

**MITIGATION & ADAPTATION
NON-BLENDED**

PROJECT NAME	Egypt Green Bond¹
COUNTRY/REGION	Egypt (B/B2/B+)
SECTOR	Use of proceeds includes renewable energy, transportation, pollution prevention, energy efficiency, climate change adaptation, and water and wastewater
PROJECT/INVESTMENT AMOUNT	USD 750 million
DEVELOPMENT PARTNER(S)/STAKEHOLDERS	The World Bank
BENEFICIARY MINISTRY/ INSTITUTION	Ministry of Finance
INVESTOR(S) AND FUNDERS	Institutional investors
GUIDEBOOK TAXONOMY FINANCIAL SYSTEM ACTOR	Private Institutional Investors and Asset Managers Private Debt Providers Public Balance Sheet
PROJECT OVERALL GOAL	Financing or re-financing one or more eligible green projects
PROJECT OUTCOMES	Projects ongoing and outcomes being monitored
ALIGNMENT WITH COUNTRY IDENTIFIED CLIMATE STRATEGIES, NDCs, ETC. (IF APPLICABLE)	Aligned with Egypt's NDC, national strategy (SDG 2030) and Sustainable Development Plan
CONTRIBUTION OF THE PROJECT TO THE UN SDGs	SDG 6: Clean Water and Sanitation SDG 7: Affordable and Clean Energy SDG 11: Sustainable Cities and Communities SDG 12: Responsible Consumption and Production SDG 13: Climate Action
SOCIOECONOMIC IMPACT	For those who will benefit from projects financed by Egypt's sovereign green bond, this funding solution delivers profound changes: more access to potable water through seawater desalination; more crops through wastewater reuse for irrigation; and a safer, more affordable commute through the Cairo Monorail. It also means more transparency in government spending for environmental projects through allocation and impact reporting.
ENVIRONMENTAL IMPACT (ON CLIMATE MITIGATION AND/OR ADAPTATION)	Proceeds will be invested into public transport projects that lower emissions, renewable energy and energy efficiency, sustainable water and wastewater management, pollution control, and projects that increase adaptive capacities and reduce climate risk and vulnerability.
ENABLING ENVIRONMENT (SUPPORTING POLICIES)	The issuance is aligned to Egypt's Sovereign Green Financing Framework (GFF)
TECHNICAL ASSISTANCE (IF PROVIDED)	The World Bank will provide technical assistance for preparing the post-issuance impact report
FINANCING MODEL/APPROACH (EX: BLENDED FINANCE)	Bond issuance

¹ This case was provided by Citi as a contribution to the Sharm El-Sheikh Guidebook for Just Financing

RATIONALE FOR FINANCING MODEL/APPROACH	Egypt is a frequent issuer on international capital markets and is focused on diversifying its investor base and sources of funding to ensure long-term financing needs are met in the most cost-effective way.
FINANCIAL INSTRUMENT(S) (LOANS (COMMERCIAL/ CONCESSIONAL), EQUITY, GUARANTEE)	144A/RegS Senior Unsecured Notes
DIAGRAM OF THE FINANCING STRUCTURE	N/A

Executive Summary

On September 29, 2020, Egypt issued the first sovereign green bond in the Middle East and North Africa. The five-year green bond was initially announced for \$500 million at a coupon of 5.75%, but as it was more than seven times oversubscribed, the government increased its denomination to \$750 million at 5.25%. The final interest rate is lower than Egypt's benchmark conventional bond and achieved the lowest 5-year coupon for Egypt ever, and second lowest USD coupon for Egypt since 2016. The final order book included 220 accounts, including 16 new first-time USD bond investors and 40 green or ESG-focused investors. The bond was based on Egypt's Sovereign Green Financing Framework, supported by the World Bank and verified by Vigeo Eiris. Proceeds will go to a variety of mitigation and adaptation projects. Examples include the Cairo monorail, El-Dabaa desalination plant, and a 250MW windfarm in the Gulf of Suez.

Analysis

WHAT MADE THIS PROJECT SUCCESSFUL?	<ul style="list-style-type: none"> • The green bond was a good fit for Egypt's development strategy, climate strategy, and Medium-Term Debt Management Strategy, making it an ideal instrument to pursue from several perspectives. • Government of Egypt support, including by designing the GFF, was instrumental to supporting the bond. • Egypt's strong fiscal position, reputation as a strong sovereign issuer, and experience with issuing on international markets were important preconditions for success. Technical support from the World Bank was helpful in introducing green bond-specific nuances.
TO WHAT EXTENT IS THIS MODEL SCALABLE?	Other themed instruments have successfully evolved based on the green bond model, such as sustainable bonds, sustainability-linked bonds, and blue bonds.
WHAT ARE THE NECESSARY CONDITIONS TO MAKE IT REPLICABLE IN OTHER COUNTRIES/REGIONS?	Green bonds have been successfully utilized in a variety of countries, including developing countries. However, countries with weaker credit ratings may need to seek private placement, sometimes with a development or impact investor such as IFC. Developing and verifying a domestic Green Bond Framework can be a powerful catalyst to successfully implementing themed debt such as green bonds.
CONSTRAINTS/DRAWBACKS OF FINANCING MODEL	N/A
LESSONS LEARNT	<ul style="list-style-type: none"> • The green bond was a good fit for Egypt's development strategy, climate strategy, and Medium-Term Debt Management Strategy, making it an ideal instrument to pursue from several perspectives. • Government of Egypt support, including by designing the GFF, was instrumental to supporting the bond. • Egypt's strong fiscal position, reputation as a strong sovereign issuer, and experience with issuing on international markets were important preconditions for success. Technical support from the World Bank was helpful in introducing green bond-specific nuances.