development levies, fees and charges	Strategic land and building rights and management	Subsidies and tax incentives	Partnership models between cities and the private sector
Main instruments	• Infrastructure levies • Charges for building rights • Biodiversity offsetting	• Land banking • Land pooling • Transfer of development rights (TDR) • Charges on underused land	1. Floor Area Ratio bonus	2. Local Green Deals 3. Business Improvement District (BID) 4. Payment for eco-system services
Examples	5. Mayoral Community Infrastructure Levy (UK) 6. Biodiversity offsetting in Paris (France)	7. TDR in Sao Paulo (Brazil) 8. TDR in Chongqing (People's Republic of China)	9. Density bonus in Vancouver (Canada)	10. Mannheim Local Green Deal (Germany) 11. Cape Town Central City Improvement District (South Africa)

Source: OECD (2023[11]), *Financing Cities of Tomorrow: G20/OECD Report for the G20 Infrastructure Working Group under the Indian Presidency*, https://doi.org/10.1787/51bd124a-en.

Box 4.7. Case studies: Leveraging private financing for urban development

Green urbanism: Punggol Eco Town, Singapore

Once a rural fishing village with farmland, Singapore's Punggol district was transformed into the country's first eco-town through long-term planning and sustainable urban development alongside public-private financing. Led by Singapore's Urban Redevelopment Authority (URA) and the Housing and Development Board (HDB)–Singapore's public housing authority, the Punggol Eco Town initiative was launched in the early 2000s, with a comprehensive master plan introduced in 2007. Through an ongoing multi-stage approach, Punggol Eco Town has grown from a rural village to a town of 187 800 residents in 2019.

Punggol Eco Town's development plan has been predicated on four pillars: economic vitality, smart technology integration, community-focussed living, and environmental sustainability. The town incorporates energy-efficient designs, green spaces, and advanced waste management systems. It also serves as a Singapore's testing ground for innovative technologies such as solar photovoltaic systems, smart lighting, energy-regenerating lifts, and real-time smart energy metres.

To promote sustainable mobility, Punggol Eco Town features an extensive network of cycling paths, pedestrian walkways, and well-connected public transport links, reducing reliance on private vehicles. Its development has been financed through a combination of public funding and private sector investment, with the Singaporean Government and HDB contributing significantly to the financing of the project through the national budget. While the government has played a key role in financing the project, private developers have funded and developed some areas of the eco town – ensuring a balance between government-led initiatives and market-driven contributions.

Zoning: HafenCity Hamburg, Germany

HafenCity in Hamburg, Germany has served as an example of how zoning can be used to redevelop brownfield sites into sustainable and liveable urban districts. HafenCity was once an industrial area and seaport with docks, warehouses, and shipping facilities that played a key role in maritime trade; however, the need to expand container terminals and changes in shipping methods led to a relocation of port activities.

The redevelopment process began in 1997 with an urban design competition to generate innovative plans for the transformation of HafenCity while maintaining its historical landmarks and buildings. A dedicated development company and subsidiary of the city government, HafenCity Hamburg GmbH, managed sales of city-owned land, which financed most of the public infrastructure, including roads, parks, and promenades. Private sector collaboration was central to the project's success, specifically the financing, construction, and property management, with developers purchasing land parcels and adhering to strict master plan guidelines and regulations.

A unique site tendering process prioritised development concepts (70%) over price (30%), ensuring high-quality urban design that included multi-generational living and commercial spaces while preserving historical buildings. Since 2010, at least 20% of housing has been publicly subsidised, rising to one-third in 2011. Sustainability was a key focus, as new buildings were required to abided by environmental and energy efficient standards, incorporating green roofs, solar panels, and energy-efficient designs.

By 2020, HafenCity's redevelopment had attracted EUR 13 billion in investment, with EUR 10 billion coming from private sources, transforming the former industrial hub into a mixed-use urban district.

Infrastructure levies: London, United Kingdom

Urban development can be supported by national governments by granting cities and local governments by empowering them with the ability to deploy innovative instruments to leverage private investments and determine and collect fees, levies, and charges from the private sector to finance urban infrastructure and essential services. The use of mechanisms like infrastructure levies in London illustrates of how urban governments can finance local infrastructure developments.

In 2012, the Mayor of London introduced the Mayoral Community Infrastructure Levy (MCIL) to help finance the city's Elizabeth Line (Crossrail), connecting central London with its western and eastern suburbs. Established under UK legislation in 2010, the MCIL is calculated based on net additional floorspace, with exemptions for medical, educational, affordable housing, and charitable developments. Local planning authorities assessed and collected payments on behalf of the Mayor, with charges determined at the planning application stage and payments – which can be made in instalments – due upon project commencement. In 2019, the infrastructure levy was later updated (MCIL2) to support both the Elizabeth Line and the proposed Crossrail 2, linking southwest London to the city.

Between 2012 and 2022, the MCIL generated over GBP 1 billion, which was allocated to Transport for London – London's government body responsible for most of the city's transport network. The mechanism highlights how targeted levies can provide cities with flexible funding solutions for strategically important infrastructure projects.

Transferable development rights: Chongqing, China

Launched in 2010 and completed in 2018, the redevelopment of Chongqing's Shapingba Railway Station – built in 1979–transformed an ageing transport hub into a modern, multi-modal transit centre. The project, jointly led by the Chongqing Transportation Hub Group and China Railway Chengdu Bureau Group, aimed to improve connectivity by integrating high-speed rail, metro, buses, taxis, and private vehicles while also revitalizing the surrounding commercial district.

The City of Chongqing introduced a development right on the levels above of the development site. Following a "layered transfer" development model, the railway infrastructure was placed underground (Phase I), while commercial and residential spaces were constructed above (Phase II). Covering 760 000 square metres, with 500 000 square metres allocated for commercial use and operated by developers, the renovation project leveraged air rights to generate revenue for its estimated USD 1.2 billion cost, primarily financed through project loans.

Strong inter-agency co-ordination by the local government played a crucial role in ensuring the project's success. While the renovation of Shapingba Railway Station is an example of how transferable development rights (TDR) can be used to finance infrastructure projects, it also serves as a successful example of transit-oriented development (TOD). The renovation project demonstrates how integrating transport infrastructure with commercial development can enhance urban functionality and boost the economic sustainability of the railway system.

Source: OECD (2023[11]), *Financing Cities of Tomorrow: G20/OECD Report for the G20 Infrastructure Working Group under the Indian Presidency*, https://doi.org/10.1787/51bd124a-en.

A notable example of private sector involvement in infrastructure financing in Egypt is the USD 2 billion Benban Solar Park. The photovoltaic power station, spanning 36 km², was developed by a consortium of 32 companies from 12 countries, including EDF, CHNT, Total Eren, Acciona, and Enerray. According to the MPED, the project has not only created upwards of 10 000 jobs but also seeks to reduce harmful gas emissions by 200 000 tonnes. The Benban Solar Park demonstrates the impact of several policies, particularly the 2014 Renewable Energy Law (Law No. 203/2014), in stimulating private sector engagement in renewable energy investments and introducing mechanisms such as competitive bidding, Feed-In-Tariff (FIT), Build Operate Own (BOO), and Independent Power Plant (IPP). Additionally, the allocation of over 7 600 km² for wind farms and reforms to the New and Renewable Energy Authority further underscore Egypt's commitment to attracting private sector investments in renewable energy.

Building on the momentum generated by projects like the Benban Solar Park, Egypt has also explored innovative financing mechanisms to support its infrastructure ambitions. Although Egypt has not yet executed infrastructure-specific bond issuances, it has made significant progress in using green bonds for infrastructure. For instance, the proceeds from Egypt's 2020 Sovereign Green Bond issuance were allocated to green infrastructure projects such as clean transport and sustainable water and wastewater management.

Another example is Egypt's inaugural sovereign Panda bond issuance in October 2023. The bonds, valued at RMB 3.5 billion (about USD 480 million), benefited from partial credit enhancement guarantees from two multilateral development banks: the African Development Bank (AfDB) and the Asian Infrastructure Investment Bank (AIIB)–leveraging their triple-A ratings (OECD, 2024[1]). The AfDB provided a partial credit guarantee of up to USD 345 million equivalent in Renminbi, while the AIIB extended a partial debt guarantee of up to USD 200 million, collectively covering up to USD 545 million, including the bond's principal and any accrued but unpaid interest (AIIB, 2023[22]). The Panda bonds, denominated in Chinese yuan, were issued with a three-year maturity and a 3.5% coupon rate, which the Egyptian Minister of Finance noted was lower than the rates for comparable USD-denominated bonds (Reuters, 2023[23]).

The proceeds from Africa's first Panda bond offering were committed to achieving Egypt's green and sustainable development objectives (see Chapter 5), particularly in transportation and digital infrastructure as outlined in its Sovereign Sustainable Financing Framework (AfDB, 2023[24]). The projects financed by these funds integrate both social and environmental goals, marking steps towards exploring new avenues for infrastructure financing in Egypt, especially as the country continues to expand its pipeline of sustainable and green infrastructure projects.

As Egypt continues to diversify its financing sources, private capital is expected to play a key role in financing the nation's infrastructure needs and has been leveraged for sewage, irrigation, and water treatment facilities, renewable energy plants, and transportation infrastructure (e.g. railways). For example, over the past decade, Egypt and its development partners have pooled USD 5.9 billion, including USD 925 million in grants and a significant share in soft long-term loans, to fund and finance 56 water and wastewater projects. This can be seen in specific projects such as the Bahr El-Baqar water and sludge

treatment plant – considered one of the largest agricultural wastewater treatment plants in the world – as well as the rehabilitation and lining of the Suez Canal.

Box 4.8. Considering hybrid annuity models for infrastructure financing

Hybrid Annuity Models (HAM) are a public-private partnership approach commonly used in infrastructure projects, particularly in the road sector. HAM blends elements from traditional engineering, procurement and construction (EPC) and build-operate-transfer (BOT) models. Unlike BOT, where the private sector assumes demand risk, HAM contracts create a balanced financial risk-sharing framework between government and private investors which reduces the fiscal burden of infrastructure networks on the government budget.

Under this model, the government injects a portion of project costs in the form of disbursed payments during the construction phase, typically covering a sizeable portion (e.g. 40-50%) of the project costs. These contributions are disbursed in instalments (annuities) linked to the achievement of specific project milestones over the lifetime of the project. This structure can reduce the financial risk on the private partner during this phase. The remaining construction costs are then borne by the private partner through a combination of equity investment and debt financing. To mitigate risks and ensure stability, construction costs and operation and maintenance (O&M) payments are indexed to inflation, while the government handles revenue collection risk.

HAM contracts encourage innovation by focussing on performance-based outcomes. Concessionaires are rewarded for early completion through bonuses and earlier annuity payouts, while delays result in penalties and deferred payments. Payments are tied to specific milestones, so the private partner only receives funds for work completed up to that point. Over the long term, capital costs, interest, and O&M expenses are paid semi-annually, contingent upon meeting performance standards.

This model has successfully boosted private sector participation in infrastructure projects, particularly in India, where HAMs have been implemented across major road projects since 2016. The Asian Development Bank (ADB) co-financed several key projects, including the Karnataka State Highway Improvement Program, Rajasthan State Highway Investment Program and Madhya Pradesh Road Sector Project. These projects have attracted significant private sector interest due to the predictable revenue stream and shared risk approach. The National Highway Authority of India (NHAI), which oversees these projects, has played a crucial role in their success, benefiting from special provisions to streamline implementation and bypass bureaucratic hurdles.

Given its success in the road sector, HAM is now being considered for use in other infrastructure areas, including water infrastructure. The expansion to other infrastructure sub-sectors demonstrates HAM's adaptability in addressing various infrastructure challenges while maintaining a balanced risk-sharing framework between the public and private sectors.

Source: Peri, Chen and Dey (2019[25]), Hybrid Annuity Contracts for Road Projects in India, https://www.adb.org/sites/default/files/publication/546641/swp-068-hybrid-annuity-contracts-india-road-projects.pdf; Shiwakoti and Dey (2022[26]), The Hybrid Annuity Model for Public-Private Partnerships in India's Road Sector: Lessons for Developing Asia, https://www.adb.org/sites/default/files/publication/820206/sawp-094-ham-ppps-india-road-sector.pdf.

A promising avenue for financing infrastructure projects in the country is the adoption of Hybrid Annuity Models (HAM), a PPP model that combines aspects from engineering, procurement and construction (EPC) and build-operate-transfer (BOT) models. This method, although widely used for road projects, could also be applied to networks in sectors like water and sanitation and electricity, which require large capital investments in upgrading and extending the networks. HAM offers a balanced risk-sharing

framework between public and private parties. This model has already proven successful in financing national highway projects as well as clean water initiatives in India, as seen through the country's National Mission for Clean Ganga (NMCG) (GI Hub, 2022[27]). HAM could be adapted to address Egypt's infrastructure needs and help achieve its sustainable development goals (see Box 4.8 for more details).

4.5.1. Private sector challenges

A significant challenge for investors in infrastructure projects in Egypt is the incurrence of foreign currency debt. In some cases – according to one stakeholder – up to 70% of the revenue generated by a project needs to be in USD or its equivalent value to cover for imported materials and equipment. Interviews with the private sector flagged payment in USD as an issue when companies must convert EGP to USD to service debt and dividend payments. The Central Bank of Egypt had previously introduced FX hedging tools in October 2022, allowing banks to:

- Carry out two-way FX forward operations with corporate clients to hedge commercial needs (exports, imports, and foreign stakeholder profit repatriation) to manage their FX risks, excluding speculative purposes.
- Execute FX swaps with corporate clients to cover FX liquidity risks resulting from the above-mentioned commercial needs.
- Conduct NDFs with corporate clients to hedge commercial positions, with settlement in EGP only.

These hedging instruments remain available and continue to provide additional risk management tools for investors, though the need for such mechanisms has diminished considerably given the improved FX market conditions.

In March 2024, Egypt carried out its exchange rate liberalisation, which as a result resolved foreign currency shortages significantly. The improved FX liquidity and market-based pricing have largely addressed these conversion challenges, making USD more available for private sector investors.

Responses from private stakeholders highlight opportunities to further enhance the framework supporting PPPs and attract greater private sector participation. One key area is improving visibility into the pipeline of potential PPP projects. Stakeholders highlighted the absence of a clear, centralised system for identifying and budgeting for PPP projects, which creates a degree of uncertainty and discourages private sector engagement. Establishing a centralised system for project identification and budgeting could provide a clearer roadmap for private investors and development finance institutions (DFIs) to engage effectively. While Article no. 4 of the PPP Law no. 153 for the year 2021 amending law no. 67 for the year 2010, created the Joint Committee headed by the Ministry of Finance Deputy Minister with membership of Ministry of Planning, PPPCU, Ministry of Transportation, Ministry of Housing, and Ministry of Local Development mandate to identify PPP Projects. This Joint Committee should ensure a clear roadmap and mechanism to promote co-ordination among the various ministries.

Regarding PPPs, private stakeholders have noted that some government officials appear to perceive PPP financing models as more costly than engineering, procurement and construction (EPC) contracts. This observation has been attributed to the public sector's preference for direct state funding for infrastructure projects over PPP models due to the latter's perceived complexity, longer timelines, detailed financial planning, long-term commitments, step-in rights, and arbitration provisions. Traditionally, ministries prefer the direct route of budgetary spending on infrastructure projects, having more control of finances, rather than the PPP or other private financing routes that take more time and involve more direct financial obligations on government entities as off-takers. Private stakeholders emphasised the long-term potential advantages associated with PPPs such as private sector expertise, risk-sharing, technology transfer, and cost-efficiency. More capacity building at line ministries is needed to explain and emphasise the importance of using private sector investment as an alternative source of financing and clarifying the merits of the Public Sector Comparator exercise to help boost PPP financing versus direct budgetary financing (see

Box 4.9 on prioritisation for building robust project pipelines in the European Union). Formal review of all public infrastructure projects could be decreed by the Prime Minister by a sub-committee of the Joint Inter-ministerial Committee to decide on private or public financing for infrastructure projects. This would limit infrastructure projects financed by the state budget and enhance the efficiency of public and private investment.

Streamlined land allocation and project bankability were also identified as challenges to PPPs. Reforming land allocation processes can improve the delays and projects overruns, while bankability concerns can deter private sector participation in PPP projects. Centralisation of the PPP process at the Cabinet level would support ensuring the development of bankable project models in different sectors to increase private sector participation.

Enhancing operational expenditure (OPEX) planning for public entities, including state-owned enterprises and holding companies, will be critical to maintaining infrastructure assets and preventing their deterioration and increased *ad hoc* pressure on state budget. Private stakeholders have noted that the lack of sufficient budgeted operational expenditure (OPEX) by public entities, including state-owned enterprises and holding companies involved in infrastructure has contributed to the deterioration of assets. While strained funding for OPEX has led to limited opportunities for private sector engagement post construction, exploring operations and maintenance (O&M) agreements and asset management arrangements with the private sector (concessional leasing for example) could improve asset management of infrastructure assets and preserve the asset lifecycle. Financial structuring of each asset to account for OPEX and CAPEX needs would also improve budgeting.

Box 4.9. Prioritisation for building robust project pipelines: Infrastructure investment in the European Union

The members of the European Union face diverse country infrastructure capacity and gaps. To expedite and prioritise investment in low-carbon technologies and network infrastructure, the European Union provides institutional access and public guarantees and funds. Lessons emerging from this prioritisation process include:

- Incorporate infrastructure priorities into national and regional strategic planning that is aligned with long-term climate objectives and promote suitable investments.
- Overcome non-financial barriers by placing prioritisation mechanisms within existing regulatory and institutional arrangements rather than separate from or in conflict with them.
- Employ experienced institutions with high capacity and expertise to assess project eligibility, determine strategic value, and bridge investment gaps by allocating funding and other policy tools.
- Use prioritisation as a means to feed into policy processes and align project pipeline development to changing investment requirements.

Source: OECD (2021[18]), *OECD Implementation Handbook for Quality Infrastructure Investment*, https://doi.org/10.1787/479131b2-en.

4.5.2. Egypt's banking sector challenges

According to the banking sector representatives consulted, Egyptian banks generally have excess liquidity in the local currency (EGP). Most of the businesses in Egypt are small and medium enterprises (SMEs) which face challenges when dealing with commercial banks. Lending to SMEs has increased exponentially in recent years, with 25% of bank loans being directed to SMEs as stipulated by the Central Bank of Egypt

(CBE). However, high interest rates which have been prevalent since 2016 with the consecutive cycles of monetary tightening affiliated with high inflation have challenged SMEs credit growth. As inflation and interest decline the more systemic challenges facing SMEs in dealing with commercial banks need to be addressed to spur credit growth. These regulations allow commercial banks to extend foreign currency loans to companies that generate foreign currency revenue to avoid risks related to currency mismatches in loans. In recent years, international finance institutions such as the IFC have been working with Egyptian banks to secure foreign currency financing for projects that do not necessarily generate foreign currency proceeds, to avail FX on one hand, and to reduce the cost of funds on the other.

The Central Bank of Egypt has implemented wide-ranging reforms to support MSME financing and financial inclusion. These include: i) mandatory MSME lending quotas 25% (10% to small segment), counting microfinance lending in this quota; ii) the establishment of dedicated MSME departments within banks: iii) relaxed documentation requirements for micro and small firms; iv) expanded Business Development Services (BDS) Hubs offering free advisory support as well as funding institutional capacity building programme for Microfinance NGOs; v) simplified KYC rules; vi) new Points of Presence (PoPs) in underserved areas; and vi) broader access to banking products aim to deepen financial inclusion and formalise informal businesses.

These reforms have contributed to a significant expansion in bank MSME's financing, with MSME lending increasing by 395% between 2015 and 2025 and microfinance portfolios growing by 1 478%. Despite this progress, targeted support is still needed to improve access to finance, as limited financial literacy, low digital adoption, and the prevalence of informality continue to constrain demand for formal financial services and limit MSMEs' eligibility for credit.

Box 4.10. Role of a national development bank and an infrastructure fund

National development bank

National development banks or infrastructure-mandated bank are established with capital from the national budget to support achieving the mandate of the bank. They are established to fill the gap that commercial banks are not able to finance, and should be structured and operated to avoid crowding out of the private sector, as well as conflict of interests that could favour certain stakeholders. Given this, this type of bank may need to operate on a non-commercial basis in some instances but ensure that they are financially sustainable on a mid-term basis. National development banks should aim to address market failures, for example when risk perceptions may not be reflecting the economic reality of a project.

Reasons for creating a national development bank that is focussed on infrastructure could include:

- to attract longer term private-sector finance, particularly institutional capital
- to secure finance for sub-national projects that might otherwise struggle to obtain financial support
- to focus development on a specific sector (e.g. energy, transport) or sub-sector (e.g. clean energy, surface transport) and/or
- to create a centre of financial expertise around infrastructure financing.

However, considerations that need to be made when establishing such a bank include:

- to balance the control of public infrastructure that is given to the private sector
- crowding out private investment and lending (raising questions of financial additionality)

- use of the bank position to influence state or municipal government authorities into prioritising infrastructure over other areas and
- benefit large corporate investors in projects rather than project end-users.

Public infrastructure fund (PIF)

A PIF is a non-bank financial institution, under government ownership or contribution, that provides financing support to infrastructure projects in a country, sector, or region. Public infrastructure funds are a specific type of infrastructure financing fund that uses public resources to leverage much larger amounts of private financing for infrastructure development. Their objective and design can vary depending on country context and the specific market failures the PIF is trying to solve. Since their inception, PIFs have demonstrated mixed performance, but given the persistence of market failures that inhibit long term private financing for infrastructure development, they remain a popular public-policy option for governments as the infrastructure gap widens.

PIFs have adopted different institutional and governance structures, ranging from the most common form (a development bank) to strategic or infrastructure investment funds. These vehicles are typically established as non-bank financial institutions (NBFI), with the government assuming majority ownership. NBFIs do not accept deposits from the public but are still subject to the banking regulations of the domestic market due to their financial intermediary role among participants in the domestic financial markets. In some cases, PIFs are decentralised corporate institutions with financial and fiscal autonomy.

Some PIFs focussed on structured financial products, such as risk mitigation or credit enhancements (partial credit and partial risk guarantees), while others offer only debt financing. There are four broad objectives they have:

- Vehicle for optimising the use of public support by centralising various public resources (subsidies/grants, contingent support, etc.) into one platform.
- Vehicle for effectively managing and ring-fencing financial commitments and contingent liabilities through centralised oversight of them from PPPs.
- Overcoming market failures by providing financing/products to help well-structured projects attract private finance.
- Overcoming government failures by creating a one-stop organisation, outside of the civil service, with the capacity to implement projects.

Core design features can critically influence the success of a PIF:

- Transparent, autonomous governance to ensure financial and decision making autonomy and enable PIFs to make sound investment decisions.
- Capitalisation and funding strategy to ensure financial autonomy and effective use of the initial capitalisation (irrespective of its source).
- Suitability of products offered to match the PIFs product range with the market failures it's intended to address.
- Project preparation and expertise to develop high-quality projects through qualified in-house staff and a sustainable source of funding for project preparation.

Source: GI Hub (2019[28]), Guidance Note on National Infrastructure Banks and Similar Financing Facilities, https://cdn.gihub.org/umbraco/media/2621/gih-national_infrastructure_banks_-full_report-web.pdf; World Bank and Inter-American Development Bank (2020[29]), Global Review of Public Infrastructure Funds Volume I, https://www.ppiaf.org/documents/5982.

4.6. Risk mitigation instruments

There is growing recognition of the role that risk mitigation instruments can play in mobilising private capital, either by lowering exposure to risk, reducing the severity of losses, reducing uncertainty, or increasing returns. Governments, multilateral development banks, national development banks, export credit agencies, public infrastructure funds, and the private sector offer a variety of risk mitigation instruments that allow projects to move forward and enhance their bankability. This is especially important for emerging and developing countries as they seek to address the shortage of bankable projects, which hinders private sector involvement.

Although risk mitigation is often thought of as an instrument (e.g. guarantees, insurance products) it can also take on the form of institutional frameworks that reduce risks in a project's lifecycle. Regarding infrastructure projects, efficient pricing mechanisms, transparent cost-benefit analysis, and rigorous project appraisals can support informed decision making and efficient implementation. Life-cycle cost assessments and strategies like open access to essential infrastructure and limited downstream renegotiations in joint arrangements like PPPs can contribute to the long-term sustainability and value for money in infrastructure investments (see Box 4.11 for good practices).

Box 4.11. Key principles to ensure economic efficiency in infrastructure projects

To ensure economic efficiency, infrastructure investments must provide value for money, accounting for both positive and negative externalities. A stable legal and regulatory framework is essential to minimise risks and support sound investment decisions. Additionally, appropriate pricing mechanisms can encourage efficient use and determine optimal provision levels. Rigorous project appraisals, focussing on economic efficiency and sustainability, should guide project selection, while strategies to mitigate delays and cost overruns are crucial. Competitive procurement processes and consideration of life cycle costs ensure optimal quality and cost. Finally, effective maintenance and monitoring during the operational phase, including the use of innovative technologies, are essential to preserve asset quality and avoid costly rehabilitation.

The *OECD Compendium of Policy Good Practices for Quality Infrastructure Investment* outlines several good practices and auxiliary measures that correspond to creating a strong policy and institutional environment, project development, and project implementation. In ensuring economic efficiency of infrastructure projects and minimising associated risks in project development, the compendium lists the following good practices:

1. Competitive business environment: Promoting a competitive business environment and a level-playing field to foster cost effective infrastructure through subjecting activities to appropriate commercial pressures, dismantling unnecessary barriers to entry, and implementing and enforcing adequate competition laws.
5. Carefully considering, when appropriate, private sector participation in infrastructure provision.
6. Open access to essential network facilities: Guaranteeing access to essential network facilities to all market entrants on a transparent and non-discriminatory basis.
7. Sustainable pricing mechanisms: As relevant, using appropriate and flexible pricing for infrastructure services (e.g. user charges, congestion prices) to encourage more efficient use of infrastructure and to help decide on appropriate levels of infrastructure provision.
8. Rigorous project appraisal and selection, based on cost-benefit analysis: Investing in rigorous project appraisal and selection processes that privilege socio-economic efficiency (taking into account economic, social, fiscal and environmental costs and benefits including externalities)

and consider not only initial costs, but the full life cycle costs of projects (planning, design, finance, construction, operation and maintenance (O&M), and possible disposal).

9. Value for money assessment: Carefully evaluating different procurement modes on the basis of value for money with respect to life cycle costs.
10. Competitive tendering process focussed on defined measurable outcomes: Using competitive tendering, maximising participation of all qualified suppliers, and limiting the use of exceptions and single-source procurement.
11. Efficient and transparent risk allocation: Ensuring a transparent and appropriate allocation of risks in the structuring of projects.
12. Effective monitoring and management of assets: Optimising life cycle costs and asset quality through ensuring effective monitoring, operation and maintenance.
13. Re-negotiations: Limiting recourse to re-negotiations in public-private partnerships, and if unavoidable, establishing predictable frameworks and strategies for handling them.

Source: OECD (2020[30]), *Compendium of Good Practices on Quality Infrastructure 2024: Building Resilience to Natural Disasters*, OECD, https://doi.org/10.1787/54d26e88-en.

Egypt's approach to risk assessment and mitigation in infrastructure projects is governed by a legal framework outlined in the PPP Law (Law No. 67/2010), which sets guidelines for risk allocation across different phases of infrastructure project development. PPPs have been a cornerstone of Egypt's strategy, allowing private investors to develop and manage infrastructure projects while the government provides essential support and guarantees. For projects following a PPP framework, the Ministry of Finance's PPP Central Unit (PPPCU) plays an important role in risk management, conducting comprehensive studies to identify, measure, and mitigate risks. The process begins with a pre-feasibility study, where risks are classified, and a risk matrix is created to quantify them. The proposed mitigation strategies are then submitted to the PPP Supreme Committee,[1] for approval, after which a more detailed feasibility study revisits these risks for further refinement.

Once a project moves to procurement, the system is designed to be transparent. Tender documents, including a draft contract and risk allocation matrix, are provided to all qualified bidders, who are given a specific period to review and raise questions. The PPP Central Unit and the tendering authority address these queries and may amend the draft contract based on feedback before finalising the tender documents. This participatory process ensures that risks are thoroughly understood and shared with all stakeholders before the project begins.

During the project lifecycle, contracts may be renegotiated, if necessary, as mechanisms for financial re-equilibrium are embedded within the agreements. The Ministry of Finance emphasises that draft contracts and annexes related to the project are shared with bidders and discussed during the procurement process. These documents typically include provisions for dispute resolution, term adjustments, and compensation calculations for early termination. Additionally, independent experts, the performance monitoring committee, and the partnership committee contribute information to ensure transparency.

To further bolster investor confidence, the Egyptian Government implements risk mitigation instruments, such as investment guarantees and insurance mechanisms, including political risk insurance and guarantees against non-commercial risks. In parallel with the tendering process, the PPP Central Unit also secures approval from the Supreme Committee to issue a sovereign guarantee in the case of projects tendered out under a PPP arrangement in cases where the government is the off-taker. This guarantee is formalised immediately after the project reaches financial closure. Sovereign guarantees play a prominent role in PPP projects in Egypt, ensuring financial security for private investors and lenders.

The Ministry of Finance provides sovereign guarantees to cover obligations under PPP contracts where the government is the sole off-taker, ensuring that lenders and export credit agencies are protected. The sovereign guarantee is outlined in Article 38 of the PPP Law (Law No. 67/2010), which entitles the contracting Administrative Authority (any government owned entity party to a PPP project) to enter into a direct agreement with the project's financing institutions and the Project Company. This agreement governs the method of payment for the financial obligations of the administrative authority. These agreements may also include provisions for the Ministry of Finance to guarantee the administrative authority's fulfilment of its contractual financial obligations. In cases where the public tendering authority has financial liabilities under a PPP contract – such as structure payment obligations – the issuance of a sovereign guarantee in the form of a "Direct Agreement" is required. As such, all PPP projects involving the government as the off-taker are required to have the sovereign risk guarantee be provided to move forward. This Direct Agreement is thereby signed by four parties: the tendering authority, the successful bidder, the financing institutions, and the Ministry of Finance, which provides a guarantee for the Tendering Authority's payment of its contractual financial obligations.

These sovereign guarantees act as contingent liabilities for the Egyptian Government but provide additional security for investors and ensure the long-term stability of infrastructure projects. However, given the fiscal conditions of the government this also creates a ceiling to the number of projects that can be delivered by PPPs. The sovereign guarantee is issued in the form of a law approved by Parliament, which is in place as a form of governance and fiscal oversight mechanism to ensure prudent management of public finances, although the length of the legal process for each project could be a challenge.

Previously, the sovereign risk guarantee extended by the Ministry of Finance covered both local and foreign currency-denominated debt, offering broad protection for investors against currency-related risks. However, recent fiscal constraints and exchange rate volatility have led to a shift in policy. Sovereign guarantees are now limited to covering only local currency obligations. This adjustment aims to manage the government's exposure to foreign exchange risks while still providing essential support to PPP projects.

To date, the ministry has reported that no guarantees have been called upon. The ministry is also working on enhancing monitoring mechanisms for these long-term obligations with the support of technical assistance from international organisation like the IMF to streamline the process for the obligations and monitor the imposed annual cap on contingent liabilities.

While sovereign guarantees play a critical role in Egypt's infrastructure financing, exploring other types of guarantees, as observed in other countries, could expand funding opportunities and mitigate risks for both public and private parties (see Box 4.12 on the types of financial guarantees provided by the National Development Bank of Mexico).

Box 4.12. Case study: Guarantees provided by Mexico's national development bank

The National Bank of Public Works and Services (BANOBRAS) is the Mexican development bank responsible for infrastructure financing. BANOBRAS was given the authority to offer new financial guarantees in order to increase private sector investment in public infrastructure projects.

BANOBRAS provides a range of financial guarantees for both states and municipalities, as well as for projects:

- Securities debt guarantees: These guarantees can be used to support bonds issued to the market by project developers.
- Bank guarantees: These guarantees support the debt service the project must pay to a bank due to contracted loans.
- Guarantees for service provision projects: These guarantees are intended to cover the periodic payment obligations of the contracting units derived from the service provision contracts signed with the suppliers of the service.
- Pari-passu guarantees are other similar schemes with the main difference that losses are assumed pro rata between BANOBRAS and commercial banks.

Source: OECD (2021[18]), *OECD Implementation Handbook for Quality Infrastructure Investment*, https://doi.org/10.1787/479131b2-en.

Foreign investors in Egypt's infrastructure sector have also benefitted from export credit support, particularly in sectors like transport. Export credit agencies have been instrumental in providing financing, supported by sovereign guarantees from the Ministry of Finance. This has increased foreign investor confidence and helped facilitate large-scale infrastructure projects. Alongside these assurances, regulatory reforms have been introduced to create a more favourable business environment. By streamlining procedures, enhancing transparency, and reforming the legal framework for investment, Egypt has sought to facilitate greater private sector engagement in infrastructure projects.

Table 4.5. Key challenges and policy recommendations for the mobilising infrastructure investment and financing

Challenge	Recommendation
Technical ministries could benefit from greater capacity building, to better understand the benefits of the PPP route which are not always clear to the technical ministries.	VI.a.) Engage more capacity building on technical aspects of PPP projects at other ministries (other than MPED and MOF) and on the local governorate level to ensure wider understanding and adoption of engaging with the private sector.
The government needs to take a more aggressive approach to direct more public investment projects to private sector financing to alleviate the pressure on the state budget and allow a bigger role for the private sector in infrastructure projects.	VI.c.) Review all infrastructure investment projects potentially costing EGP100 million and above by the Joint Committee for PPP to increase the number of projects financed by private investment compared to financing from the state budget. The mandate of this committee could be formalised through a Prime Ministerial decree to help ensure a more consistent and objective approach to reviewing projects financed by the state budget. VI.d) Review smaller infrastructure projects costing below EGP100 million by a sub-committee affiliated with the Joint Committee, to expand on opportunities for SMEs to finance medium sized infrastructure projects especially in rural areas. The mandate of this committee could be formalised through a Prime Ministerial decree to help ensure a more consistent and objective approach to reviewing projects financed by the state budget.

Challenge	Recommendation
Private stakeholders highlight opportunities to further enhance the framework supporting PPPs and attract greater private sector participation with one key area being improving visibility into the pipeline of potential PPP projects. Stakeholders highlighted the absence of a clear, centralised system for identifying and budgeting for PPP projects, which creates a degree of uncertainty and discourages private sector engagement.	VI.b.) Centralise the PPP process to ensure the development of bankable project models in different sectors and to increase private sector participation and a more centralised and co-ordinated approach to allocating technically and environmentally viable land for projects. Centralisation of the PPP decision making process could be reviewed at the Cabinet level to have a scalable pipeline and fast track for project selection and approval. VI.e.) Strengthen the understanding of technical and financial assessment of PPP projects within the different ministries to fully engage the private sector and ensure timely and successful implementation of the projects. The fundamentals of the PPP Comparator concept should be elaborated within the technical ministries to clarify the merits of private investment financing (private sector expertise, risk-sharing, technology transfer, and cost-efficiency) versus state financing to reduce the pressure on the state budget and expand the role of private investment in infrastructure financing. VII.a.) Provide a pipeline of infrastructure projects in different sectors where the government is an off taker of the public service, improving the visibility of the pipeline of infrastructure projects, with plans for public investment and private participation as PPPs being clearly indicated. A transparent mechanism of project preparation, development and other opportunities should be made available through websites and international platforms. This should go beyond energy and water projects which currently dominate the pipeline of projects. VII.b.) Expand the mandate of the inter-ministerial joint committee headed by the Deputy Minister of Finance on PPP to provide a clear roadmap for private investors and develop a national pipeline of projects in different sectors while addressing challenges facing private investors in infrastructure projects. The Joint Committee should promote more co-ordination among the various ministries and help familiarise all parties with engaging the private sector through other financing venues like private infrastructure funds.
Although private sector involvement in economic infrastructure is growing – particularly through PPPs – there still remains much scope to advance their role. Several sectors require more openness to private investment in infrastructure. Telecom Egypt, with 80% government ownership, controls the legacy cable network and remains the primary provider of cable services to end-users, while the country's regulator acts as a key investor in network expansion and installation in underserved areas which negatively impacts the entry of private sector competitors. The energy sector has attracted private investment through Independent Power Producers (IPPs) and Power Purchase Agreements (PPAs), yet the rate of private sector participation is minimal, and commercial incentives are very limited. This is largely due to the monopolistic position of the Egyptian Electricity Transmission Company, which acts as the sole off-taker and seller of electricity to distributors.	VIII.a.) Expedite the liberalisation of economic infrastructure sectors and other infrastructure sectors for private sector participation as a key step to attracting more private investors. VIII.b.) Adopt a sector-specific approach to financing by aligning private financing and investment strategies consistent with each sector's characteristics and circumstances – accounting for potential revenue streams and private sector appetite. Long-term power purchase agreements (PPAs) in renewable energy could be extended to other projects that have a revenue stream, for example, tolls for user fees in transport infrastructure can provide stable revenue streams, thereby incentivising private investments if the market is liberalised. VIII.c.) Consider the possibility of limiting government financing for renewable energy projects in some instances given the high interest and suitable geography of Egypt, which could be supplemented by long term private infrastructure investment funds instead.
Infrastructure projects involve substantial maintenance costs, and reliance on imported parts which require international commercial loans to finance the imports.	VIII.d.) Expand the involvement of the private sector in investment, operation and maintenance of projects and incentivise projects that manufacture spare parts to reduce reliance on commercial loans.
The Ministry of Transport has big plans for expanding infrastructure to cater to economic and geographic growth and the rising needs for logistics services but budget constraints present a significant challenge.	VIII.e.) Encourage the Ministry of Transport to incorporate "Transit-Oriented Development" (TOD) in its transportation strategy, co-ordinating with other modernisation and urbanisation projects, as it presents an approach to ensure sustainable development by strategically linking transit infrastructure with urban centres, thereby facilitating access to economic hubs. This could stimulate private investment, as increased land value brought about by these infrastructure projects can attract private capital inflows.
Beyond PPPs, to further close its infrastructure gap and enhance private sector involvement in infrastructure financing, Egypt can draw from a diverse range of instruments designed to leverage private investment in urban areas.	VIII.f.) Support the development of financial instruments to expand private investors opportunities including through i) regulatory measures (including development levies, fees, and charges) to enable municipalities to capture a share of the value generated by private

Challenge	Recommendation
	developments; ii) collaborative strategies (including strategic land management and the transfer of development rights) to create a conducive environment for private capital; iii) subsidises and tax incentives can direct private investment towards priority areas like green infrastructure; iv) partnership models between cities and private entities offer comprehensive frameworks for jointly planning, designing, and executing urban projects, enhancing service delivery and local economic development.
Egypt needs to continue exploring innovative financing mechanisms to support its infrastructure ambitions and use different financing methods to complement PPPs. Further development in the banking and capital market is needed given the demographic trends of Egypt and the potential capital from pension funds and saving, presents opportunities for infrastructure financing. Institutional investors and savings provide a potential source of infrastructure financing, that could serve as domestic private capital mobilisation, if the regulatory regime can be aligned and financial instruments that create infrastructure as an asset class are available	VIII.g.) Consider the possibility of issuing an infrastructure-specific bond to diversify financing channels. VIII.h.) Consider the adoption of Hybrid Annuity Models (HAM), a PPP model that combines aspects from Engineering, Procurement, and Construction (EPC) and Build-Operate-Transfer (BOT) models, for infrastructure networks which require large public investments otherwise, such as water, sanitation and electricity sectors, which require large capital investments in upgrading and extending the networks. HAM offers a balanced risk-sharing framework between public and private parties. VIII.i.) Develop the capital market and increase liquidity in the financial market through a strong regulatory framework and clear rules, accompanied by strong disclosure regime of financial instruments. VIII.j.) Mobilise domestic institutional investors to expand private financing opportunities towards infrastructure assets, including pension funds, insurance companies and banks that have the possibility of long-term investment which would allow better asset-liability matching. The regulatory requirements related to pension funds and insurance companies should be reviewed to examine whether asset allocation towards long-term investment can be increased. Incentivising domestic and foreign infrastructure investment funds is key to diversifying private financing to complement the use of the PPP model. VIII.k.) Consider the benefits of the potential establishment of an infrastructure-mandated development bank or fund, which is well capitalised and is arm's length from the government in its decision making with strong market expertise and technical knowledge, can better manage investments and support the private capital to take part in infrastructure development. Such a bank or fund can also contribute to the development of the capital market, through the issuance of debt and equity instruments which are part of a diversified portfolio towards infrastructure assets. VIII.l.) Enable international developers and investors to contemplate contracting with a more autonomous framing with special economic zones such as the Suez Canal Economic Zone. Such economic zones create strong investment incentives, bypassing certain regulatory burdens, and can be an attractive method to attract infrastructure investment into the country. Incentives including lower taxes or customs on parts for infrastructure projects could also boost private investment in such projects. VIII.m.) Encourage greater openness to private financing into economic infrastructure, including SOEs, depending on their financial performance and bankability. This could occur through the sale of equity (if divestment takes place) or debt issuance by SOEs. This will also contribute to the development of the capital market, as well as create a baseline of investment opportunities for both domestic and global investors.
Private stakeholders have noted the need to strengthen budgeted operational expenditure (OPEX) by public entities, including state-owned enterprises and holding companies involved in infrastructure which has contributed to the deterioration of assets. Strained funding for OPEX has also led to limited opportunities for private sector engagement post construction.	VIII.n.) Improve budgeting through better financial structuring of each asset in the ownership portfolio of an SOE to account for operational expenditure (OPEX) and capital expenditure (CAPEX). Explore operations and maintenance (O&M) agreements and asset management arrangements with the private sector (concessional agreements for example) to improve asset management of infrastructure assets and preserve and extend the asset lifetime.
Sovereign guarantees act as contingent liabilities for the	IX.a.) Explore various types of guarantees and expanding the use of

Challenge	Recommendation
Egyptian Government but provide additional security for investors and ensure the long-term stability of infrastructure projects. However, given the fiscal constraints of the government this also creates a ceiling to the number of projects that can be delivered by PPPs.	risk mitigation tools, as observed in other countries, to expand private financing opportunities and mitigate risks for both public and private parties. IX.b.) Improve credit rating of projects through improved financial auditing to support this process of understanding the risk profile of a project or sector. IX.c.) Provide risk mitigation tools such as guarantees from a national institution for projects that cannot be privately financed on its own, to improve risk management of projects and support local bank involvement in mega projects. IX.d.) Give a stronger role to the export credit agency of Egypt in co-ordinating and partnering with other export credit agencies, and providing a more diverse product line up to support the import of goods and services related to infrastructure development. Engaging more foreign commercial banks in this endeavour will be a critical step to improving the understanding of projects and enabling greater private capital mobilisation. IX.e.) Improve risk management of infrastructure projects, by taking a more risk-based approach to its financing while expanding approaches to financing to pursue and manage the process of projects based on their priority.
Interviews with the private sector flagged payment in USD as an essential financial issue needed to service debt and dividend payments for lower cost international financing and to allow lower government payment in line with international practices. Availability of foreign currency was a challenge during periods of economic distress in addition to the convertibility cost risk at times of multiple devaluations and limited visibility for long term modelling of project financing. The Central Bank of Egypt introduced new FX hedging tools in October 2022, along with reforms in the FX market in 2024, to address the challenge of availability and long-term convertibility costs. The government led by the PPP Central Unit need to consider the full or partial payment of its dues in foreign currency following these reforms to align the payment model with international standards.	IX.f.) Explore flexible payment options to pay part of the government payment in foreign currency which could increase private sector appetite for investment in infrastructure as the cost burden of FX conversion in the long-term could be reduced.

Note: The numbering in the recommendation column reflects the numbering applied in list of policy recommendations in Section 1.6.

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Notes

[1] A questionnaire inquiring on quality infrastructure investment and risk mitigation instruments in Egypt was circulated in mid-2024 among relevant government ministries and agencies. It covered investment approaches, public and private sector financing, concessional and blended finance, risk mitigation, and sustainability. A follow-up questionnaire was disseminated after a Cairo workshop in November 2024 to address gaps and expand on workshop discussions.

[2] According to Article 14 of the PPP Law (Law No. 67/2010) establishes the Supreme Committee for Public-Private Partnership Affairs as an oversight body chaired by Egypt's Prime Minister. The committee includes the Ministers of Finance, Investment, Economic Development, Legal Affairs, Housing and Utilities, and Transportation, as well as the Head of the Public-Private Partnership Central Unit (PPPCU). The Prime Minister has the authority to appoint additional ministers to the committee. In the Prime Minister's absence, the Minister of Finance assumes the chairmanship.

5 Aligning infrastructure investment with sustainability

Egypt faces acute climate vulnerabilities that threaten infrastructure, water security, and economic stability. The government has integrated climate resilience into national planning through updated Nationally Determined Contributions (NDCs), a comprehensive National Adaptation Plan (NAP), and substantial investment in climate resilient infrastructure. The government is enhancing the regulatory environment through updated environmental impact assessments, new disclosure requirements, and the creation of a regulated voluntary carbon market to mobilise private capital. While progress has been significant, scaling private investment – especially from institutional investors – remains essential for Egypt to meet its adaptation needs and align its infrastructure systems with long term national climate and resilience objectives.

Egypt's assets, infrastructure, and society are highly vulnerable to climate change, with risks varying across regions and population groups. Climate hazards, including sea-level rise, extreme weather events, and heatwaves are impacting critical infrastructure systems. Heatwaves reduce energy generation efficiency, while flooding damages highways, power lines, and inadequate drainage systems, leading to operational disruptions, higher maintenance costs, and power outages.

Egypt has taken steps to mitigate the adverse effects of climate change through various measures in water resource management, with projects such as water desalination using solar energy which has been allocated USD 625 million. Natural protection efforts along the Rosetta shoreline using techniques like the sand motor[1] will cost USD 120 million, while the rehabilitation of irrigation canals to enhance agricultural resilience will require USD 4.5 billion. Coastal protection and development efforts in three Mediterranean cities, integrating climate adaptation into urban planning, are set to receive USD 2 billion, while scaling up solar-powered irrigation projects is expected to cost USD 50 million. Furthermore, infrastructure projects such as building a breakwater at the Port of Alexandria to mitigate the impacts of rising sea levels is expected to receive USD 41 million in funding. The total cost of implementing adaptation measures is estimated at USD 50 billion, forming part of Egypt's broader climate strategy.

In 2023, Egypt updated its nationally determined contributions (NDCs) (IEA, 2025[1]), setting more ambitious climate action goals through 2030 as part of its preparations for hosting COP27 and decision to take bigger steps in alleviating climate-related challenges. These objectives have been embedded in the country's infrastructure development strategies, such as the National Adaptation Plan (NAP), whose primary objective is to enhance the country's capacity to absorb and mitigate the risks associated with climate change. The NAP has focussed on sectors that are vulnerable to environmental shifts, such as transport and water management. For instance, infrastructure upgrades in water and wastewater systems are expected to make national water management systems more robust, ensuring they can withstand extreme weather events such as floods and droughts. Key investments include modernising dams, reservoirs, and treatment plants, all of which are critical for maintaining water security in the face of climate variability. In its 2023 update to the nationally determined contributions (NDC), Egypt outlined a conditional plan to reduce greenhouse gas (GHG) emissions across key sectors by 2030 compared to the business-as-usual (BAU) scenario.

The NAP is a comprehensive and strategic process that identifies medium- and long-term climate adaptation needs and formulates corresponding strategies and programmes. Within the framework of Egypt's NAP, it incorporates the establishment of national adaptation co-ordination mechanisms; the integration of adaptation considerations into existing national and sub-national plans; the development or revision of adaptation-related policies, laws, and regulations; the clarification of roles and responsibilities across institutions; the strengthening of cross-sectoral co-ordination; the conduct of national and local climate risk and vulnerability assessments; the development and updating of climate scenarios and projections; the mapping of climate impact hotspots; and the establishment of baselines and monitoring indicators for vulnerability.

NAP serves to enhance climate resilience, integrating detailed risk assessments and sector-specific adaptation strategies developed in close consultation with key governmental ministries. The plan prioritises adaptation measures across several critical sectors, including agriculture, water resource management, coastal zones, public health, biodiversity, human settlements, and tourism. A particular emphasis is placed on human settlements and urban zones, where detailed studies have been conducted on heat islands, infrastructure resilience, storm water management, road networks, informal settlements, and coastal cities. These studies assess the impacts of climate change and estimate risk levels, providing a foundation for targeted adaptation actions.

NAP aims to strengthen Egypt's capacity to plan for and manage climate risks at national, regional, and local levels, thereby supporting the country's economic and development objectives while minimising adverse impacts of climate change. NAP tries to provide access to reliable information regarding sectoral

risk zones and integrated risk scores at the governorate level, to support actionable, climate adaptation strategies, including estimates of potential loss and damage across sectors.

In the transport sector, Egypt plans to achieve a 7% reduction in emissions by 2030, representing a cut of approximately 9.0 $MtCO_2e$. Efforts to meet this target include a series of major infrastructure projects aimed at promoting sustainable mobility. These initiatives encompass the modernisation of road, railway, and seaport networks; the development of high-speed rail lines; the electrification of freight and passenger railways; and the deployment of electric vehicles within the public transit system, particularly in the New Administrative Capital. The Ministry of Transport has spearheaded the nation's efforts in achieving these goals by implementing a range of projects aimed at reducing emissions and promoting sustainable mobility. Projects under the Ministry's responsibility focus on modernising the network connectivity of roads, railways, and seaports by developing high-speed rail and electrifying rail networks for freight and passengers, as well as introducing electric vehicles in its public transit fleet in the new capital. Such projects are geared towards contributing to reduced carbon emissions and enhancing overall transport efficiency.

In the electricity sector, Egypt has set a conditional target to reduce emissions by 37% relative to BAU levels, corresponding to a reduction of approximately 80.52 million tonnes of CO_2 equivalent ($MtCO_2e$). This will be achieved by accelerating the transition to renewable energy sources, with the aim of raising the share of renewables in electricity generation to 42% by 2030, bringing forward a goal initially set for 2035.

In the oil and gas sector, Egypt has committed to a 65% reduction in emissions from associated gases by 2030, equivalent to approximately 2.0 $MtCO_2e$. This target focusses on minimising flaring and enhancing gas capture and utilisation technologies.

Box 5.1. Policies and measures in the transport sector from nationally determined contributions (2015-2022)

- the expansion of the Cairo metro network
- the development of the Alexandria Metro (Abu Qir – Alexandria railway line) and rehabilitation of the Raml tram line
- the operation of the New Capital monorail, which is 56.5 km long (including 22 stations), and 6th October monorail, which is 42 km long (including 12 stations)
- the operation of the Light Rail Transit (LRT) electric train and the operation of the rapid electric train
- the transformation of public buses to operate on lower carbon intensive fuels, efficient routes through the adoption of Bus Rapid Transit (BRT) systems.
- the encouragement of bicycle use and construction of designated lanes and other infrastructure
- the implementation of the National Road Project aims to develop new roads, improve interconnections between cities and decrease commuting time and fuel consumption for road vehicles
- the greening of the civil aviation sector.

Source: Egyptian Ministry of Local Development and Environment.

In reinforcing the nation's resilience to climate change, the Government of Egypt has prioritised water efficiency to address the growing water supply-demand gap caused by rapid demographic growth and dwindling freshwater resources. As a water-stressed nation, Egypt relies heavily on the Nile River for approximately 90% of its freshwater water supply, which provides an estimated 55 billion cubic metres

annually – falling short of the 90 billion cubic metres needed to meet national demand (MPED, 2021[2]). Although the supply of water from the Nile has remained unchanged since 1954, the construction of the Grand Ethiopian Renaissance Dam (GERD) in Ethiopia has heightened the vulnerability of Egypt's upstream water flows – posing an existential threat to the country's water security (MPED, 2021[2]).

In response to these challenges, Egypt has adopted water management strategies to derisk its water supply, as highlighted in discussions with the Egyptian Water and Wastewater Regulatory Agency (EWRA). These strategies include adopting water-saving technologies in agriculture, industry, and households to reduce overall water waste and optimise its usage. Expanding desalination capacity has also become a central component of Egypt's strategy to diversify its water sources, particularly as dependence on the Nile River poses risks in times of fluctuating availability. The ministry plans to source water for the Valley and neighbouring areas from the Nile and from desalination plants in coastal areas.

The Ministry of Housing, Utilities and Urban Communities has prepared a strategic plan for seawater desalination to cover drinking water needs from 2020 to 2050, with a total capacity of 8.9 million m3/day in 11 governorates. The first five-year plan for water desalination covers the implementation of 23 desalination plants with a capacity of 2.6 million m3/day, including (1) provide drinking water needs to meet the current requirements and future increase of population; (2) replace surface water by desalination water in coastal governorates; (3) provide drinking water needs to stop long transmission of surface water governorates; and (4) provide drinking water needs requirements for new urban communities.

Water recycling has emerged as a key pillar of Egypt's water conservation efforts. Approximately 14.2 million cubic metres of treated water are directed daily to agricultural irrigation, easing the pressure on freshwater resources. This shift is part of a deliberate policy change from safe disposal to resource reuse, particularly in light of climate change and water scarcity challenges. Advanced wastewater treatment facilities, such as the Gabal El-Asfar Wastewater Treatment Plant, illustrate this approach, with daily wastewater treatment capacity of 2.5 million cubic metres.

The National Water and Sanitation Sector Strategy 2050 includes the safe reuse of treated wastewater and agricultural drainage as one of the objectives. Wastewater treatment plants are not limited to Gabal Al-Asfar wastewater treatment plant's capacity of 2.5 million m3/day. The Extension of Gabal Al-Asfar by 1 million m3/ Day with total cost of EUR 510 million is funded by African Development Bank (AfDB), Agence Française de Développement (AFD) and European Bank for Reconstruction and Development (EBRD).

In line with Egypt's Green Investment Plan, there is a growing integration of renewable energy into the water sector. According to the Ministry of Housing, Utilities and Urban Communities, investments are being made to power water infrastructure with solar and wind energy that not only help reduce greenhouse gas emissions (GHG) but also ensure that energy demands are met sustainably. The State Ownership Policy includes desalination projects planned to be assigned, executed and financed by the private sector. In the same vein, energy-efficient technologies are being introduced into water treatment and distribution systems to provide reliable water sources, and upgrades to water distribution networks are aimed at minimising leakage, optimising operations, and minimising energy consumption. This can be seen in initiatives launched by the EWRA to improve efficiency and reduce waste across the water and wastewater sector through the use of artificial intelligence (AI)-enabled smart metres to track consumption patterns and optimise resource use.

Over the past decade, Egypt has pursued projects aligned with strategies advancing sustainable infrastructure, with a focus on both resource management and environmental conservation. Along the lines of water conservation and treatment, sludge management has become an important area, where projects aim to divert waste from landfills and repurpose sludge for biogas production and composting. By transforming waste into valuable resources, Egypt aims to reduce methane emissions, conserve landfill space, and support sustainable agricultural practices by using organic fertilisers and sludge byproducts.

Egypt's State Ownership Policy indicates that sludge management projects are to be assigned and executed by the private sector within three to five years, as part of the National Water and Sanitation Sector Strategy 2050. The Egypt Sludge Management preparatory technical assistance grant is funded by the EIB to produce the necessary background, research, option analysis, feasibility studies, financial model and tender documents to allow moving ahead with financing and implementation of sludge management solutions in the proposed locations. Alex East wastewater treatment plant with a capacity of 800 000 m3/day, was rehabilitated and added sludge digestion to decrease the sludge environmental impacts by decreasing the sludge disposal by 30% and to provide 50% of the power needed for the whole plant. The Extension of Gabal Al-Asfar WWTP by 1 million m3/ Day will integrate wastewater treatment and sludge management to generate biogas/energy.

In parallel, green infrastructure is being integrated into Egypt's urban development plans. Systems such as rainwater harvesting and greywater reuse are becoming critical in addressing water scarcity and improving resource efficiency. Another focus is on expanding green spaces, particularly in ports and urban areas, to mitigate the urban heat island effect and improve air quality. These initiatives have been essential for Egypt's climate resilience, as they contribute to both climate adaptation and ecological preservation, and reduce reliance on limited freshwater supplies, and manage water sustainably in growing urban areas. Ministry of Housing also targets to plant 7 million trees in 37 new cities by 2030 at a rate of 1 million trees per year.

Between 2014 and 2024, Egypt secured USD 5.9 billion from development partners, including USD 925 million in grants. This investment has facilitated 56 key projects, contributing to the country's transformation towards more sustainable infrastructure (Government of Egypt, Ministry of Planning and Economic Development, 2025[3]). The influx of foreign funds demonstrates global confidence in Egypt's commitment to sustainability and underscores the vital role of international co-operation in achieving long-term environmental goals. Together, these initiatives – spanning sludge management, green infrastructure and foreign investment – are supporting Egypt's transition towards more resiliency and sustainability. However, sustaining this momentum will require greater private sector involvement.

Three main committees established green and sustainable framework for a list of green and sustainable projects (registers):

- First Committee by MoF Decree #798 of 2019: Responsible for selecting environmental projects (green financing).
- Second Committee by MoF Decree #506 of 2020: Responsible for preparing allocation and impact reports.
- Sustainable Finance Committee by MoF Decree #17 of 2023: Combines the responsibilities of the previous two committees and manages the pre- and post-issuance stages.

While Egypt has attracted foreign investment into its sustainable infrastructure through these various channels, the country could scale up investment into green projects by engaging institutional investors like pension funds or unlisted funds (see Box 5.2 for insights into the role of unlisted funds on green infrastructure investment). Regarding the latter, unlisted funds have played a significant role in scaling up green infrastructure projects globally. For instance, the UK's Pensions Minister has called for UK pension schemes to increase investment in domestic assets as the government seeks to make more assets available to invest in so trustees can meet their fiduciary duties (McDougall, 2025[4]). These assts include renewable energy projects such as solar photovoltaic and onshore wind farms, as part of the UK Government's reform to boost economic growth.

Another example is Saudi Arabia's Public Investment Fund (PIF), which although not an unlisted fund itself, has partnered with major financial institutions, including BlackRock and Goldman Sachs, to bolster its domestic asset management industry (Reuters, 2025[5]). Most recently, PIF has become the anchor investor in Goldman Sachs Asset Management's new Gulf-focussed funds, designed to channel global

equity capital into investments across the GCC, with a significant share allocated to the kingdom's infrastructure development pipeline (Reuters, 2025[5]). Leveraging sovereign wealth fund partnerships to attract institutional capital could serve a viable model for Egypt as it seeks to expand private investment in green infrastructure.

Box 5.2. Green infrastructure investment through unlisted funds

Unlisted funds are not just a popular instrument for infrastructure investments in general but are also a key instrument for making infrastructure investments greener. Only 31% of the infrastructure investments made through unlisted funds are currently allocated to green assets. This suggests that there are already substantial green investments through unlisted funds, but also considerable potential to upscale green infrastructure investment through this instrument. The key function of unlisted funds is particularly striking for pension fund investments, as the bulk (75%) of pension fund infrastructure investment is channelled through unlisted funds.

The importance of unlisted funds for greening infrastructure investment lies also in their use as a primary asset classes for investments in the real economy. More than 70% of the investments through unlisted funds (as well as through direct equity and debt) are directed towards physical assets. This means that investments through unlisted funds have an unmitigated effect on the infrastructure composition of the economy and, therefore, can help to directly and quickly shift and scale up green infrastructure in countries' infrastructure portfolios.

Unlisted funds are also a welcome channel for direct public intervention. Rather than intervene at the project level, public financial institutions such as development banks or green investment banks can set up a fund or co-invest at the fund level, thereby supporting multiple projects at once. De-risking instruments or credit-enhancement techniques, among others, have successfully been deployed to mobilise institutional investment to large effect, most notably by the UK Green Investment Bank before being privatised.

Source: OECD (2021[6]), *OECD Implementation Handbook for Quality Infrastructure Investment*, https://doi.org/10.1787/479131b2-en.

Investments in sustainable infrastructure are also aligned with Egypt's National Climate Change Strategy (NCCS) 2050, particularly its goal of enhancing adaptive capacity and resilience. Projects associated with the NCCS 2050 aim to reduce climate-related risks by safeguarding public health, minimising losses to infrastructure and ecosystems, and expanding green spaces. For instance, the Beach Protection Authority and the Ministry of Water Resources and Irrigation have been actively involved in coastal protection projects designed to mitigate erosion and protect key infrastructure from the effects of rising sea levels and extreme weather events, such as the construction of breakwaters in ports like Damietta and Alexandria.

Box 5.3. Contributions to achieving the National Climate Change Strategy objectives

For resilient infrastructure and services in the face of climate change impacts:

- integrating climate adaptation and resilience in infrastructure projects
- capitalising on existing infrastructure to implement new projects related to climate change
- raising the efficiency of road infrastructure, which would reduce periods of traffic congestion
- availability of an appropriate infrastructure that can provide healthcare to targeted individuals and communities

- preserving state assets, such as infrastructure and historical heritage monuments from the impacts of climate change is one of the most important strategic goals due to its great social, economic and cultural dimensions.

Performance Indicators towards NCCS:

- Percentage of the Development of infrastructure in health facilities
- number of infrastructure development projects related to education, digital transformation and distance education technologies.

Source: Egyptian Ministry of Local Development and Environment

In addition to coastal defences, the Ministry of Transport reported that Egypt is investing in climate-sensitive road and railway systems. Bitumen with high temperature resistance is being used in road construction, while flood diversion strategies are integrated into road network designs. These measures include building obstructive and diversion dams to manage floodwaters as well as constructing bridges over waterways to allow the unimpeded flow of floodwaters. Furthermore, studies on wind and sand movement are critical in protecting desert roads and railways from encroaching sand dunes. The Ministry of Transport has been actively implementing measures to protect ports and coastal roads from erosion and flooding. For instance, extensive breakwaters have been constructed in key ports like Alexandria Grand Port, with barriers stretching up to 6 945 metres to shield infrastructure from rising sea levels and storm surges.

These initiatives have also been supported by technical studies to address immediate climate risks but also anticipate future challenges. For example, the Ministry of Transport is signing a co-operation agreement with the Egypt-Japan University of Science and Technology to conduct a scientific study on the future impact of climate change on Egyptian ports over the next 50 to 100 years. Additionally, the Ministry of Transport has also committed to adhering to international standards to ensure the quality and sustainability of its infrastructure projects by integrating disaster risk reduction measures.

The technical specifications for these projects are guided by globally recognised frameworks and international consulting firms. Specifically, the ministry implements ISO 9 001 for quality management, ISO 14 001 for environmental management, and ISO 45 001 for occupational health and safety. The application of these standards highlights existing commitments made by the Egyptian Government in meeting both international benchmarks and local demands.

5.1. Climate risk and adaptation

While Egypt's highly arid climate is naturally predisposed to desertification, the natural phenomenon is being accelerated by climate change, affecting vast areas of arable land and threatening agricultural productivity. Rising temperatures and erratic weather patterns have heightened concerns over water scarcity which already poses a severe risk to food security and economic stability.

The frequency of erratic weather events, including heatwaves and heavy rainfall have already disrupted agriculture activities along the Nile River Delta. Simultaneously, rising sea levels have endangered Egypt's low-lying Mediterranean shoreline, exposing both regions to flooding, coastal erosion, and land subsidence. In light of these overlapping risks, the Government of Egypt has increasingly recognised climate-related threats and have developed and pursued a climate adaptation strategy through its National Adaptation Plan (NAP).

Led by the Ministry of Local Development and Environment,[2] Egypt's NAP will serve as a comprehensive framework for climate resilience, integrating risk assessments and sector-specific solutions in consultation

with key ministries. The adaptation plan prioritises climate adaptation measures across sectors such as agriculture, water management, and infrastructure. It emphasises urban resilience, drawing from lessons learned from existing cities to inform sustainable urbanisation and human resettlement strategies for new city plans (see Box 5.4 for insights into the Netherlands' adaptive water management strategy and its integration into national water policy and resource management). Implementation of the NAP has not yet commenced, as Egypt is currently in the Formulation and Advancement Phase of the NAP project, funded by the Green Climate Fund (GCF). The transition to the implementation phase will follow the formal government approval and national release of the NAP document.

The comprehensive risk assessment is set to serve as the foundation for the country's NAP, highlighting the climate hotspots across all sectors at the governorate level and proposing tailored adaptation measures based on the specific circumstances and coping capacities of each governorate. Vulnerable sectors include, but are not limited to, agriculture, urban areas, biodiversity, groundwater, public health, and tourism. As outlined by the Ministry of Local Development and Environment, the assessment also contains studies on the impacts of climate change and its associated risks on human settlements, water resources, coastal zones, and desert areas.

Regarding human settlements, the study evaluates the impacts of climate hazards on urban areas, including operational strain and damage to infrastructure such as roads, bridges, wastewater treatment plants, and power grids, as well as property losses caused by extreme weather events like flooding, storms, and heatwaves. It also estimates the losses and damages incurred in each city due to the widespread destruction of critical infrastructure such as power grids, communication networks and transportation systems. A separate study on Egypt's water resources identifies the main climate risks that would affect the stability and operations of infrastructure for irrigation and drainage systems, namely elevated Nile River flood levels due to heavy precipitation in the Upper Nile, intensified rainfall, sea-level rise (increasing backwater effects for pumping stations only), heatwaves, and drought. It also assesses the vulnerabilities of irrigation and drainage systems across governorates to extreme weather events.

The assessment also incorporates topographic and geographic studies. The analysis of Egypt's coastal zones examines the impacts of climate change on infrastructure along the Mediterranean and Red Seas, identifying the most vulnerable across a 2 100-kilometre coastline. For desert regions, the study utilises a Dynamic Watershed Simulation Model (DWSM) to delineate watersheds and sub-basins using digital terrain data. Through GIS modelling, it maps valleys and identifies flood hazard zones, categorising them based on the likelihood and severity of flooding. The resulting maps provide insights on vulnerable areas and critical infrastructure at risk. Based on these studies, the NAP will outline specific adaptation measures to strengthen infrastructure resilience to withstand severe climate impacts and prepare Egypt to address the challenges posed by climate change.

One of the flagship projects under the adaptive resilience actions is the USD 105 million project on enhancing climate change adaptation in Egypt's North Coast and Nile Delta regions – executed by the Ministry of Water Resources and Irrigation and partially financed through a Green Climate Fund's grant (Green Climate Fund, n.d.[7]). The eight-year project, which is due to be completed in 2026, aims to employ a nature-based approach and integrated coastal management to adapt to coastal flooding from sea level rise and increased frequency of storms. The construction of a 69-kilometer-long low-cost sand dune dikes system along five vulnerable hotspots was completed, reducing the vulnerability of coastal infrastructure, and protecting surrounding rural communities, and agricultural lands. The project will also lead to the development of an integrated coastal zone management plan for the entire North coast of Egypt, and will establish a systematic observation system to monitor the changes of Oceanographic parameters under a changing climate and assess the efficiency of different shore protection scenarios on the coastal erosion and shore stability.

Box 5.4. Adaptive water management in the Netherlands

The Netherlands has a long and robust tradition of living with water. Located in a delta, more than half of the country's territory and population and two-thirds of its economic activity are flood prone. Safety against flooding and the management of excess rain have long been the foundation of water management in the Netherlands. Centuries of concerted action and investment helped build and maintain the country's extensive system of primary and regional flood defences.

A new paradigm towards adaptive water management has put thinking about the future and long-term sustainability at the heart of Dutch water policy. This shift began with the programme "Room for the River" and culminated with the adoption of the Delta Act in 2012. The act established the Delta Programme, the Delta Commissioner, and the Delta Fund to advance an adaptive water management approach that places primacy on a long-term perspective (up to 2100) and flexible strategies to cope with future challenges related to water safety and freshwater supplies.

Adaptive management is seen as a structured, iterative, learning-based process involving the fundamental features of learning and adaptation leading to both improved understanding of the (resource) system and to improved management based on that understanding. This entails integrating a long-term perspective into water management planning with iterative decision making, considering how decisions in the short term potentially enable or foreclose future options, and the use of nature-based solutions, which can avoid or delay lock-in to capital-intensive, conventional "grey" infrastructure.

Source: OECD (2021[6]), *OECD Implementation Handbook for Quality Infrastructure Investment*, https://doi.org/10.1787/479131b2-en.

With regards to financing climate adaption projects, one challenge identified by the Ministry of Local Development and Environment is the need to provide a clearer revenue-generation pathway. The ministry is working to enhance the capacity of government financial systems to develop bankable adaptation projects and exploring opportunities to mobilise private sector involvement. One way the Egyptian Government is trying to fill this gap is through the creation of an operational voluntary carbon market, led by the Financial Regulatory Authority (FRA). This market is supported by the Egyptian Accreditation Council (EGAC), which serves as the official verifier of carbon credits, helping to institutionalise and mainstream carbon trading as a key tool for climate finance.

Egypt has also made progress in advancing its institutional frameworks to incorporate climate considerations into broader governance. Prime Ministerial Decree No. 2466 of 2024 has been promulgated, amending the Executive Regulations of the Environment Law. The amendment introduces "Environmental Sustainability" as a recognised specialisation that necessitates obtaining a license, accreditation, and registration in the official registry of environmental professionals as a prerequisite for practicing in this field. Furthermore, it mandates that environmental impact assessments must address the facility's effect on climate change and include plans for mitigating such impacts. These changes aim to ensure climate-related criteria, including greenhouse gas mitigation and energy consumption, are integrated into future projects. Currently, the EIA process categorises projects according to three classes based on their environmental impact: Class A, B and C.

Class A applies to infrastructure projects assessed to have a low or minimal environmental impact. These projects are, therefore, not required to undergo a full EIA but must complete an environmental screening to ensure compliance with the country's sustainability criteria. Class B covers projects with moderate environmental impact. While Class B projects pose a marginal environmental impact, they require an EIA; however, the assessment they are subject to is less detailed but must adhere to the project meets specific

environmental management standards. Finally, Class C classifications are assigned to projects that with significant potential for environmental harm, often involving large-scale infrastructure developments. These projects require comprehensive EIA studies, detailed analysis, and extensive public consultation.

The Ministry of Local Development and Environment's amendments seek to strengthen Egypt's disclosure regime, enhancing transparency and accountability, particularly for high-impact Class C projects. These projects will now be required to publish detailed summaries, including air and water dispersion models. Executive summaries of the EIA studies are available on the Ministry's platform, enabling public access to critical environmental data prior to community consultation sessions. This ensures that stakeholders – including local communities, environmental experts, and the public – are informed about potential environmental impacts and proposed mitigation measures. While the requirement to publish summaries was introduced in 2023, no updates have been made publicly available yet.

5.2. Environmental and social impact assessments

For large infrastructure projects in Egypt, including those following a PPP model, the government mandates the application of environmental, social and governance (ESG) considerations. These criteria are required for procurement purposes and when offering concessions, ensuring that sustainability is integrated into both public and private sector projects. For PPPs, specific social and environmental performance criteria are built into the contracts to promote responsible development.

For instance, Egypt's legal framework for public procurement, specifically Article No. 8 of Law No. 182/2018 on Public Contracts, emphasises the integration of ESG considerations into the public contracting process. Under this regulation, entities like ministries, public authorities, and local administration units are required to prioritise sustainable development goals when entering contracts. This is achieved by evaluating not only the immediate cost and quality but also the overall life-cycle value of the project, ensuring that sustainability standards are embedded from the outset.

In the context of PPPs, the Ministry of Finance's PPP Central Unit incorporates ESG considerations into its project development process. Environmental consultants, who are often hired alongside financial, technical, and legal advisors, are tasked with conducting environmental and social impact assessments, which are evaluated by the Egyptian Environmental Affairs Agency (EEAA). This protocol aligns with Egypt's Environmental Law No. 4 of 1994, as all infrastructure projects, especially those involving both public and private sector participation, are required to undergo a comprehensive environmental and social impact study. The collaboration between technical and environmental consultants has been used to ensure that sustainability criteria are integrated into project prequalification and tender documents, enhancing the ESG profile of each project from a project's design to its procurement strategy.

Both technical and environmental advisors are required to conduct these assessments during project planning to ensure that the environmental and social implications are fully understood and integrated into the procurement strategy. Once a project is approved and before implementation begins, the private sector is obligated to submit a complete environmental impact assessment study. This study must be approved by relevant authorities before the project proceeds, and it is a condition precedent within the contract. These measures ensure that environmental standards are upheld throughout the life cycle of a project, from planning to implementation and operation.

Additionally, Egypt's public procurement framework not only mandates that public authorities consider economic, social, and environmental factors but also promotes collaboration with private sector actors early in the project development phase. Private actors are involved from the initial feasibility studies, where advisors conduct market-sounding studies and assess community feedback through public consultations, especially regarding environmental concerns. This collaborative approach ensures that both public and

private stakeholders are aligned on sustainability objectives from the outset, enhancing the overall ESG profile of infrastructure projects.

Environmental and social impact assessments are not limited to the Ministry of Finance's PPP Central Unit, as other ministries have also implemented similar assessments. According to the Ministry of Housing, Utilities and Urban Communities, environmental impact assessments are mandatory for all water and wastewater projects, especially those with significant environmental impacts. These assessments evaluate the potential environmental effects during all phases of a project, from construction to decommissioning. Common environmental indicators include air and water quality, soil health, biodiversity, and waste generation and management. While climate related matters are not included in environmental assessments, the Ministry of Local Development and Environment indicated ongoing work to include climate into these assessments as a main pillar. The guidelines for Environmental Impact Assessment (EIA), issued in 2009, are currently being updated.

Egypt's social impact assessments evaluate the potential effects, both positive and negative, on local communities and stakeholders. The Ministry of Housing, Utilities and Urban Communities uses these assessments to examine factors such as resettlement and displacement, noise levels, access to resources, employment opportunities, gender equity, and community health and safety risks. Social indicators include the number of displaced people, level of access to basic services like water and sanitation, number of jobs created, and effects on local businesses.

With regards to gender issues, a Guideline for Gender-Responsive Planning (Government of Egypt, 2022[8]) was introduced. MPED has applied a methodology for measuring public spending directed toward women and children within the 2024-2025 plan, with approximately 10% of government investments directed toward issues concerning women and children.

As underlined by the Ministry of Transport, these assessments involve the evaluation of multiple alternatives that may be implemented during the environmental study phase. This process allows decision makers to compare different project designs or routes, selecting the option with the least environmental impact while maintaining operational efficiency. They also support the preparation of a comprehensive environmental management plan, which outlines how pollutants – expected during both the implementation and operational phases – will be managed and disposed of. The management plan ensures that emissions, waste, and other environmental risks remain within permissible limits, reducing potential harm to ecosystems and communities. Both impact assessments and subsequent management plans provide Egypt with the ability to balance development goals with sustainability considerations while ensuring that infrastructure projects contribute to long-term environmental stewardship.

While environmental and social impact assessments are in place, aligning them more closely with international ESG standards could further enhance transparency and investor confidence. While the assessments address important indicators and provide mechanisms to mitigate environmental and social risks, further clarity on their alignment with global frameworks, such as the UN Sustainable Development Goals (SDGs), the Equator Principles, or the IFC Performance Standards on Environmental and Social Sustainability, could enhance their transparency and alignment with global best practices. Strengthening this alignment would support Egypt's efforts to attract international investment and demonstrate its commitment to sustainable development. Co-ordination is currently underway with the African Development Bank and the World Bank to prepare guidelines for social studies and to incorporate the social dimension into the amendment of Law No. 4 of 1994, its executive regulations, and their subsequent amendments.

5.3. Egypt's carbon market and regulatory environment

Since 2019, Egypt has pursued efforts to boost green financing through the development of a regulatory and market framework capable of supporting green infrastructure and sustainable finance, with a particular focus on ESG requirements, carbon markets, and green bonds. Regulatory amendments in 2019, as seen through executive regulations of the Capital Market Law, laid the groundwork for green bond issuance and the accreditation of third-party verifiers for green projects. This has further reduced inspection fees for green bond issuers, making the process more affordable.

In July 2021, Egypt's Financial Regulatory Authority (FRA), the governmental entity mandated to oversee non-bank financial institutions and markets, issued two decrees, Decree No. 107, and No. 108, outlining the disclosure rules for companies in non-banking financial services and the Egyptian Stock Exchange, respectively. The two decrees require listed companies and securities-issuing financial institutions to make annual disclosures in line with ESG practices and Taskforce on Climate-related Financial Disclosures (TCFD) reporting. The decrees stipulate that in the case when issued capital of a company or its net equity exceeds EGP 500 million, its board of directors must undertake TCFD reporting. The FRA is currently moving towards adjusting this framework to be compliant with the new IFRS S1 and S2 standard.

To operationalise the disclosure requirements, the FRA annexed standardised disclosure forms to the decrees, comprising a structured set of questions mapped to the relevant sustainability and governance standards. Responding entities are required to provide binary ("yes" or "no") answers, supported by narrative explanations and references where applicable. Recognising the varying levels of market readiness, the FRA granted an initial grace period during which companies were able to benefit from targeted technical support and capacity-building programmes delivered by the Authority, aimed at strengthening their ability to identify, implement, and disclose environmental, social, and sustainability-related governance practices.

In 2025, the FRA took further steps toward enhancing the quality and credibility of sustainability reporting, moving beyond compliance toward performance and content-based assessment. The Authority developed a methodology for content analysis of sustainability and ESG reports, designed to systematically evaluate the substance, consistency, and decision-usefulness of disclosed information. Using this methodology, the FRA conducted a comprehensive analysis of 489 submitted reports, applying a structured assessment framework based on five core analytical criteria. The Authority has confirmed that this content analysis exercise will be conducted on an annual basis, establishing a feedback loop that supports continuous improvement in reporting quality, comparability, and market discipline.

Egypt's Investment Law (Law No. 72 of 2017) provides a legal basis for investment incentives and guarantees that support projects with environmental and sustainability objectives, including renewable energy and green infrastructure. These incentives complement the FRA's regulatory initiatives and help create an enabling environment for private sector investment in green infrastructure. This criterion can be seen in Table 5.1.

Box 5.5. Egypt's carbon market

The carbon market has developed significantly in Egypt, following the below steps by the Financial Regulatory Authority (FRA). Three Validation and Verification Bodies (VVB) were accredited, including two local ones (TUV Nord Egypt and the Center for Organic Agriculture in Egypt (COAE)) and one international one (TUV Nord Cert).

Another Five VVB's have also submitted applications to join the list, which is still pending.

During the first trading on the exchange, three trades were conducted between certificate issuers and private sector buyers.

Projects were subsequently registered with the Authority, reaching a total of 28 projects registered in the database, with a total of approximately 160 000 voluntary carbon emission reduction certificates traded in April 2025.

International voluntary carbon markets deficiencies:

- Amending the capital market executive regulations to define carbon credits as financial instruments (Decree no. 4664/2022), aligning with the EU model.
- Formation of a high-level carbon market committee (FRA Chairman Decree no. 279 for 2024) led by the FRA Chairman and including representatives from Ministry of Local Development and Environment, CBE, and private sector. This committee's mandate is to ensure rigorous oversight and regulation, enhancing the credibility and integrity of Egypt's carbon market. The responsibilities of this committee including the following:
- Setting the selection criteria of validation and verification bodies both the international and domestic **Validation and Verification Bodies (VVBs)** working in the carbon reduction projects in Egypt.
- Issuing the guideline rules for the integrity and credibility of carbon credits, following the ICVCM and its 10 CORE Carbon Principles (CCP) and the assessment framework.
- Setting the selection criteria for the carbon registries that would be recognised for carbon credit trading, in the Egyptian voluntary carbon market that meets international standards and national needs, according to ICROA and IETA initiatives in this space.
- Drafting the T&D transparency and disclosures requirements.

The very high fixed cost of VVB is a key bottleneck and significantly increase fixed costs to small scale local developers not only in Egypt but also in developing countries,

- To overcome these barriers and facilitate the growth of local VVBs, Egypt brought global practice into the local context.
- Utilising Verra and Gold Standard practices of ISO accreditation but bringing the cost significantly down and basing it locally.
- By encouraging Egyptian Accreditation Council (EGAC) to accredit for the VVBs ISOs, accredit any African firms under the ISO standard.

In August 2023, the FRA issued Decree No. 163/2023 setting out the requirements for the accreditation of Validation and Verification Bodies (VVBs), applicable to both international and domestic entities.

- The decree specifies comprehensive eligibility and governance requirements for VVBs, including technical competence, independence, and the qualifications of their validation and verification teams, in line with international best practices. These requirements include accreditation under ISO 14 065 and ISO 17 029. The draft decree was subject to stakeholder consultation, including engagement with the World Bank.
- As of date, three VVBs have been approved by the FRA – two local entities and one international body – with the approval process ongoing for additional applicants.

Building on this framework, the FRA issued Decree No. 253 of 2024, which further refined the regulatory classification of VVBs by distinguishing between:

- VVBs authorised to conduct validation and verification activities for the purpose of issuing carbon credits, provided they are duly registered with recognised carbon registries; and
- Entities authorised to perform measurement and quantification of greenhouse gas emissions, supporting emissions accounting and reporting processes.

This amendment enhances regulatory clarity across the carbon market value chain, strengthens the integrity of validation, verification, and measurement activities, and supports the operationalisation of Egypt's regulated voluntary carbon market in alignment with international standards.

In February 2024, FRA issued Decree no. 30/2024 for the requirements for domestic voluntary carbon registries that would be approved by the FRA:

- The decree detailed the requirements to approve the local carbon registries and outlines the requirements for the international voluntary carbon registries to be endorsed by the International Carbon Reduction and Offset Alliance (ICROA). Governance requirements related to the IT and cybersecurity elements ensure the full integrity of the carbon registries and the resulting carbon credits.
- The decree also detailed the other requirements that the voluntary carbon registries must abide by, which include the general requirements, validation and verification processes requirements, the minimum amount of information that must be provided by the registry, and the field inspections requirements.
- This regulation resulted in having two international registries that are communicating with the FRA to be approved according to this decree, and to operate in the local market, (1) BioCarbon Registry, (2) EcoRegisrty both operates in Latin America.

FRA issued Decree no. 31/2024 for the listing and delisting rules for voluntary carbon credits.

- The decree demonstrated the FRA's requirements for registering the carbon reduction projects in the FRA's database as the first step to list the carbon credits for trading in the Egyptian Exchange EGX.
- The decree also detailed the process of the listing including the reporting responsibilities of the issuers, the minimum amount of information that must be provided such as the name and the unique ID of the project, the Location of the project, the name of the project developer, the name of the carbon registry, the number of issued carbon credits, and the initial price for trading.
- Besides, the decree set one, unique requirement concerning the listing of voluntary carbon credits forward contracts that mitigate the market and political risks for the traded carbon credits.

FRA introduced the official accounting treatment for carbon credits in the accounting books:

- In March 2024, FRA approved the accounting treatment of carbon credits in the accounting books for all the market participants based on international best practices of different accounting treatments.
  - The case where the carbon credits are issued to the project developer (and being the owner of the reduction project too), thus the Carbon Credits are Intangible Asset in case that the credits will be used for offsetting and Financial Instrument if the credits are to be sold.
  - The case where the carbon credits are issued to the project developer which is a different entity of the one that owns the carbon emissions reduction project, in this case, the Carbon Credits are Financial Instrument.
  - The case where the carbon credits are bought from the market to achieve the carbon neutrality (thus the Carbon Credits are Intangible Asset)

- The case where carbon credits are bought from the market to be traded (thus the Carbon Credits are a Financial Instrument).

The FRA issued decree no. 1732/2024 regarding Requirements for Securities Brokerage Firms to Obtain FRA Approval for Trading Carbon Credits.

- The FRA set in this decree the general requirements of the brokerage firms to obtain the FRA's license to trade carbon credits.

In August 2024, the EGX Board issued Decree No. 75/2024, establishing the rules for trading carbon credits and related forward contracts. Additionally, in the same month, the Board of Directors of Tasweyyat approved the settlements rules for carbon credit forward contracts.

Launching Egypt's first regulated voluntary carbon market

- On 13 August 2024, the FRA launched Egypt's first regulated voluntary carbon market, with the participation of six ministers, the EGX chairman, and prominent market stakeholders. The market was activated with the execution of three carbon credit trading transactions. The first transaction involved ISIS Food Industries as the buyer and the Egyptian Bio-Agriculture Association (EBDA) as the seller, facilitated by Belton Securities Trading Company, with 500 voluntary carbon certificates sold at LE 1 040. The second transaction saw DATEX purchasing around 1 500 certificates at USD 18 per certificate from VNV Advisory. Lastly, SCB Environmental Markets made a purchase, which was executed by CI Capital Securities Trading.

In December 2025, the FRA further advanced market transparency and market activation by launching the first interactive dashboard dedicated to the Egyptian carbon market, providing real-time, publicly accessible information on registered carbon projects, issued credits, validation and verification status, and participating market entities. The dashboard is designed to enhance market integrity, support data-driven supervision, and facilitate access for regulators, investors, project developers, and other stakeholders.

In parallel with the launch event, the FRA issued a letter of interest addressed to the demand side of the market, as well as to carbon projects registered within the database, signaling the operational readiness of the market and encouraging participation. The letter explicitly invited interested entities to engage with listed projects and utilise verified carbon credits available on the platform for the purpose of **offsetting their greenhouse gas emissions**, thereby supporting demand creation, market liquidity, and the effective use of carbon credits within Egypt's regulatory framework.

FRA is aiming at the following in the near future:

2. Carbon credit rating agencies regulation: Ensuring that carbon credits are properly evaluated for both environmental impact and financial value, fostering greater market transparency and reliable assessments of credit quality.
3. Carbon projects and credits issuance insurance: To address the risks associated with carbon project failures, particularly focussing on non-delivery, under-delivery, or delays in carbon credit issuance.
4. Mandating carbon emissions offsetting using carbon credit by financial institutions: To raise awareness and encourage climate action among Egyptian corporates while supporting SDG-aligned projects

Source: Financial Regulatory Authority of Egypt

Table 5.1. Sustainability reporting for listed companies

Type of Disclosure	Type of Activity	Selection Criteria
ESG Reporting	Listed Companies	All listed companies must comply
	Capital Market	Companies with an issued capital or net equity of EGP 100 million or more.
	Insurance Companies	
	Financial Sector including: • Mortgage Finance • Financial Leasing • Consumer Finance • Factoring Companies • Microfinance	
TCFD Reporting	All companies regulated by the Authority (e.g. non-bank financial intermediaries or NBFIs) whether listed or unlisted	Companies with an issued capital or net equity of EGP 500 million or more.

Source: Financial Regulatory Authority of Egypt.

Although the FRA does not grant direct incentives such as subsidies or tax exemptions targeting green infrastructure, its broader efforts in establishing a voluntary carbon market (VCM) play a pivotal role in stimulating investment in environmental projects. This platform for carbon credit trading encourages investment in carbon reduction projects, many of which involve green infrastructure, as developers seek to generate carbon credits for trading.

The development of green finance in Egypt has been closely tied to the country's commitment to climate action, exemplified by its issuance of the first sovereign green bond in the Middle East and North Africa in September 2020. While the FRA focusses on regulating corporate finance and debt instruments, the Ministry of Finance handles sovereign debt, including green bonds. Nevertheless, the FRA has worked to create a supportive environment for the issuance of sustainable financial instruments, issuing several decrees in recent years.

Notably, the 2022 Prime Minister Decree No. 3456/2022 introduced six new financial instruments, including Green Bonds, Social Impact Bonds (SIBs), and Sustainability-Linked Bonds (SLBs). These innovations aim to expand the range of investment opportunities available in sustainable sectors. Corporate issuances, such as CIB's green bonds in 2021 and Tasaheel's social bonds in 2023-2024, are reflective of this progress. The FRA's regulatory framework, including the creation of a local market for verifiers, is designed to reduce costs and enhance market efficiency, signalling the government's commitment to creating a robust green finance market.

Box 5.6. Egypt's sustainable finance instruments

FRA Green Bonds Regulations (Board of Directors Decrees):

In 2022, Prime Minister Decree No. 3456/2022 on Amending Provisions of the Executive Regulations of the Capital Market Law. The amendment entails the introduction of six new financial instruments, namely Sustainable Development Bonds (SDBs), Sustainability-Linked Bonds (SLBs), Social Impact Bonds (SIB), Women Empowerment Bonds, Climate Bonds, and Transition Bonds (Brown Bonds):

- The Board approved a 50% discount on current examination fees for the three funds upon issuing investment certificates whose proceeds are pumped into such projects.

- In 2019: amendments of executive regulation of the capital market law to regulate and facilitate the issuance of green instruments including green bonds and green sukuk.
- No.113 of 2019: Regarding the list of international third-party verifiers for green projects that included the most prominent institutions in the global market with the possibility to add additional institutions to the list.
- No.127 of 2019: Regarding registration requirements for local third-party verifiers registry in FRA for local experts and consulting institutions who may carry out the evaluation and testing of green and sustainable projects. It is worth mentioning that the aim of this decree is to develop the local market and create a list of efficient verifiers on the local basis to facilitate and support the green bond issuance.
- No.141 of 2019: Regarding reducing Green Bonds Issuers from total cost of FRA inspection services.

As per these regulations, the following issuances took place:

- In 2021: one green bonds issuance by CIB valued USD 100 000
- In 2024: three sustainability bonds by TASAHEEL company valued EGP 11 556 000 000
- In 2025: sustainable development bonds by the Arabic African bank valued USD 499 000 000.

Source: Egypt FRA.

As Egypt takes steps to develop its carbon market, the FRA has sought to integrate carbon credits into the country's financial system. The regulatory framework for carbon trading was significantly enhanced with Decree No. 4664/2022, which classified carbon credits as financial instruments, aligning with EU practices. The creation of a high-level carbon market committee comprising representatives from the CBE, FRA, the Egyptian Exchange (EGX), the Ministry of Local Development and Environment, and private sector participants is designed to ensure that the market is well-governed and aligned with international best practices.

To further support the market, the FRA has introduced rules for the trading and settlement of carbon credits, as well as board decrees for carbon registries and carbon credit validation and verification bodies (VVBs) (see Box 5.5). These initiatives, along with the establishment of local VVBs and carbon credit listing on the EGX, provide a comprehensive infrastructure for trading voluntary carbon credits. This effort has enhanced market transparency, improved investor confidence, and positioned Egypt as a regional leader in the carbon credit market, particularly after its designation as an African carbon credit hub during COP27 (see Box 5.7 for an example of cap-and-trade, showcasing Tokyo's emissions trading system and its approach to covering carbon emissions).

While Egypt does not yet have a dedicated financial instrument for climate-resilient infrastructure, the FRA is laying the groundwork for the introduction of ESG funds through the amendment of the Executive Regulations of the Capital Market Law (Decree No. 3045/2023). These funds are envisioned to provide an avenue for financing infrastructure projects that promote resilience to climate change, with a focus on long-term sustainability and a decree is envisaged to be issued in Q1 2026.

Additionally, the market for sustainability-linked instruments and ESG investment funds is expected to grow, providing new capital inflows into climate-resilient infrastructure projects. As Egypt continues to develop its regulatory framework, including for ESG funds, the potential for using specialised funds to finance such infrastructure will likely increase, enhancing the country's ability to address climate challenges through sustainable investment.

Egypt's regulatory framework for sustainable finance, including the voluntary carbon market and the growing green bond market, is setting the stage for significant private sector investment in green

infrastructure. The FRA's ongoing efforts to create a transparent and efficient carbon trading market, coupled with the development of new financial instruments like green and sustainability bonds, will play a crucial role in meeting the country's green infrastructure goals. Moreover, as Egypt develops sustainable financing mechanisms for climate-resilient infrastructure, the continued evolution of its sustainable bond market, along with the introduction of ESG funds and carbon credit trading, will be key to supporting long-term sustainability and resilience.

To address long-term sustainability and resilience, consolidation of the various ministries' efforts could be helpful.

Box 5.7. Covering indirect emissions: Tokyo's emissions trading system

The Tokyo municipal emissions trading system covers both direct and indirect emissions. Indirect emissions are included in the emissions trading system specifically to cover emissions from electricity consumption in commercial buildings. In Tokyo, electricity represents 40% of energy consumed, but 90% of this electricity is produced outside of the geographic boundaries of the city. A fixed emissions factor is therefore used to calculate CO_2 emissions from electricity use, to separate out efforts made to reduce electricity demand from fluctuations in the CO_2 emission factor on the supply side. Since 2006, facilities have been required to calculate and report their emissions to the national government, including CO_2 emissions related to fuel usage, and the use of electricity and heat. This mandatory data collection in the years before the emissions trading system is recognised as a key to the success of the programme, allowing facility-level understanding of indirect emissions through electricity and heat use.

Source: OECD (2021[6]), *OECD Implementation Handbook for Quality Infrastructure Investment*, https://doi.org/10.1787/479131b2-en.

5.4. Sustainable finance and green bonds

Egypt has made progress in sustainable finance, beginning with the issuance of sovereign green bonds in 2020. This issuance set a benchmark for the private sector and led to subsequent green issuances by one of the largest private banks in the country, Commercial International Bank (CIB). Building on this success, Egypt transitioned from a Sovereign Green Framework to a Sovereign Sustainable Financing Framework, enabling the country to expand its ability to issue labelled bonds. This framework not only supports the country's green investment plans but also positions Egypt as a leader in sustainable finance in the region. In addition, Egypt's Integrated National Financing Strategy provides a roadmap that aims at closing the financing gap, increasing resource flows to key sectors, fostering innovative financing mechanisms, and strengthening private sector engagement in sustainable development.

Egypt's entry into international sustainable finance markets continued with the issuance of a sustainable Panda bond in the Chinese market, marking a first for both Egypt and the African continent. Despite its non-investment-grade credit rating, the successful issuance demonstrated Egypt's growing capacity to access diverse international markets for ESG financing. Moving forward, the government plans to direct more financing toward social investments, signalling an ongoing commitment to integrating sustainability and social responsibility into its broader financial strategy.

Since the issuance in 2020 of a Green Bond, to publishing the Sustainable Framework and issuing the Panda Sustainable Bond in 2023, the Green/Sustainable Finance Committee (Working Groups from different Ministries) have achieved a number of milestones:

- the Ministry of Finance contributed to the Sustainable Development Strategy 2030, through the formulation of the Sovereign Green Financing Framework in 2020

- The Sovereign Green financing framework to Sovereign Sustainable Financing Framework was upgraded in 2022
- Sovereign Sustainable Financing Framework acquired a high sustainable quality score by SPO Moody's Investor Service
- October 2023 First Sustainable Panda Bond Issuance in Africa.

Sovereign Sustainable Allocation and Impact reports acquired "Aligned to the commitments set forth in its Sovereign Sustainable Financing Framework, & positive Disclosure of Proceeds allocation and soundness of reporting indicators" review from ISS Corporate early 2025.[3]

In November 2024, Arab African International Bank (AAIB) issued a USD 500 million sustainability bond to accelerate Egypt's green transition and provide crucial financing to micro, small, and medium enterprises (MSMEs).

Looking ahead, the FRA remains focussed on advancing Egypt's sustainable bond market. The introduction of a variety of green and sustainability-linked bonds has been a key element in attracting private sector investment for green infrastructure projects. The market's development, facilitated by regulatory changes and incentives such as reduced examination fees for related projects, has laid the foundation for the growth of sustainable bonds in Egypt.

The FRA's commitment to GSS+ bonds is particularly important as it seeks to create a robust market for green infrastructure. These bonds are seen as a mechanism to finance projects aimed at achieving Egypt's green infrastructure goals, especially as the country seeks to address climate change and sustainable development needs. Moving forward, it is anticipated that the issuance of sustainable bonds will increasingly be used as a financing tool for infrastructure projects, including those focussed on resilience and climate adaptation.

Egypt's experience with green and sustainable bond issuances has also served as a model for integrating ESG criteria into other financial strategies and instruments. In July 2021, the Central Bank of Egypt (CBE) introduced the Sustainable Finance Guiding Principles to set the general framework for sustainable finance within The Egyptian Banking Sector. There are six principles aimed to prime the banking sector for a steady transition to more sustainable practices, where one of these principles (Principle 5) designed to apply the principles of sustainability into the banking's internal activities and operations. They also encourage the use of digital financial services to reduce carbon footprints and emphasise the identification and classification of climate-related risks.

The Sustainable Finance Guiding Principles are in line with international practices/standards and focus on six core principles:

1. Building the Necessary Capabilities and Knowledge
2. Enhancing Sustainable Finance
3. Involvement of the Stakeholders
4. Managing Climate Change Risks
5. Applying the Principles of Sustainability to the Bank's Internal Activities and Operations
6. Reporting Framework

The CBE's primary objective was to raise awareness within the banking sector and prepare financial institutions for Sustainable Finance Binding Regulations which went into effect in November 2022. Under these regulations, banks are required to establish independent sustainability and sustainable finance departments staffed with credit and risk experts reporting directly to their Chief Executive Officers or their Deputies. Additionally, Banks are mandated to integrate sustainability and sustainable finance in their policies and procedures. Banks also must consult with Ministry of Local Development and Environment-

accredited environmental experts to assess environmental risks associated with large corporate projects financed by the bank.

The Sustainable Financing Binding Regulations issued in November 2022 introduced new reporting requirements for banks in the Egyptian Banking Sector which is also in line with Principle 6 of the Sustainable Finance Guiding Principles. Banks are now mandated to provide a status report on the implementation of the Sustainable Finance Guiding Principles on a semi-annual basis, a quantitative report on banks' sustainable financing activities within their credit portfolios on a quarterly basis and an annual sustainability report in adherence to the standards set by the Global Reporting Initiative (GRI), starting in 2023.

Given the expected impact of the EU-Carbon Border Adjustment Mechanism (CBAM) on the profits of banks exporting clients in the targeted sectors, the costs of complying with its standards, and its effect on potential risks in banks. CBE issued binding regulations on 15 June 2025 mandating all banks to examine their credit portfolios to identify exporting clients in the targeted sectors and collect data related to their export activities. Moreover, banks are mandated to submit the collected data to the CBE semi-annually. This is part of CBE's efforts to further mitigate related risks and ensure the alignment with international developments.

The establishment of the framework for integrating ESG factors provides an important structural basis and presents an important milestone in the CBE's and the banking sector sustainable finance journey. However, the full impact on investor preferences and demand patterns is still unfolding.

Although the entry into force of the regulations in 2023 marked a significant structural shift that embedded sustainability considerations into banks' reporting and classification processes, the data available from banks and the CBE are not yet comprehensive enough to draw definitive conclusions. This reflects the current state of data availability and accuracy which is a global challenge. However, classification processes continue to be developed and aligned across the banking sector.

In this context, banks share their sustainable finance reports to CBE for review and feedback prior to final summation. This process contributes to enhancing banks capacity along with improving data quality and consistency across the sector. Banks are still in the process of refining their methods for classifying green sectors according to the new regulations given that CBE is leading an extensive Capacity building efforts within the sector with number of national and international partners.

While the foundational regulatory measures and operational building blocks for sustainable finance are in place, the quality of data and the observable shifts in investors behaviour are still evolving. As data quality improves, these foundations are expected to translate into clearer market signals towards changing investors behaviour, and clearer trends in sustainable infrastructure financing

Although the framework for integrating ESG factors has been established, it is still early to gauge its full impact on investor preferences and demand for sustainable infrastructure projects. Since the regulations came into effect in 2023, the data available from banks and the CBE are not yet comprehensive enough to draw definitive conclusions. Furthermore, banks are still in the process of refining their methods for classifying green sectors according to the new regulations. As a result, while the initial steps towards sustainable finance are in place, the quality of data and the observable shifts in investor behaviour are still evolving.

The implementation of the CBE's guiding principles and regulations is expected to significantly influence the infrastructure financing market. The CBE's framework, which aligns with national strategies for sustainable development, like Egypt Vision 2030, and the transition to a low-carbon economy, is anticipated to direct more funds towards sustainable infrastructure projects. This shift is further supported by the sustainable mandates of international financial institutions operating in Egypt.

As highlighted by the Ministry of Finance, public-private partnerships in Egypt are increasingly integrating these sustainability considerations, as demonstrated by the success of recent sovereign green bonds and the growing emphasis on social investments. The framework for sustainable finance, combined with strong environmental assessments, provides a pathway for aligning infrastructure financing with ESG goals while promoting long-term, sustainable development (see Box 5.8 on how sustainable bonds are used to finance climate-resilient infrastructure and address environmental challenges).

Box 5.8. Sustainable bonds: Case studies in financing climate-resilient infrastructure

Green and sustainable bonds have become popular instruments in financing climate-resilient infrastructure, enabling issuers to fund projects that address environmental challenges while promoting sustainable developments. Successful applications of green and other sustainable bonds can be observed in the following case studies:

Green municipal bonds, Commonwealth of Massachusetts, the United States

In June 2013, the Commonwealth of Massachusetts issued its first green municipal bonds, raising USD 100 million to finance environmental and sustainability-focussed projects. The bond proceeds were allocated to projects related to improving the energy efficiency of state buildings, river revitalisation, habitat restoration, and clean drinking water. Before issuing the green bonds, the Commonwealth assessed its green infrastructure needs and evaluated whether green bonds could effectively support these goals. Discussions with socially responsible investment (SRI) firms and other relevant stakeholders confirmed strong market interest.

After issuing the green bonds, the Commonwealth found that marketing the green bond offering was easier than traditional municipal bonds due to the persuasive story about their impact and the types of projects the proceeds were going to fund. Additionally, local residents and retail investors who had not previously considered municipal bonds were drawn in by the sustainability focus as primary beneficiaries of these projects. As a result, demand far exceeded supply as the green bond issuance was oversubscribed by 30%. The bonds, rated AA+ by S&P, also priced favourably.

Following the success of the 2013 issuance, the Commonwealth launched a larger USD 350 million green bond offering in 2014 which maintained the same credit rating and saw greater investor demand – three times oversubscribed. The proceeds from the second round were earmarked for water infrastructure projects, offshore wind port facilities, energy-efficient buildings, and environmental restoration efforts.

Green bonds and the city of Cape Town, South Africa

Between 2015 and 2017, Cape Town faced a severe drought, prompting the city to issue its first green bond in 2017. Valued at ZAR 1 billion (South African Rand) (approximately USD 75.2 million that year), the bond aimed to finance projects aligned with the city's sustainability development goals and address the downstream effects posed by climate change. Proceeds from Cape Town's green bond, which was accredited by the Climate Bonds Initiative (CBI), were allocated to refinance green projects pertaining to water security, water sanitation and treatment, coastal protection and rehabilitation, and energy efficiency, including the introduction of electric buses.

In addition to the CBI accreditation, Cape Town's green bond became the first bond in South Africa to receive a Moody's certification, earning a GB1 (excellent) rating. This recognition, alongside its listing on the Johannesburg Stock Exchange (JSE) and Cape Town's commitment to provide regular reporting to bondholders regarding the use of the bond's proceeds, strengthened investor confidence by ensuring

transparency and alignment with environmental standards. The JSE listing provided an opportunity for issuers to meet investor demand for ESG-aligned investments.

Blue bonds in the Seychelles

In 2018, Seychelles launched the world's first sovereign blue bond, raising USD 15 million to support marine conservation and sustainable fisheries. The blue bond was structured with assistance from the World Bank, which provided a USD 5 million guarantee, alongside a USD 5 million concessional loan from the Global Environment Facility (GEF) to partially cover interest payments.

The bond proceeds were directed towards projects and initiatives expanding marine protected areas, improving the governance of priority fisheries, and developing Seychelles' blue economy strategy. Under the South West Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish3), the Seychelles has planned to use the blue bond's proceeds as grants and loans through the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT) and the country's development bank. The funds would later be distributed to support investments in scientific research, logistical support services, eco-labelling, value-added processing, and skills development as well as public investment to restore fish stocks and address overfishing.

Given that the fishing sector accounts for 95% of Seychelles' total export value and employs about 17% of the population, this investment has been pivotal to creating new commercial opportunities and ensuring sustainable economic and environmental practices.

Source: World Bank (2018[9]), Seychelles launches World's First Sovereign Blue Bond, https://www.worldbank.org/en/news/press-release/2018/10/29/seychelles-launches-worlds-first-sovereign-blue-bond; GI Hub (2021[10]), Cape Town Green Bond, https://www.gihub.org/innovative-funding-and-financing/case-studies/cape-town-green-bond/; UNDESA (n.d.[11]), Seychelles blue bond: transitioning to sustainable artisanal fisheries and strengthening value chain benefits through innovative finance and partnerships, https://sdgs.un.org/partnerships/seychelles-blue-bond-transitioning-sustainable-artisanal-fisheries-and-strengthening; McManus (2022[12]), Case study: Green municipal bonds in Massachusetts, USA, https://lgiu.org/case-study-green-municipal-bonds-in-massachusetts-usa/; Climate Bonds Initiative (2015[13]), The Green Muni Bonds Playbook, https://www.climatebonds.net/files/files/Green%20City%20Playbook.pdf.

Table 5.2. Key challenges and policy recommendations for the sustainable infrastructure

Challenges	Recommendations
A major challenge facing financing climate adaption projects. is the need to provide clearer revenue-generation pathways. The Ministry of Local Development and Environment is working to enhance the capacity of government financial systems to develop bankable adaptation projects and explore opportunities to mobilise private sector involvement.	X.a.) Examine every potential financing avenue that could be made available, as well as pursuing measures that mainstream climate resilience of infrastructure, like reporting requirements and inclusion of climate risk in EIA, to strengthen climate resilience of infrastructure assets. Work on voluntary carbon market could contribute, and reporting requirements should go beyond Class C projects, to ensure the mainstreaming of climate resilience.
For large infrastructure projects in Egypt, including those following a PPP model, the government mandates the application of environmental, social and governance (ESG) considerations. These criteria are required for procurement purposes, and when offering concessions, ensuring that sustainability is integrated into both public and private sector projects. However, whether these requirements are being co-ordinated and aligned is unclear. While ESG considerations are integrated into project assessments, aligning them more closely with international standards could provide mechanisms to mitigate environmental and social risks and hence improve investor confidence.	X.b.) Take stock of the ESG requirements towards large infrastructure projects, to ensure that they are being applied in a consistent manner, at a standard that could be internationally recognised. In particular, given the export orientation that country is looking towards, the EU Taxonomy and Corporate Sustainability Due Diligence Directive (CSDDD) would be important rules to keep track of and bear in mind when developing ESG standards, especially for SOEs. This will also require developing experts who can carry out the external evaluation to certify their compliance with this as well.
Egypt does not yet have a financial instrument that can contribute to climate-resilient infrastructure, although the FRA is laying the groundwork for the introduction of ESG funds through the amendment of the Executive	XI.a.) Continue to consider ways to take advantage of how green and sustainability bonds could be further leveraged in Egypt with the support of credit enhancements.

Challenges	Recommendations
Regulations of the Capital Market Law (Decree No. 3045/2023).	XI.b.) Create diverse financing pathways for greenfield infrastructure projects including using blended finance tools to attract private capital, through assessment of approaches that could attract private capital and in particular working on improving the investment environment's certainty and predictability, and assessing whether existing platform are performing in the way they were intended to.
The establishment of the framework for integrating ESG factors provides an important structural basis and presents an important milestone in the CBE's and the banking sector's sustainable finance journey. However, the full impact on investor preferences and demand patterns is still unfolding. Although the entry into force of the regulations in 2023 marked a significant structural shift that embedded sustainability considerations into banks' reporting and classification processes, the data available from banks and the CBE are not yet comprehensive enough to draw definitive conclusions. Banks are still in the process of refining their methods for classifying green sectors according to the new regulations given that the CBE is leading extensive capacity building efforts within the sector with a number of national and international partners. The refinement of methods and completion of classification processes across the banking sector is essential to boost investor access to finance.	XI.c.) Expedite regulatory changes to allow the operation of ESG funds in the domestic market given that the market for sustainability-linked instruments is expected to grow, and it could provide new capital inflows into climate-resilient infrastructure projects. Assessing the implementation of the framework, and adjusting as necessary, will be critical to have robust instruments which are externally recognised.

Note: The numbering in the recommendation column reflects the numbering applied in list of policy recommendations in Section 1.6.

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Notes

[1] The sand engine or sand motor is a type of beach nourishment where a large volume of sediment is added to a coast. The natural forces of wind, waves and tides then distribute the sand along the coast over many years, preventing the need for repetitive beach nourishment. The method is expected to be more cost effective and also reduces the repeated ecological disturbances caused by replenishment.

[2] Through a Cabinet change in February 2026, the Ministry of Local Development and Environment has been merged with the Ministry of Local Development to become the Ministry of Local Development and Environment.

[3] For Sovereign Green and Sustainable Reporting led by MOF in co-operation with (SFWG and GFWG) "Ascendingly":

- Most Recent Green Bond Allocation & Impact Report that was published in 2022
- SPB Sustainable Panda Bond 2023, [Allocation & Impact Reports Review -ISS Corporate- 2025]
- SPB Sustainable Panda Bond 2023, [First Impact Report 2024]
- SPB Sustainable Panda Bond 2023, [First Allocation Report 2024]
- SSFW Sovereign Sustainable Financing Framework SPO [2022]:
- SSFW sovereign Sustainable Financing Framework [2022]:
- Green Bond 2020 issuance [Impact and Allocation Report 2021 Independent Review]:
- Green Bond 2020 issuance [Impact and Allocation report 2021]:
- Green Loan 2021 obtained [Impact and Allocation report 2022]
- Green Bond 2020 issuance [Impact and Allocation report 2020]:
- SGFF Sovereign Green Financing Framework SPO [2020]:
- SGFF Sovereign Green Financing Framework [2020]

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This report focuses on good practices for quality infrastructure investment while addressing considerations for mobilising finance for infrastructure to meet Egypt's long-term development goals. These approaches are designed to align with Egypt's sustainable development ambitions and enhance the resilience of its infrastructure, positioning Egypt as a regional leader in the production and exportation of renewable and green energy.

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