

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 5 October 2022¹

EGYPT

PROJECT MALLARD

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

As permitted by paragraph 2.6 of Section III of the Access to Information Policy, disclosure of this Board Report was deferred.

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ABBREVIATIONS / CURRENCY CONVERSIONS

AIU	Alamein International University
Capex	Capital expenditures
CBE	Central Bank of Egypt
CNG	Compressed Natural Gas
COP27	the Conference of the Parties, UN Climate Change Conference 2022 (UNFCCC COP27)
E&S	Environmental & Social
EGP	Egyptian Pounds
EHS	Environmental, Health and Safety
ESAP	Environmental & Social Action Plan
ETI	Expected Transition Impact
EUR	Euro
FA	Framework Agreement
FX rate	Foreign Exchange rate
FY	Fiscal Year (from July 1 st to June 30 th for Egypt)
GDP	Gross Domestic Product
GoE	Government of Egypt
MEI	Municipal and Environmental Infrastructure
MHUUC	Ministry of Housing, Utilities and Urban Communities of Egypt
MoE	Ministry of Environment of Egypt
MoF	Ministry of Finance of Egypt
MOIC	Ministry of International Cooperation of Egypt
NCCS	National Climate Change Strategy
NUCA	New Urban Communities Authority
PP&R	Procurement Policies & Rules
PRs	Performance Requirements
PTI	Portfolio Transition Impact
SDG	Sustainable Development Goal
SPV	Special Purpose Vehicle
TC	Technical Cooperation
USD	United States Dollar
WRMP	Water Resources Management Plan
WSS	Water & Sanitation Strategy
FX rate	EGP 19.71 = EUR 1

PRESIDENT’S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour El Taamir for Securitization Company (“**El Taamir**”, the “**Issuer**”), a Special Purpose Vehicle (“**SPV**”) incorporated in Egypt and established by the New Urban Communities Authority (“**NUCA**” or the “**Sponsor**”), acting as a municipal authority for newly created urban communities in Egypt, are submitted for consideration by the Board of Directors.

The facility will consist of the Bank’s participation in an amount of up to EGP 1,380 million (up to EUR 70 million equivalent), including fees and accrued interest linked to the purchase of the bonds, in a receivable securitisation local currency multi-tranche bond programme (the “**Issuance**”) to be listed on the Egyptian Stock Exchange. The Issuance will benefit from a payment guarantee by the Ministry of Finance (“**MoF**”). The Issuer will use the bond proceeds to acquire a portfolio of NUCA’s receivables. NUCA will then use the funds from the overall Issuance for general corporate purposes, including capital and operating expenditures, given its mandate as an urban infrastructure developer. [REDACTED].

The Government of Egypt (“**GoE**”) has been undertaking various initiatives to achieve inclusive and sustainable growth in cities. In line with these efforts, the primary transition quality of the Project is *Well-Governed* as (i) it will assist NUCA to pilot the implementation of the Water and Sanitation Strategy (“**WSS**”), currently under development by the Ministry of Housing, Utilities and Urban Communities (“**MHUUC**”) to build a sustainable trajectory for water management in Egypt, in one of its new cities [REDACTED]. The secondary transition quality of the Project is *Resilient* as the Bank’s participation will (i) support the largest securitised issuance in Egypt to date, including a tranche with the longest tenor issued by NUCA so far, and (ii) support NUCA in preparing for a potential green bond issuance to diversify its funding sources and investor base. The Project will also be Gender Additional by supporting NUCA to mainstream gender in the implementation of the WSS pilot, with activities aimed at addressing gender equality gaps through inclusive and gender-responsive service design.

To achieve these objectives, the Project structure includes a comprehensive Technical Cooperation (“**TC**”) package of EUR 810,000, including assignments on (i) Capacity Building and Deployment of Water Resources Management Plan (“**WRMP**”), (ii) Green Bond Development, and (iii) Environmental & Social Action Plan (“**ESAP**”) and Implementation support. The funds are expected to be provided by the SECO Sector Reform and Capacity Building Programme and the High Impact Partnership on Climate Action (“**HIPCA**”).

I am satisfied that the operation is consistent with the Bank’s Country Strategy for Egypt, Municipal and Environmental Infrastructure (“**MEI**”) Sector Strategy, the Strategy for the Promotion of Gender Equality and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed investment substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

EGYPT – Project Mallard - DTM 54029	
Transaction / Board Decision	Board approval ² is sought in an amount of up to EGP 1,380 million (up to EUR 70 million equivalent), including fees and accrued interest linked to the purchase of the bonds, in a receivables securitisation local currency bond programme, consisting of five tranches with varying return and maturity, in favour of El Taamir, a SPV incorporated in Egypt. The Issuer will use the bond proceeds to acquire a portfolio of NUCA's receivables. NUCA will use the funds received from the Issuer for general corporate purposes, including capital and operating expenditures, given its mandate as an urban infrastructure developer. [REDACTED].
Client	The SPV was established by NUCA, an economic authority responsible for developing Egyptian real estate resources in new urban communities, to securitise its assets. NUCA is legally independent, but it is fully owned and controlled by the GoE through the MHUUC.
Main Elements of the Proposal	<p><u>Transition impact:</u> The primary TI quality is <i>Well-Governed</i> as (i) the Project will assist NUCA to pilot the implementation of the WSS, currently under development by the MHUUC, to build a sustainable trajectory for water and waste water in Egypt, in one of its new cities [REDACTED]. The secondary TI quality is <i>Resilient</i> as the Bank's participation will (i) support the largest securitised issuance in Egypt to date, including a tranche with the longest tenor issued by NUCA [REDACTED], which will help to establish pricing reference points across the yield curve facilitating longer term issuances by other local market participants, and (ii) support NUCA in preparing for a potential green bond issuance to diversify its funding sources and investor base.</p> <p><u>Additionality:</u> The Bank's participation will build NUCA's capacity for implementing projects in accordance with the Bank's PRs, support advancement of water and wastewater sustainability, with due consideration of inclusive and gender-responsiveness, and prepare NUCA to issue green bond in the future when the timing is right.</p> <p><u>Sound banking:</u> Due diligence results confirm that the key risks related to the transaction are acceptable.</p>
Key Risks	Key risks include <i>market risk</i> and <i>repayment risk</i> , which are mitigated by a payment guarantee from the MoF, acceptable country risk and strong underlying receivables.
Strategic Fit Summary	The Project is consistent with (i) the Country Strategy for Egypt as it provides support on sustainable water management within the cities developed by NUCA and also assists NUCA to take the first step towards a potential green bond issuance in the future; and (ii) Municipal and Environmental Infrastructure (MEI) Sector Strategy by supporting NUCA to pilot WSS implementation in one of its new cities.

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	<p>Participation in an amount of up to EGP 1,380 million (up to EUR 70 million equivalent), including brokerage fees and accrued interest linked to the purchase of the bonds, in a receivable securitisation local currency bond by El Taamir, a SPV established by NUCA, a designated entity under the MHUUC acting as a municipal authority for newly created urban communities in Egypt. El Taamir is owned [REDACTED] by NUCA, [REDACTED] Housing and Development Bank, and Al Taamir Mortgage Finance.</p> <p>The multi-tranche Issuance of EGP 20 billion (c. EUR 1.01 billion) will benefit from a payment guarantee from the MoF and will be listed on the Egyptian Stock Exchange. [REDACTED].</p>
Existing Exposure	[REDACTED] The Bank's sovereign exposure in Egypt: The sovereign portfolio is EUR 1,989 m as of August 2022.
Maturity / Repayment	[REDACTED]
Potential AMI eligible financing	Not applicable
Use of Proceeds	<p>Bond use of proceeds: The Issuer will use the bond proceeds to acquire a portfolio of NUCA's receivables. NUCA will then use the funds for general corporate purposes including capital and operating expenditures, given its mandate as an urban infrastructure developer.</p> <p>[REDACTED]</p>
Investment Plan	The Bank's proceeds, net of fees and accrued interest, will be invested in Sub-Projects, whose criteria will include those related to the water sector, but could include a range of municipal infrastructure projects, such as water, sanitation, pumping stations and water storage, street lighting, power transmission among others. [REDACTED].
Financing Plan	[REDACTED]
Key Parties Involved	<ul style="list-style-type: none"> • Issuer: El Taamir • Sponsor and Originator: NUCA • Guarantor: MoF [REDACTED]
Conditions to subscription	Signing of the Framework Agreement [REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Asset-backed bond secured by the underlying portfolio of receivables; Payment guarantee from the MoF
Other material agreements	Framework Agreement Bond Prospectus
Associated Donor Funded TC and co-investment grants/concessional finance	<p>A. Technical Cooperation (TC)</p> <p><i>Post-signing TCs:</i></p> <p><u>TC1: Capacity Building and Deployment of Water Resources Management Plan (WRMP)</u>: Given NUCA's overarching mandate to develop, manage and integrate entire new cities in Egypt, the assignment will support NUCA to deploy the MHUUC's WSS at an implementable level for a new city as a pilot. In addition, the Project will mainstream gender and inclusion in the implementation of the WSS</p>

	<p>pilot. The estimated cost for this assignment is up to EUR 250,000, expected to be funded by SECO Sector Reform and Capacity Building Programme.</p> <p><u>TC2: Green Bond Development:</u> Given its track record of successful bond issuances, there is an opportunity for NUCA to identify uses of funds for sustainable projects and potentially develop and issue its first green bond at a future date through the support of this assignment. The assignment will assess the readiness of NUCA for green bond issuance, develop an action plan to prepare for such issuance and provide necessary support in the action plan implementation, including drafting a Green Finance Framework. The estimated cost for this assignment is up to EUR 75,000, expected to be funded SECO Sector Reform and Capacity Building Programme.</p> <p><u>TC3: ESAP and Implementation Support:</u> The Bank will deploy an E&S specialist, supported by sectoral and financial experts to assist NUCA in building its capacity to meet the Bank's PRs as well as in the overall implementation [REDACTED]. Furthermore, the consultant will coordinate with the consultant selected for the Capacity Building and Deployment of WRMP TC assignment and elaborate, where possible, the alignment of the investment with the WSS and the WRMP. The estimated cost for the assignment is up to EUR 485,000, expected to be funded by HIPCA.</p> <p>The Sponsor is a budgetary entity owned by the GoE, while the bonds will be issued by a SPV with restrictions on the uses of funds from the securitisation exercise as per the mandate from NUCA/MHUUC. As such, the TC support for this Project falls under the '<i>Affordability constraints</i>' and '<i>Public sector - policy and legal reform and implementation</i>' qualifying considerations of the Bank's 'Client contributions to Technical Cooperation' Policy.</p>
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[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

NUCA has embarked on an ambitious investment plan to develop a number of new cities on desert land to accommodate Egypt's growing population and redistribute the population away from the Nile Delta narrow strip, stimulating the economy and creating new job opportunities. NUCA has developed around 40 cities since its establishment with the strong support from the private sector, mainly from real estate developers and contractors. Given the growing need in public investment to develop new cities to mitigate the economic and environmental impact of various challenges related to growing urbanisation such as congestion, air pollution, water stress, NUCA is planning its largest issuance to date (EGP 20 billion, ~ EUR 1.01 billion), with the longest tenor seen thus far by a State Owned Enterprise ("SOE"). The issuance also represents a deepening of a market segment (innovative use of securitised lending by public sector actors), which has re-emerged since late 2019.

Water and Sanitation Distress and GoE Response

NUCA is undertaking its investment mandate against the backdrop of extreme water-related stress, a situation that effects all of Egypt. Indeed, the water sector in Egypt is facing [REDACTED] challenges, including water demands of a growing population. The Nile River represents 96% of the available resources for the country with 85% of the Nile water being used for irrigation. With the Nile being a trans-boundary river, Egypt is highly dependent on upstream countries for its water security. For instance, the supply-demand deficit in Cairo is estimated at 218 million m³ per annum. [REDACTED]. The level of sanitary network connections remains [REDACTED] low in rural areas [REDACTED] in [REDACTED] contrast to urban areas [REDACTED]. By some estimates, around USD 13 billion of investments are required to achieve full sanitation service coverage, which will only increase with new city developments.

In light of these challenges, there are a number of initiatives under development by the Government on effective water and wastewater management. One such initiative is the WSS under development by the MHUUC, which is expected to build a sustainable trajectory for water and waste water in Egypt at all levels and, if formally approved, incorporated and implemented by the MHUUC, it could have significant positive results in the way that GoE plans, resources and delivers long term sustainable water and sanitation services. In parallel, the Ministry of International Cooperation ("MOIC") and the Ministry of Environment ("MoE") have launched the National Climate Change Strategy ("NCCS") ahead of COP27 in an effort to consolidate all dimensions of climate change and planning up to 2050. One of the 5 pillars of this strategy is water sustainability under nexus of Water, Food and Energy, covering demand and supply side interventions (the latter including water desalination from solar energy) and climate adaptation.

Considering NUCA's overarching mandate to develop, manage and integrate entire new cities in Egypt and its strategic position to implement initiatives around the water and sanitation nexus, such as the WSS, the Bank will support sustainable development of the water and wastewater sector in the country under [REDACTED] a comprehensive set of TC assignments to build capacity at the level of NUCA to meet the Bank's E&S requirements in the implementation of the capex. A separate TC assignment will also target building the necessary

institutional capacity to develop a sustainable, efficient, inclusive and gender-responsive pilot WSS at the level of NUCA.

Diversification of Funding Sources using Capital Market Instruments

To further cement sustainability of NUCA's investments and projects going forward, the Bank will support NUCA to target green finance instruments to diversify its financial product range as well as its investor base through this transaction. Green bonds have been playing an increasingly important role in channelling green finance at scale to projects that have positive climate and/or environmental benefits. Despite exponential growth, with over USD 280 billion issued globally in 2020, green bonds still represent less than 0.5% of debt securities issued globally, with the majority coming from developed markets. [REDACTED] The market has been dominated by issuances by financial institutions and energy utilities, whereas corporates outside of those sectors have been less active in tapping the green bond market.

As such, building on NUCA's impressive track record in bond issuance, the Bank will support NUCA in developing a Green Bond Framework to prepare for its potential green bond issuance subject to its investment needs through a dedicated TC assignment. This would be the first green bond to be issued by an Egyptian SOE and would act as a platform for further investments on green initiatives.

Strategic Alignment

The transaction is consistent with the key objectives of the Egypt Country Strategy such as (i) *"improved quality, efficiency and environmental sustainability of infrastructure"* through provision of a support on sustainable water management within the cities developed by NUCA as well as (ii) *"diversifying the range of financial products"* through facilitating development of dedicated green financial instruments by providing support to NUCA on a potential green bond issuance. The transaction is also consistent with the strategic priorities of the MEI Sector Strategy, including *"Priority 1: Provide access to enhanced infrastructure"*, by scaling up *"impact in cities through repeat investments supporting the green agenda"* through assisting NUCA, an existing Client of the Bank, to pilot the implementation of the WSS in one of its new cities.

The Project is also consistent with the Bank's Strategy for the Promotion of Gender Equality (2021-25), including the promotion of gender equality in the infrastructure sector by creating access to services, public good and public realms where their use can open up economic opportunities for women. This is underpinned by supporting the capacity building of NUCA on gender-responsive and participatory service design and delivery.

The Project fully supports the ambition of the United Nations in providing universal access to wastewater services under its Sustainable Development Goal ("SDG") №6 Clean Water and Sanitation; responsible recycling of treated effluent also fulfils SDG №12 Responsible Consumption and Production.

Track Record of the Issuer / Sponsor

The Issuer and the Sponsor have a strong track record with the EBRD under Project Swan. For the previous issuances that the Bank has taken part, coupons have been paid on time [REDACTED]. At the same time, the Sponsor has demonstrated its commitment to implement the transition agenda agreed under each of the previous transactions. Expected Transition Impact (or **"ETI"**) for the transaction was 60 at the time of the Board approval, while Portfolio Transition Impact (or **"PTI"**) in 2022 is 83 reflecting significant progress on the transition agenda.

1.2 TRANSITION IMPACT

Primary Quality: Well Governed

Obj. No.	Objective	Details
1.1	<i>The project and associated TC activities will mandate the introduction of municipal or regional authority (i.e. multi-municipality) to plan and coordinate infrastructure provision where such arrangements are not common in the country.</i>	Given its overarching mandate to develop, manage and integrate entire new cities in Egypt, NUCA is in a strategic position to implement strategies, such as the WSS, in practice and adopt successful management and planning of water resources in the cities under its management and development. The WSS is expected to 1) establish the baseline for water and sanitation; 2) provide institutional guidance towards results based capex financing; 3) guidance on financial and regulatory aspects such as tariff policy and results based subsidies; 4) trajectory for private sector engagement such as performance based contracts. As such, the Project structure includes a comprehensive TC support for NUCA to pilot the implementation of the WSS (once approved) on a smaller scale in one of the new cities under its oversight. This pilot is expected to include well-articulated targets for improved performance linked to water efficiency, effective implementation of consumption based water bills and/or performance based contracting with private operators. The pilot is also expected to include a dedicated focus on mainstreaming gender equality considerations and building capacity of NUCA to deliver inclusive and gender-responsive services. [REDACTED].

Secondary Quality: Resilient

Obj. No.	Objective	Details
2.1	<i>First in the country - The project and associated TC support will help building necessary institutional capacity and procedures for sustainable and efficient infrastructure asset management as one of the first three times in the country.</i>	NUCA has demonstrated commitment to sustainable development and green investments with 6 th of October, under NUCA's management, having been the first city in Egypt to participate in the EBRD's flagship Green Cities Programme enabling the development of a Green City Action Plan to help the city to prioritise its most pressing environmental challenges and develop a plan for investments to pursue the green agenda. Given this commitment as well as NUCA's successful track record in bond issuance and Egypt's focus on developing green capital market products, green bonds could be the next natural stepping stone in NUCA's fund raising activities. As such, the Project structure includes a dedicated TC assignment to support development of a Green Finance Framework for NUCA to set the trajectory and possibility for future issuances to be green bonds.
2.2	<i>The transaction contributes to capital market development by having a longer maturity than the previous longest-tenor issuance in the market** in the past year (debt instrument).</i>	The Bank's participation in the Issuances will assist NUCA's local currency bond programme, supporting and enabling the longer maturity [REDACTED] than the previous longest-tenor issuance (7 years) by NUCA. The Issuance will help establish pricing reference points across the yield curve facilitating issuance by others on the domestic capital market. The issuance will be a private placement, but listed on the Egyptian stock exchange post-issuance and will be rated by a local credit agency.
2.3	<i>At least 80% of the issuance is expected to be placed with private non-IFI investors.</i>	The EBRD is expected to be the only IFI to subscribe to the Issuance.
2.4	<i>The issuance will be a private placement but listed on an exchange post issuance.</i>	100% of the bond issuance will be offered for private placement and will be listed on the Egyptian Stock Exchange.

Delivery Risks: The TI delivery risk stems from the willingness and/or capacity of NUCA as well as MHUUC, as NUCA's overarching ministry, to implement fully the TC assignments and achieve the transition objectives. The risk is mitigated by NUCA's commitment for green development as evidenced by 6th October City, under NUCA's management, having become the first city in Egypt to join EBRD's flagship Green Cities Programme enabling development of a plan for investments to pursue the green agenda as well as the Government's focus on sustainable water management in light of the growing challenges due to climate change.

1.3 ADDITIONALITY

Identified triggers	Description
A subsequent/consecutive transaction (issuance) with the same client/group either with the same use of proceeds or in the same destination country (repeat transaction).	The Bank's participation will build NUCA's capacity for implementing projects in accordance the Bank's PRs, support the advancement of water and wastewater sustainability, as well as kick-start NUCA's trajectory to potentially issue green bonds in the future. The Bank's participation in the issuance will also support the placement of the largest and longest tenure, local currency securitised bond in the Egyptian market.

Additionality sources	Evidence of additionality sources
Policy, sector, institutional, or regulatory change EBRD's involvement in a project is considered additional when it is designed to trigger a change in the policy, sector, institutional or regulatory framework, or enhance practices at the sector or country level (e.g., an introduction of cost-reflective pricing of energy, water etc.).	The Project structure includes a comprehensive TC support to (i) pilot the implementation of the WSS at a city scale in one of the new cities under NUCA's oversight, while supporting inclusive and gender-responsive water services and resource management; (ii) development of a Green Bond Framework to build the necessary capacity and trajectory to green bond issuance in the future; as well as (iii) build capacity at NUCA using the Bank's PRs.
Standard-setting: helping projects and clients achieve higher standards Gender SMART - Client seeks/makes use of EBRD expertise on gender standards and/or equal opportunities action plans (e.g. improving women's access to safe transport and/or women-led businesses participation in the client supply chain).	The TC assignment will also assess the needs, provide recommendations and support capacity building and organisational development to enable NUCA to build requisite skills and knowledge for gender-responsive water services and resource management, and to promote equal opportunities at the level of NUCA and throughout the sector.

1.4 SOUND BANKING - KEY RISKS

Risks	Prob/ Effect	Comments
Underlying receivables	<i>Medium/ High</i>	The receivables under the securitized contracts might cease to exist in case the contracts are rendered null and void, either due to the debtors' failure to settle their financial obligations under the contracts, or due to their failure to complete the development of the land as per their contractual obligations. The risk is mitigated as the underlying contracts form a diversified portfolio with different counterparties [REDACTED]. The risk is further mitigated by the MoF payment guarantee. Furthermore, in the case of non-payment, the land related to the underlying receivables will be withdrawn from the developer and resold in the market with the proceeds to be redirected to the bond holders.
Market risk	<i>Medium/ High</i>	The risk is related to the real estate risk in Egypt, as the value of underlying assets of the securitised portfolio depends on property prices, as well as construction material cost and land price. The risk is mitigated by growing property demand, large public construction projects and the expected annual

		average growth rate (AAGR) of the Egyptian construction market size of more than 10% during 2023-2026 ³ .
Country risk / MoF Guarantee	<i>Medium/Medium</i>	Egypt's economic growth doubled in FY ⁴ 2021-22 to 6.6%, although fast-paced recovery levelled off in the last quarter as global conditions worsened. In the first three quarters of FY2021-22, growth reached 7.8%, compared to 1.9% in the same period of the previous fiscal year, driven by strong manufacturing growth, a rebound in Suez Canal revenue and an expansion in construction activities. However, growth decelerated in the fourth quarter (April-June 2022), held back by a muted private sector recovery, although gas exports provided some counterweight to costlier oil imports. The fiscal deficit narrowed thanks strong growth in tax revenues, but increased subsidies expenditure will likely reverse some of the improvement. [REDACTED] Egypt's credits ratings are B2 Negative by Moody's as rated on 26 May 2022, B stable by S&P as rated on 11 May 2018 and confirmed on 26 April 2022, and B+ Stable by Fitch as rated on 21 March 2019 and confirmed on 21 April 2022.
Interest basis risk	<i>Medium/Low</i>	The yield on the Issuance is variable and linked to Central Bank of Egypt ("CBE") corridor rate. The risk is limited to EBRD as the Bank's cost of funds for the transaction is expected match that of the reference rate for the offering (CBE corridor rate).
Repayment risk	<i>Low/Low</i>	The Issuance will be backed by the receivables from the sale and development of the land with real estate developers in Egypt. The risk is further mitigated by the MoF payment guarantee in the form of irrevocable standing instructions to the CBE to access the MoF account held with the CBE and transfer any insufficient amounts for payment under the bond to the account of the Issuer.
Prepayment risk	<i>Medium/Medium</i>	[REDACTED] The prepayment risk is acceptable as it balances the repayment risk.

2. MEASURING / MONITORING SUCCESS

<i>Overall objectives of project</i>	<i>Monitoring benchmarks</i>	<i>Implementation timing</i>
- Successful placement of the full amount of the Bond	- Investors subscribe to the full issue	- [REDACTED]

Primary Quality: Well-Governed

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date	TC
1.1	Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholder(s) [REDACTED] [TC]	WSS approved by the MHUUC.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholder(s) [REDACTED] [TC]	WRMP approved to enable WSS pilot implementation in one of the cities managed by NUCA – where such pilot should include improved water efficiency (reuse), consumption based water	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

³ <https://www.globaldata.com/store/report/egypt-construction-market-analysis/>

⁴ Fiscal Year in Egypt is from July 1st to June 30th

		billing and/or performance based contracting with private operator.				
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Secondary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date	TC
2.1	Issuance listed on a national or/and international exchange	The issuance is listed on the Egyptian Stock exchange.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Maturity of the New Issuance or Average Tenor of the Portfolio	The bond [REDACTED] with the longest tenor issued by NUCA to date, is successfully issued and subscribed by the investors.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Practices of the relevant stakeholder improved (operational) [REDACTED] [TC]	The Green Bond Framework approved by NUCA	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.4	Volume of new capital market activity raised	The bond of EGP 20 billion (ca. EUR 1 billion) is successfully issued.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.5	Share of non-IFI/non-DFI institutional investors in capital market instrument or equity fund at the issuance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Additional Indicators

Indicator type	Monitoring indicator	Details	Baseline	Target	Due date	Donor
Advisory and Policy Indicators	Recommended policy or strategy agreed by relevant stakeholder(s)	The Project will support NUCA in mainstreaming gender in the implementation of the WSS pilot.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Advisory & Policy Indicators	New financing instrument or method introduced: green bonds [TC]	Green Bond issued subject to investing needs of NUCA.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Green Economy Transition	CO2e emissions reduces (tonnes/year)	CO2 savings in tonnes per year	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Green Economy Transition	New or updated GET technology or product leading to energy efficiency introduced	Number of LED street lightings installed	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 ISSUER – EL TAAMIR

El Taamir is a SPV established in 2009 by NUCA to securitise its portfolio of land sale contracts with the objective of providing NUCA with the necessary liquidity to finance its new

cities infrastructure development. El Taamir is owned [REDACTED] by NUCA, [REDACTED] Housing and Development Bank, and [REDACTED] Al Taamir Mortgage Finance

El Taamir has made 6 successful bond issuances in the past, with the new bond expected to be its largest issuance. The bond issuance programme, in which the Bank participated under Project Swan, was the largest securitized issuance in Egypt at the time. [REDACTED].

3.2 SPONSOR – NUCA

NUCA is the public body responsible for the proposal, design, implementation and follow-up of plans, policies and implementation of the establishment of new urban communities in accordance with the GoE's economic and social development plans. NUCA was established, in 1979, as an affiliated entity under the MHUUC to be an economically independent entity, enjoying considerable financial autonomy and self-sufficiency.

NUCA's strategy is to develop new towns on desert land, which is allocated to NUCA by the GoE. The objective is to redistribute the population away from the narrow Nile Delta strip, stimulating the economy and creating new job opportunities. NUCA has been involved in the planning and development of around 40 new cities, such as 6th of October, New Cairo, Sadat City and New Alamein, including basic infrastructure development, and management of municipal services through subsidiary municipal entities each of which is in charge of one new city. NUCA's track record also includes developing subsidised housing projects for low income groups, and offering attractive land buying opportunities in order to draw in investors/real estate developers while issuing the necessary construction permits.

Please see Section 4 for further details on NUCA's operations.

3.3 GUARANTOR – MINISTRY OF FINANCE

Egypt's economic growth doubled in FY⁵2021-22 to 6.6%, although fast-paced recovery levelled off in the last quarter as global conditions worsened. [REDACTED]. Please refer to Annex 2 for further details on Egypt's macroeconomic analysis.

4. MARKET CONTEXT

There is high demand for property in Egypt with demand for residential units outstripping supply. This is due to the continuous population increase, which is expected to reach 190 million by 2052. Due to this and the scarcity of developed land in Egypt, the GoE plans to expand the populated area from 7% to 12%. NUCA, therefore, plays a crucial role for the Government in this context.

NUCA has developed around 40 cities since its establishment with the support of the private sector. Among these developments are the two key satellite cities in the vicinity of Greater Cairo (New Cairo and 6th of October) with a current population of 8.9 million people and expected to grow to 17 million people. A total of 3.1 million housing units were built in the new cities to date, of which NUCA built 1.1 million units, most of which are subsidised housing for low-income groups. The private sector built the remaining units through a mix of real estate developers, individuals building their own houses and housing cooperatives constructing housing complexes. The land plots for these developments were sold to the developers and

⁵ Fiscal Year in Egypt is from July 1st to June 30th

individuals mainly through auctions, which generated proceeds for NUCA to recycle financial resources and develop new cities. [REDACTED].

NUCA is currently engaged in the development of 14 new cities which are expected to house 30 million people. These developments represent direct application of the GoE plans to expand Egypt's populated area to 12% which is also expected to stimulate the economy and represent excellent job creation opportunities due to the labour-intensive nature of the construction and real estate sectors. These developments attempt to cover the existing shortage in the supply of housing units in Egypt with annual demand estimated at 500,000 units per year according to some reports. The approach adopted by the Government in this context is to give NUCA control over the location of urban expansion, while encouraging the private sector to develop the serviced land sites. This represents a move towards public-private partnerships in developing property for urban expansion, away from the traditional approach where the GoE acts as both infrastructure investor and final developer. Land is either sold to the private sector developer, or provided through competitive bidding to private developers on the basis of revenue sharing arrangements, whereby NUCA receives a share of the project revenues in return for the land it contributes. This relatively new model has reportedly resulted in stimulating the real estate market in Egypt. It is favoured by the 3 key parties involved, i.e. the private sector developers, the buyers and NUCA. As for the private sector, this arrangement relieves the developers from the burden of having to pay large sums of advance payments for acquiring the land before the projects start generating revenues, and thus it gives more developers the opportunity to compete in the real estate market. The buyers also find it beneficial as the partnership with NUCA, being a state entity, gives them confidence that the project will be delivered, which makes it easier to market these projects off-plan. [REDACTED] Moreover, revenue sharing arrangements give NUCA more control on the mix of property being developed ensuring a fair allocation for low and middle-income groups. This complements the MHUUC's one million houses programme launched in 2014, in which NUCA plays a key role, and which relies heavily on regional private contractors in the construction of these units.

5. FINANCIAL ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (ESP 2019) and high-medium risk as this is a capital market transaction with our due diligence being limited to publicly available information. [REDACTED]. . The Environmental and Social Due Diligence (ESDD) was undertaken by ESD and was limited to a review of the Prospectus, past annual E&S reporting from NUCA, ESAP implementation progress under the Project Swan, as well as publicly available information relating to the Company and the bond issue. The level of available information has allowed for appropriate

assessment of risks in accordance with the Bank's Environmental & Social Policy (ESP) 2019 for this Project. Past reporting revealed that there are gaps with respect to implementation across PRs, particularly PR2 and PR5 and the need to further enhance capacity and understanding of the Client to implement projects in line with EBRD PRs, which will also be important for structuring new capex projects in the bond issue. The due diligence has not identified any significant E&S issues in relation to the anticipated use of proceeds for low-risk municipal investments in the bond issue. [REDACTED] An update of the corporate ESAP has been prepared and will be included as part of the Framework Agreement to commit the Client to developing policies and procedures for managing key E&S risks relating to their future operations in line with the Bank's PRs. A separate ESAP implementation support TC will be provided to enhance NUCA's E&S performance.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on the Issuer (El Taamir), the Sponsor/Originator (New Urban Communities Authority – NUCA) and their senior management, as well as on the arrangers and other related parties. Integrity due diligence was also conducted on the private developers of the securitised portfolio of receivables and contractors that will benefit from Bank funds. [REDACTED].

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the project.

ANNEXES TO OPERATION REPORT

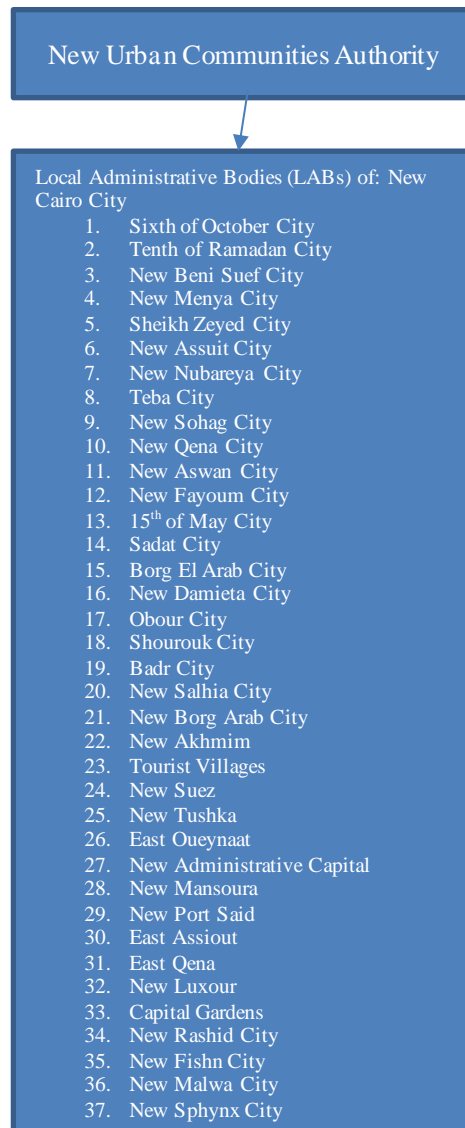
ANNEX 1	SHAREHOLDING STRUCTURE
ANNEX 2	EGYPT'S MACROECONOMIC SNAPSHOT
ANNEX 3	TRANSITION IMPACT SCORING CHART
ANNEX 4	GREEN ASSESSMENTS
ANNEX 5	PROJECT IMPLEMENTATION

ANNEX 1 – SHAREHOLDING STRUCTURE

1. Ministry of Housing, Utilities and Urban Communities:



2. New Urban Communities Authority:



ANNEX 2 – EGYPT’S MACROECONOMIC SNAPSHOT

Egypt’s economic growth doubled in FY⁶2021-22 to 6.6%, although fast-paced recovery levelled off in the last quarter as global conditions worsened. In the first three quarters of FY2021-22, growth reached 7.8%, compared to 1.9% in the same period of the previous fiscal year. This was driven by strong manufacturing growth, a rebound in Suez Canal revenue and an expansion in construction activities. However, growth decelerated in the fourth quarter (April-June 2022), held back by a muted private sector recovery, although gas exports provided some counterweight to costlier oil imports. Inflation surged to 15.6% in July 2022, fuelled by rising food and energy prices, as well as an exchange rate devaluation of more than 15%. Meanwhile, unemployment slightly decreased to 7.2% in the second quarter of 2022.

The fiscal deficit narrowed thanks strong growth in tax revenues, but increased subsidies expenditure will likely reverse some of the improvement. The fiscal deficit narrowed to 6.1% of GDP as revenues rose by 9.8% in the July-March period of FY 2021-2022. However, government spending grew by 10.2% during the same period, reflecting continued fiscal stimulus. In parallel, public debt decreased to 90% of GDP.

The current account deficit narrowed to an estimated 5.0% of GDP by the third quarter of FY2021-22, thanks to strong remittances and recovery in tourism income. However, the deficit has likely widened in April-June 2022 as import prices rose, FDI contracted and portfolio outflows increased significantly. As a result, foreign exchange reserves decreased to US\$ 33.1 billion in July 2022, covering less than 4 months of imports.

In response to global inflation, Egypt implemented a range of measures. In March 2022, the government announced a fiscal package of US\$ 7 billion to mitigate the impact of global inflation, including expedited salaries and pensions inflation adjustment. In July 2022, the government raised diesel prices by EGP0.5 per litre, aiming to alleviate pressure on the general budget - which is still expected to reach EGP 55 billion in diesel subsidies for FY2022-23. At the same time, the government announced a bonus of EGP 100 (US\$ 5.3) to the food subsidy cards for 6 months, to enable beneficiaries to cope with rising food prices. Egypt also postponed reforms to its bread subsidy system, which has been supporting large segments of the population place since the 1970s. Additionally, the scheduled annual raise in electricity tariffs taking place in July every year was postponed for 2022. [REDACTED].

Egypt has been negotiating a new support programme with the IMF since March. Key pillars of a programme would likely include objectives around FX policies, fiscal and debt management, and structural reforms, notably in the SOE sector and with a view to supporting private sector as an engine of growth. Following its staff visit in July, the IMF specifically highlighted the need for decisive progress on fiscal and structural reforms.

The Egyptian government advanced on some reforms, notably publishing its first state ownership policy in May 2022. The policy classifies sectors into three groups, where government will (i) withdraw mostly, (ii) withdraw partly and (iii) remain and/or expand its presence in upcoming years. Key sectors where private investment and privatisation will be encouraged include textiles, mining, chemicals, and food processing. In contrast, the authorities aim for an increased presence in transport, and financial and insurance activities. The plan aims to attract US\$ 40 billion in private investment in the next four years but specific implementation

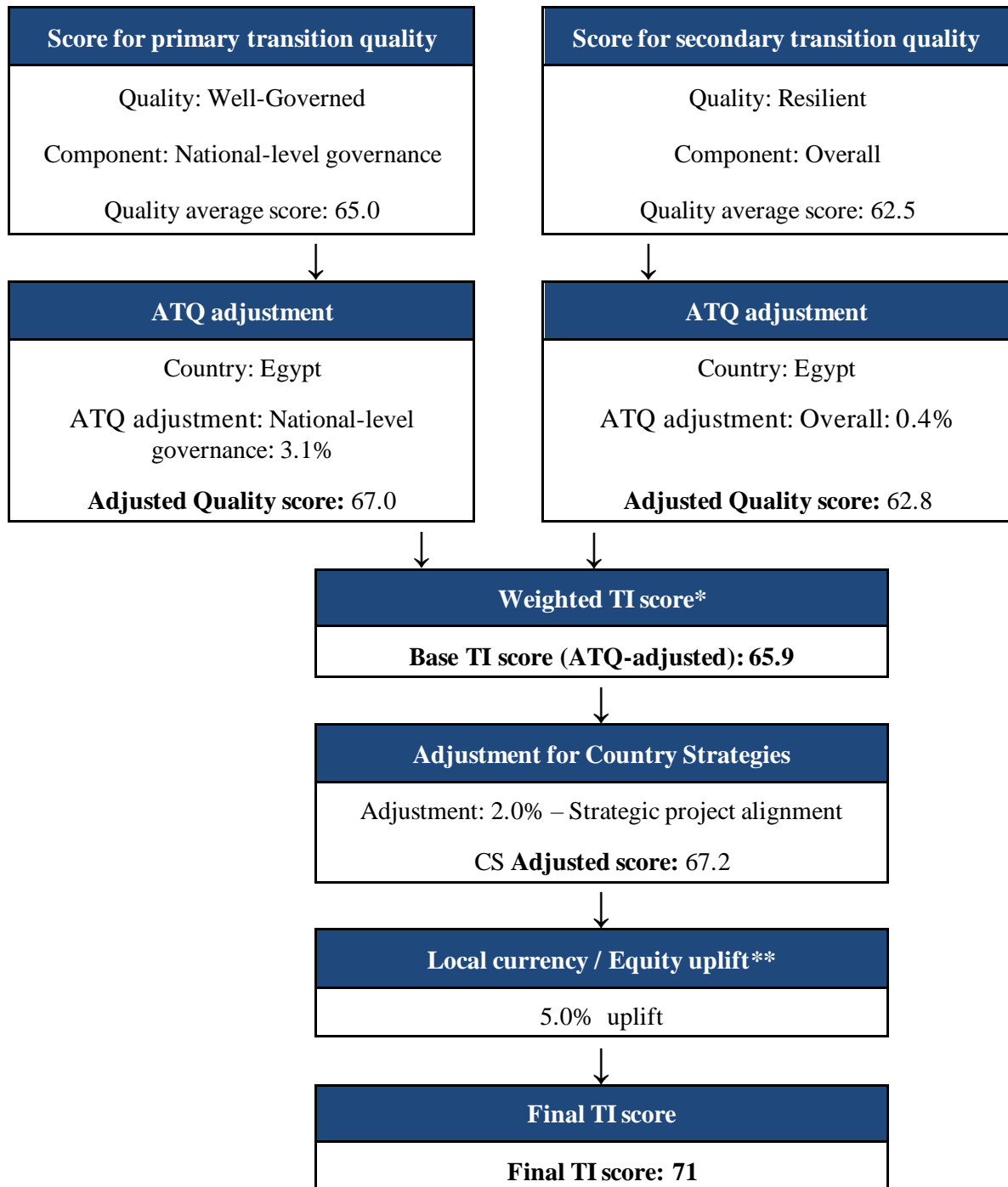
arrangements have not been published yet, while consultations with the public and private sector have been ongoing during the summer.

Egypt is committed to advancing the green transition, launching its “National Climate Change Strategy” in the run up to hosting COP27. Announced in May 2022, the strategy aspires to include adaptation and mitigation programmes in all sectors until 2050 - with a focus on energy, transport, agriculture and water resources. Egypt is also hosting the COP27 in November, which is widely seen as an opportunity to focus more on the impact of climate change least-developed countries, notably in Africa. Egypt will also aim to raise its profile as a leader in emerging green technologies like green hydrogen production (and associated renewable energy production) and industrial-scale desalination.

Public (and private) investments to support the green transition will remain a driver of future growth, notably in transport and sustainable infrastructure. The government remains committed to continued reforms under Vision 2030 and the second-phase reform planning. This includes significant investments in the transport sector and sustainable infrastructure, reflected for example in plans to promote electric vehicles and e-mobility as well as commitments under Green Cities Action Plans. For FY2021/22, the government doubled its targeted investments in transport to EGP 244.7 billion (or 3.9% of GDP).

In recent years, public investment in road networks and new cities has partially alleviated congestion, but more is needed to mitigate the economic and environmental impact. A study by Masarat, a transport planning consultancy firm, estimates the economic cost for Greater Cairo at more than US\$2.6 billion each year, or approximately 5% of GDP.

ANNEX 3 – TRANSITION IMPACT SCORING CHART



ANNEX 4 – GREEN ASSESSMENTS

[REDACTED]. A Paris Alignment assessment was undertaken on a best efforts basis considering NUCA's mandate and overall investment activities, and on this basis the Project is considered as low-risk for Paris non-alignment based on the information available and the brief list of use of proceeds. The Issuances will benefit from a guarantee by the Ministry of Finance ("MoF"), and as such the transaction is categorised as Sovereign for the Bank's risk management purposes. Climate-related financial risk assessments are thus not applicable.

The Project's GET share is 7 per cent.

Paris alignment assessment

The development and construction of wastewater treatment infrastructure in new cities [REDACTED] is considered automatically aligned including treatment and collection of sewage, sludge treatment, wastewater reuse technology and resource recovery technologies. For the capital expenditures, the bank's proceeds will be invested in accordance to certain criteria. Nonetheless, it is possible to ascertain from publicly available information the types of assets that NUCA is mandated to develop, and an indicative Paris Alignment assessment was performed on a best-efforts basis, following the existing approved methodology for directly financed EBRD investments. The assets making up NUCA's investments are housing, water and sanitation, (urban) roads, electricity distribution, telecoms, and other services in new urban developments.

Mitigation goals of Paris Agreement

An important share of the investments undertaken by NUCA would be considered automatically aligned for BB1 (mitigation), including wastewater treatment, water and sanitation, electricity distribution, and telecoms. Based on the information available, the transaction is assessed as low risk for non-alignment with BB1.

Adaptation goals of Paris Agreement

Drought and increased water stress have been flagged as risks [REDACTED]. Such hazards may be exacerbated by problems with water management infrastructure and the Project is expected to help mitigate water and soil contamination through more effective and centralised treatment via wastewater treatment plants and effluent re-use. As part of the transaction, TC support is being provided to develop NUCA's capacity in the strategic context of management and planning of water resources that are built and implemented as its cities develop. This is expected to equip NUCA with the information and capacity to be able address climate risks related to water scarcity and management.

As a result of the lack of information on the specific assets for capital expenditures, detailed analysis of the hazards and incorporation of corresponding climate adaptation responses is not possible. In general, it would appear given the location of the more recent new urban developments (outside the Nile delta) that the main material climate hazard is similar to those identified [REDACTED] and include, drought and water stress.

The transaction is considered low-risk for non-alignment with BB2.

GET attribution

LED street lighting project [REDACTED] is found GET eligible. The Project is expected to lead to GHG emission reduction of 5,483 tCO₂eq per annum via use of LED lights (project scenario) over conventional units (baseline). The Project's GET share is 7 per cent. [REDACTED].

ANNEX 5 – PROJECT IMPLEMENTATION

In accordance to the Bank's Procurement Policies & Rules "PP&R" which became effective on 15 May 2022, updated in May 2022. Article 2.6 (c) of the PP&R 2022 provides for an exclusion to the application of the Bank's PP&R to the procurement of goods, works and services or consultancy services in instances when the procurement process is undertaken by a beneficiary of Bank financing that is provided through (i) a financial intermediary (excluding national central banks or national development institutions) or (ii) a Capital Market instrument. With regard the latter, the term Capital Market is defined in the PP&R 2022 as an organised market where buyers and sellers engage in the trade of financial securities, such as bonds and equities.

The Issuance is expected to be listed on the Egyptian Stock Exchange and is therefore excluded from the Bank's PP&R.