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BRIDGING THE GREEN GAP

Egypt's Green Finance & Investment Efforts

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Egypt's Green Finance & Investment Efforts

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Key Takeaways

50%
Green Investing Share of Total Public Investment in FY 2024/25

Green Investing Share of Total Public Investments by 2030

At Least
75%

$0.9 billion
Egypt's Cumulative* Volume of Issued Green Bonds

*2012-2023

Egypt's Sustainable Bonds

Issued Bonds
Samurai & Panda

Amounted to
Around $1 billion

Market
Japanese & Chinese

Egypt is taking significant steps to lead the transition to a green economy at the regional level. By establishing strong strategies, and promoting green investments, through providing essential incentives to investors, the country is capitalizing on its enormous and promising potential in producing renewable energy at a competitive price.

Many countries, including Egypt, are facing the challenge of balancing economic growth targets with environmental sustainability. Green financing and investments have emerged as essential tools for overcoming this challenge and accelerating green projects.

In line with the commitment to the 2016 Paris Agreement and National Sustainable Agenda: Egypt Vision 2030, Egypt has introduced many legislative reforms, investment incentives, and suitable green finance tools to solidify its position as a regional leader in the green sector.

Therefore, this report highlights Egypt's efforts to ease green financing and investments, along with its significant partnerships with various international institutions and banks. These efforts are further complemented by the latest government-approved incentives and laws promoting green investment and finance.

EGYPT'S STRATEGIES & INITIATIVES

NCCS 2050

In May 2022, Egypt launched the National Climate Change Strategy 2050 (NCCS), which contains five key goals directed to achieve several objectives. Its fourth goal is set to enhance climate financing infrastructure by working on the following objectives:

- Promoting local green banking and green credit lines
- Promoting innovative financing mechanisms and prioritizing adaptation actions, e.g., green bonds
- Private sector engagement in climate finance and promoting green jobs
- Compliance with Multilateral Development Banks (MDB) guidelines for climate finance
- Building on the success of the current climate finance programs

NISGP

In August 2022, the Egyptian Government launched the National Initiative for Smart Green Projects (NISGP) to cover all of Egypt's Governorates. It is seen as a pioneering initiative that aims at developing a governorate-level map of smart green projects, presenting innovative climate solutions at the local level.

NISGP targets mobilizing the necessary investments for implementing these projects and localizing smart solutions to mitigate the effects of climate change.

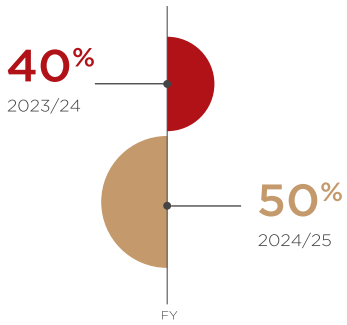
Green Investment Allocation

Egypt is committed to transforming strategies into actions by increasing green investments.

The government directs public investment towards adapting and mitigating climate change, with an allocation of about EGP 420 billion in the fiscal year (FY) 2023/24 investment plan.

Moreover, Egypt is pursuing a full transition to a green economy, aiming for 100% of its projects to be green by 2030. This will be supported by a significant increase in green public investments to at least 75% of the total, as stated by the Ministry of Planning and Economic Development (MPED).

Green Investing Share of Total Public Investments



MONETARY EFFORTS

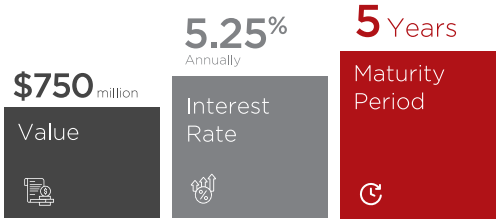
Green Bonds

As part of Egypt's journey towards a green economy, the country issued the first sovereign green bond issuance in the Middle East and North Africa (MENA) region in September 2020.

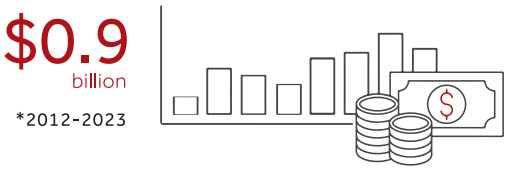
The green bonds are issued to provide sustainable funds for eco-friendly projects in various fields such as climate change mitigation and optimal use of energy resources.

These bonds specifically support projects focused on energy efficiency, renewables projects, or other projects that meet sustainability requirements, according to the Ministry of Finance (MoF).

Green Bonds Issuance Highlights



Egypt's Cumulative* Volume of Issued Green Bonds



Sustainable Finance

Sustainable finance plays a key role in achieving sustainable development goals (SDGs) by promoting the development of new banking products and services. These offerings integrate environmental, social, and governance (ESG) factors into banks' financing, lending, and investment activities.

In July 2021, the Central Bank of Egypt (CBE) issued guiding principles for sustainable finance, establishing a general framework for its implementation. The CBE also launched several initiatives to promote sustainable finance, focusing on environmental sectors such as renewable energy, according to the CBE.

Sustainable Bonds

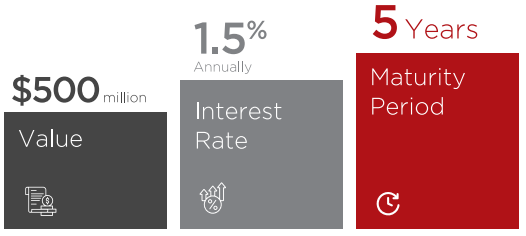
Egypt successfully issued its sustainable bonds, "Panda" and "Samurai" bonds, with the cooperation of international banks, reflecting the country's ability to diversify financing sources and tools. Panda bonds are worth about CHY 3.5 billion ($500 million), used to finance projects that support sustainable development goals; the second batch of Samurai bonds are worth about JPY 75 billion, equivalent to $500 billion, which aims to draw the attention of many Japanese investors.

In January 2023, the state announced the "Sovereign Sustainable Financing Framework" of Egypt, which defines the government's environmental and social priorities and represents a new step to maintain Egypt's leading position in the field of innovative climate financing, social and economic development in Africa and the Middle East. It is an update of the green financing framework that was launched in 2020, where Egypt issued the first green bonds, according to the MoF.

The 2nd batch of samurai bonds

In late August 2023, Egypt succeeded in returning to the Japanese markets by issuing its second international Samurai bond; its first batch was back in March 2022, according to the MoF.

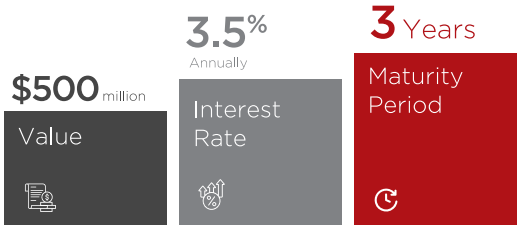
Samurai Bonds



Pioneering Panda Bonds

In October 2023, Egypt also succeeded in issuing the sustainable Panda international bonds. This makes it different from the interest rates on international dollar bonds, especially considering the challenges in the global economy. The issuance is special as it is backed by credit guarantees from international development banks like the Asian Infrastructure Investment Bank and the African Development Bank, according to the MoF.

Panda Bonds



Voluntary Carbon Market

In November 2022, at the 27th Conference of Parties (COP27), the Egyptian government launched Africa's first voluntary carbon certificate market for issuing and trading. These voluntary carbon markets support companies in recovering a part of their investment spending in carbon emission reduction efforts. The launch of this new voluntary market confirmed Egypt's participation in the international goal of carbon neutrality, according to the Financial Regulatory Authority (FRA).

PROMINENT APPROVED LAWS

Egypt provides a package of incentives to stimulate green investments and projects. For instance, the country provided incentives for green projects per Investment Law No. 72/2017, 30% and 50% discounts for investment projects, according to the investment law document.

Further, the Egyptian President ratified, in January 2024, law No.2 for 2024 to provide tax and non-tax incentives for green hydrogen projects.

PROMINENT INSTITUTIONAL PARTNERSHIPS

Egypt engaged in various partnerships to promote green, robust, and inclusive development.

GCF

In November 2022, the Green Climate Fund (GCF) and Egypt's Ministry of Environment announced that Egypt would be the first country to embark on the development of an Investment Plan (IP).

This was considered a move that could significantly accelerate efforts by Egypt to combat climate change by unlocking new investments.

The IP model shifts the focus from looking at climate projects on a project-by-project basis towards a systemic model for securing finance for a country's climate priorities, according to the GCF.

EBRD, EU, and GCF

In January 2023, the EBRD, in collaboration with the EU and GCF, provided new funding under the Green Economy Financing Facility program (GEFF) in Egypt to support green programs and investments for the private sector. The collaboration offered $175.5 million for the local financial institutions to lend to the private sector for investments in climate change mitigation and adaptation projects, supporting the decarbonization and competitiveness of the Egyptian economy, according to the EBRD.

WB

In March 2023, the World Bank (WB) approved a new Country Partnership Framework (CPF) for Egypt for fiscal year (FY) 2023–2027, which aligns with l Egypt's Sustainable Development Strategy (SDS), "Egypt Vision 2030," and the NCCS 2050. The CPF aims to achieve three main goals, starting with boosting private sector employment, by fostering an enabling environment and fair competition. Moving to improving human capital outcomes, by enhancing health and education services and implementing effective social protection. Then enhancing resilience to shocks, through better macroeconomic management and climate change adaptation, according to the WB.

CPF's Financial Envelope

$7 billion

Lenders

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

$1 billion per year

IFC International Finance Corporation WORLD BANK GROUP

About $2 billion*

*During the entire CPF period

EBRD

The European Bank for Reconstruction and Development (EBRD) has a longstanding commitment to fostering Egypt's green economy, collaborating extensively with various institutions, particularly Banque Misr (BM). This partnership has been in place since 2017, according to the EBRD.

EBRD Funds Green Economy in Egypt

European Bank for Reconstruction and Development

Loan Amount — $100 million

Partners — EBRD & BM

Date — September 2022

Purpose — Green financing and on-lending to local small and medium-sized enterprises (SMEs)

GREEN FINANCE OBSTACLES

Despite the government's efforts to support green investment and attract green financing, there are still some obstacles that face the green investment climate in Egypt. One of the most critical challenges facing green finance is the dependence on fossil fuels in emerging and developing countries. For Egypt, the contribution of fossil fuels to electricity production was about 89% in 2023, according to the Egyptian Electricity Holding Company (EEHC). This dependence complicates the political and economic incentives to move to low-carbon energy sources.

Egypt's demographic growth coupled with development and industrialization policies are considered significant challenges as they have led to imposing great pressures on natural resources.

First Carbon Pricing Draft Law

In parallel with Egypt's attempts to keep up with global climate change and carbon emissions standards, the government is drafting a development tax on the carbon emissions of petroleum products, amounting to 25-30 piasters per liter for solar and gasoline. This comes within the framework of the Tax Policies Document 2024-2030, currently under study by the Ministry of Finance (MoF). The High Committee for the Preparation of this Document is finalizing the pre-launch of the community dialogue in the coming weeks, according to MoF Press Release on June 3.



Egypt is taking significant strides towards fostering green investment and finance within its economy. Through monetary initiatives, the issuance of green bonds, strategic partnerships with various institutions, and the enactment of new laws, the country is laying the groundwork for a sustainable future. Despite facing challenges along the way, Egypt's commitment to promoting environmentally responsible investment underscores its dedication to fostering economic growth while mitigating climate change impacts.

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