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Report No: RES35978

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESTRUCTURING PAPER

ON A

PROPOSED PROGRAM RESTRUCTURING

OF THE

INCLUSIVE HOUSING FINANCE PROGRAM

(LOAN NO. 8498-EG)

{APPROVED ON MAY 5, 2015}

TO THE

ARAB REPUBLIC OF EGYPT

April 10, 2019

Finance, Competitiveness And Innovation Global Practice  
Middle East And North Africa Region

CURRENCY EQUIVALENTS



**The World Bank**

Inclusive Housing Finance Program (P150993)

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(Exchange Rate Effective April 10, 2019)

Currency Unit = EGP

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EGP 1 = US\$0.06

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US\$ 1 = EGP 17.34

FISCAL YEAR

January 1 - December 31



### DATA SHEET (Inclusive Housing Finance Program - P150993)

Project ID	Financing Instrument	IPF Component
P150993	Program-for-Results Financing	No
Approval Date	Current Closing Date	
05-May-2015	30-Jun-2020	

#### Organizations

Borrower	Responsible Agency
Arab Republic of Egypt	Social Housing Fund, Social Housing and Mortgage Finance Fund

#### Program Development Objective(s)

The objective of the Program is to improve the affordability of formal housing for low-income households in the Arab Republic of Egypt and to strengthen the Social Housing Fund's capacity to design policies and coordinate programs in the social housing sector.

#### Summary Status of Financing

Ln/Cr/TF	Approval Date	Signing Date	Effectiveness Date	Closing Date	Net Commitment	Disbursed	Undisbursed
IBRD-84980	05-May-2015	10-Jun-2015	11-Nov-2015	30-Jun-2020	500.00	258.06	241.94

#### Policy Waiver(s)

Does the Program require any waivers of Bank policies applicable to Program-for-Results operations?  
No



## I. PROGRAM STATUS AND RATIONALE FOR RESTRUCTURING

### *Program Status*

1. The Program-for-Results (PforR) in the amount of US\$500 million was approved on May 5, 2015 and became effective on November 11, 2015. The Program was developed to be implemented over a 5-year period, and has 8 Disbursement-Linked Indicators (DLIs) designed to support the Government's Social Housing Program in the following areas: (i) institutional consolidation and capacity building; (ii) development of housing policy, and the design of regulations and program guidelines; (iii) measures to improve the effectiveness, transparency, and accountability of housing programs; (iv) demand-side housing programs.
2. Overall, the PforR is progressing well in achieving its development and intermediate development objectives, as well as the DLIs. Progress towards achieving the PDO and Implementation Progress have been rated no less than Moderately Satisfactory since project inception. Disbursement as of March 2019 is US\$258 million, representing 51.6% of the loan amount of US\$500 million.
3. Of the 4 PDO indicators, 1 has been met and 2 are progressing, while 16 of the 23 intermediate indicators have met or exceeded their targets. All target indicators in the PDO, Intermediate and DLIs, related to institutional capacity building, have been met successfully. As a result, the implementing agency, the Social Housing and Mortgage Finance Fund (SHMFF) (formerly Social Housing Fund) is a well-functioning institution with strong governance that includes a professional board and management team, robust internal controls and Monitoring & Evaluation systems to monitor progress and impact of housing policies. Given the wider scope of responsibilities and bigger mandate, SHMFF capacity will be further strengthened through a combination of new DLIs and DLRs in the context of the proposed Additional Financing (AF), currently under preparation for a Board approval in FY19.
4. Of the 8 DLIs, 5 have been fully achieved, while the other 3, namely DLI 5 "*Number of households receiving demand-side home ownership subsidies for new housing units in each fiscal year during program implementation under the AMP*" DLI 6 "*Number of new households participating in rental subsidy program in each fiscal year during Program implementation*" and DLI 8 "*Number of demand-side subsidies provided supporting the purchase or rental of housing units developed by private sector entities*", are lagging.
5. While DLI 5 has not reached its' projected targets as per project design, significant progress has been achieved and close to 181,000 subsidies have been delivered by SHMFF during the first half of the PforR implementation. The team notes that the delivery pace has plateaued at 10,000 subsidies per month mainly due to market capacity absorption limits and institutional capacity of SHMFF. With certain administrative and human resources reforms, SHMFF could potentially deliver up to 12,000 demand-side subsidies per month.
6. The limited progress in the other two DLIs were discussed with the authorities – especially during the Mid-Term Review (MTR) held in July 2018, and subsequent implementation support missions in August and October 2018 – and remedial measures were identified, which include potentially a private sector solution for DLI 6 and breaking down DLI 8 into 3 DLRs that would further stimulate the development of public-private partnerships. Discussion is ongoing, and



it was decided to treat any revisions and subsequent restructuring of these DLIs (#5, 6, 8) in the proposed AF. The AF would finance scaling up of exiting DLIs and introduce new DLIs.

### ***Rationale for Restructuring***

7. This restructuring proposes to: (i) amend the Loan Agreement and Program Agreement (Loan no. 8498-EG) to replace the Program Implementing Entity (PIE) from the Social Housing Fund (SHF) to the Social Housing and Mortgage Finance Fund (SHMFF); and (ii) extend the closing date by 22 months from June 30, 2020 to April 30, 2022. This will be the second restructuring of the PforR, and the first extension of the closing date. The first restructuring, approved in June 2017, revised the Demand-side Housing Subsidy Support Component to provide more flexibility in the indexing of income level of beneficiaries, and to allow for private management of the public rent component.

8. In June 2018, by Presidential Decree, the Government adopted Law 93 of 2018 establishing a fund named “Social Housing and Mortgage Finance Fund (SHMFF)” to replace the SHF, the PIE of the Inclusive Housing Finance Program, and the Mortgage Finance Guarantee. All funds, assets, and staffs of these two institutions were devolved to the SHMFF. As a result of the merger, the Bank conducted a fiduciary assessment of the SHMFF and concluded that both financial management and procurement arrangement have not been affected by the merger. The restructuring will amend the Program’s Loan Agreement (Ln. 8498-EG) to reflect the change of PIE from the SHF to the SHMFF. This legal change will also allow future disbursements to proceed. The Independent Verification Agent report for FY17/18 is currently under preparation and should become available in mid-April 2019.

9. The extension of the closing date would allow DLIs that are experiencing delays and are not expected to be met by the current closing date of June 30, 2020 to reach their targets. As noted above, DLIs 6 and 8 would be restructured in due time, while DLI 5 has a slower than expected pace of disbursement. This is because DLI 5 has plateaued at 10,000 subsidies per month, and the team is reviewing with the authorities the possibility of increasing the target upward to 12,000 per month. This will require additional time to reach its target of 725,000. In this regard, potential actions to unlock the bottlenecks in DLIs 6 and 8, as well as to accelerate the pace of delivery of DLI 5 were discussed with the authorities during the MTR and follow-up missions. This Action Plan will be implemented in the course of the proposed upcoming Additional Financing.

10. There are no overdue interim Unaudited Financial reports (IFRs) or overdue project annual audited financial statements. The latest audit report for the year ended June 30, 2018 was received and is satisfactory to the Bank. Fiduciary is rated Moderately Satisfactory in the December 2018 ISR.

11. The team confirms that the Project Development Objective (PDO) remains both achievable and is highly relevant to the priorities of the Government. Social housing remains a key Presidential priority since 2014, and in this context, the authorities has requested an additional financing of US\$500 m to the Inclusive Housing Finance Program which is under preparation for delivery in FY19.

## **II. DESCRIPTION OF PROPOSED CHANGES**

### **Amendment to Loan Agreement**



12. The project development objectives under paragraph 1 of Schedule 1 to the Loan Agreement are hereby deleted and amended to read as follows:

“The objectives of the Project is to improve the affordability of formal housing for low income houses in the Arab Republic of Egypt and to strengthen SHMFF’s capacity to design policies and coordinate programs in the social housing sector.”

13. Part A of the Program Description of Schedule 1 to the Loan Agreement is hereby deleted and amended as follows:

**“Part A: Institutional Strengthening of SHMFF**

1. Enhancing the capacity of SHMFF to improve the Borrower’s housing sector through, *inter alia*: (a) coordination and consolidation of housing entities and functions; (b) formulation of social housing policy, programs, regulations and procedures; and (c) preparation and implementation of reforms to improve the efficiency and equitability of the housing system.

2. Enhancing the effectiveness of SHMFF to provide oversight to the implementation of the Program through, *inter alia*: (a) the establishment of an improved management information system; (b) the establishment of a sound fiduciary management and governance structure; and (c) improving monitoring and evaluation capacity.”

14. All references to “SHF” in the Table in Section IV.A of Schedule 2 to the Loan Agreement are hereby deleted and replaced with “SHMFF”.

15. Section IV.B.4 of Schedule 2 is hereby deleted and replaced with the following:

“4. The Closing Date is April 30, 2022.”

16. The following definitions are hereby deleted and amended:

“13. “Program Implementing Entity” means SHMFF.”

“14. “Social Housing and Mortgage Finance Fund” or “SHMFF” means the Borrower’s Social Housing and Mortgage Finance Fund, established by the Promulgating Law on Social Housing and Mortgage Support Law 93 of 2018 as ratified by Presidential Decree of June 11, 2018 for the purposes of establishing a fund for social housing and mortgage support.”

**Change to the Program Agreement**

17. The Program Agreement between IBRD and SHF, dated June 10, 2015, is cancelled as of June 11, 2018, date of ratification of the Presidential Decree promulgating Law on Social Housing and Mortgage Support Law 93 of 2018, and replaced with a new Program Agreement between IBRD and SHMFF, the new PIE.



### III. SUMMARY OF CHANGES

	Changed	Not Changed
Change in Implementing Agency	✓	
Change in Loan Closing Date(s)	✓	
Change in Institutional Arrangements	✓	
Change in Implementation Schedule	✓	
Change in Program's Development Objectives		✓
Change in Program Scope		✓
Change in Results Framework		✓
Change in Cancellations Proposed		✓
Reallocation between and/or Change in DLI		✓
Change in Disbursements Arrangements		✓
Change in Disbursement Estimates		✓
Change in Systematic Operations Risk-Rating Tool (SORT)		✓
Change in Safeguard Policies Triggered		✓
Change in Legal Covenants		✓
Change in Technical Method		✓
Change in Fiduciary		✓
Change in Environmental and Social Aspects		✓
Other Change(s)		✓



**IV. DETAILED CHANGE(S)**

**IMPLEMENTING AGENCY**

Implementing Agency Name	Type	Action
Social Housing Fund	Implementing Agency	Marked for Deletion
Social Housing and Mortgage Finance Fund	Implementing Agency	New

**LOAN CLOSING DATE(S)**

Ln/Cr/TF	Status	Original Closing Date	Revised Closing(s) Date	Proposed Closing Date	Proposed Deadline for Withdrawal Applications
IBRD-84980	Effective	30-Jun-2020		30-Apr-2022	30-Aug-2022





**ANNEX 1: RESULTS FRAMEWORK**

**Results framework**

**Program Development Objectives(s)**

The objective of the Program is to improve the affordability of formal housing for low-income households in the Arab Republic of Egypt and to strengthen the Social Housing Fund's capacity to design policies and coordinate programs in the social housing sector.

**Program Development Objective Indicators by Objectives/ Outcomes**

Indicator Name	DLI	Baseline	End Target
<b>PDO</b>			
Number of targeted households accessing ownership and rental housing units with support from the Program (Number)		0.00	830,000.00
female-headed households as a percentage of beneficiaries (Percentage)		0.00	24.00
Percentage of Program beneficiaries in bottom 20% of the income distribution (Percentage)		0.00	50.00
Percentage of income spent on housing costs by Program beneficiaries (Percentage)		0.00	30.00
Establishment of a housing M&E system functioning and informing the Multi-Year Plan and Annual Targets (Yes/No)		No	Yes



### Intermediate Results Indicators by Result Areas

Indicator Name	DLI	Baseline	End Target
<b>Strengthening Governance and Institutional Set-up of Housing Sector</b>			
Completed executive by-laws, organizational structure, financing model, fiduciary arrangements, operating systems for the SHF (Yes/No)	No		Yes
SHF fully staffed as per organizational plan (Yes/No)	No		Yes
Internal audit function providing assurance services for the ownership and rental programs affiliated with the SHF established and operating (Yes/No)	No		Yes
Adequate staffing of social officers as per organizational plan (Yes/No)	No		Yes
Number of capacity building and training workshops conducted for the hired social workers at the Central and Governorate level. (Number)	0.00		27.00
<b>Enhancing Transparency and Accountability of Social Housing Programs</b>			
Mechanism to monitor occupancy of housing post-subsidy established and functioning as per DLI definition (Yes/No)	No		Yes
Percentage of rental housing units occupied by targeted beneficiaries at least 1 year after lease (Percentage)	0.00		75.00
Percentage of housing units occupied by low-income residents after at least 1 year (AMP) (Percentage)	0.00		85.00
Establish a unified social programs and beneficiary databases (Yes/No)	No		Yes
Establish an accountability and transparency mechanism established and functioning as per DLI definition (Yes/No)	No		Yes



Indicator Name	DLI	Baseline	End Target
Average time required to resolve complaints in AMP (days) (Days)		60.00	20.00
Percentage of resolved complaints received by SHF and Governorate housing offices (Percentage)		0.00	90.00
Annual published reports on complaints and how issues were resolved, including resolution rates (Yes/No)		No	Yes
<b>Improving Access to Affordable Housing</b>			
Number of households receiving demand side housing subsidies (AMP) for new units (Number)		0.00	725,000.00
Number of households participating in rental subsidy programs (Number)		0.00	105,000.00
Number of previously vacant units occupied 1 year after inclusion into the Program (Number)		0.00	30,000.00
<b>Promoting Well Located Social Housing</b>			
Percent of demand-side subsidies supporting the purchase or rental of housing units within a 60 minute travel time to an employment center (Percentage)		0.00	50.00
Percent of demand-side subsidies supporting the purchase or rental of housing units within a 45 minute travel time to an employment center (Percentage)		0.00	50.00
Percent of demand-side subsidies supporting the purchase or rental of housing units within a 30 minute travel time to an employment center (Percentage)		0.00	15.00
Percentage of land made available for SHF developments that complies with location and service criteria stated in Law (Percentage)		0.00	100.00



Indicator Name	DLI	Baseline	End Target
<b>Promoting Private Sector Participation in Low-Income Housing</b>			
Number of demand-side subsidies supporting the purchase or rental of housing units developed by the private sector (Number)		0.00	250,000.00
PPP guidelines publicly disseminated (Yes/No)		No	Yes
%of demand side subsidy supporting the purchase or rental of housing units developed by private sec (Percentage)		0.00	43.00

#### Disbursement Linked Indicators Matrix

<b>DLI 1</b>	Establishment and operation of an internal audit function within SHF providing assurance service for the ownership and rental programs affiliated with the SHF			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Process	No	Yes/No	25.00	60.00
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	No			
2020	Yes		25.00	



<b>DLI 2</b>	Establishing a housing M&E system functioning and informing the Multi-Year Plan and Annual Targets			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Process	No	Yes/No	25.00	20.00
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	No			
2020	Yes		25.00	
<b>DLI 3</b>	Establishment and functioning of an accountability and transparency mechanism			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Process	No	Yes/No	50.00	40.00
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	No			
2020	Yes		50.00	
<b>DLI 4</b>	Establishment by SHF of a functioning mechanism to monitor occupancy and vacancy of housing units by households receiving demand-side housing subsidy			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Process	Yes	Yes/No	50.00	40.00
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>



Baseline	No			
2020	Yes		50.00	
<b>DLI 5</b>	Number of households receiving demand-side homeownership subsidies for new housing units in each Fiscal Year during Program implementation under the AMP			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Outcome	Yes	Number (Thousand)	225.00	5.84
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	0.00			
2020	725.00		225.00	
<b>DLI 6</b>	Number of new households participating in rental subsidy programs in each Fiscal Year during Program implementation			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Outcome	Yes	Number (Thousand)	48.75	1.21
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	0.00			
2020	102.40		48.75	



<b>DLI 7</b>	Percentage of demand-side subsidies provided supporting the purchase or rental of housing units located within a commute of 60 minutes or less to an employment centre			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Outcome	Yes	Percentage	25.00	20.00
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	0.00			
2020	50.00		25.00	
<b>DLI 8</b>	Number of demand-side subsidies provided supporting the purchase or rental of housing units developed by private sector entities			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Output	Yes	Number (Thousand)	50.00	0.60
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	0.00			
2020	250.00		50.00	



**ANNEX 2: PROGRAM ACTION PLAN**

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement
Multi-institutional governance structure established and functioning to facilitate coordination across Government entities (Advisory Committee)			Client	Due Date	30-Jun-2015	
Establishment and functioning of a housing monitoring and evaluation system and an M&E unit within SHF, and the preparation of the Multi-Year Plan and Annual Targets informed by the M&E system		DLI 2	Client	Recurrent	Yearly	
Establishment by SHF of a functioning mechanism to monitor occupancy and vacancy of housing units by households receiving demand-side housing subsidy		DLI 3	Client	Due Date	30-Jun-2016	
Full staffing of SHF based on agreed organizational structure and staff skills			Client	Due Date	31-Jan-2016	
Integrate housing			Client	Due Date	30-Jun-2017	





location criteria and requirement to collect physical coordinates into housing program guidelines						
Monitoring and enforcement of location criteria for housing programs			Client	Due Date	30-Jun-2016	
The annual audited financial statements of the Program are issued on a timely basis and made public.			Client	Recurrent	Yearly	
The SHF needs to establish robust integrated grievance redress mechanism and link it to the local level grievance redress system. SHF will also need to design and implement an improved mechanism for disseminating information.			Both	Due Date	30-Jun-2016	
Provide incentives for energy savings among Program beneficiaries through setting targeted energy consumption rates and awareness leaflets about the best practices for energy saving. Households achieving the targets are subject to incentives.			Both	Recurrent	Continuous	
Establishment of unified beneficiary database			Client	Due Date	30-Jun-2016	



The operational and financial management arrangements for the rental subsidy should be laid out in regulation and detailed in a Procedures Manual, consistent with GSF's Manual when applicable.			Client	Due Date	30-Jun-2016	
SHF programs should be integrated with the State budget, using the national budget classifications and chart of accounts.			Client	Due Date	01-Jan-2016	
For the new rental subsidy programs, beneficiary enrollment, monitoring, and payment databases should be integrated in the program's management information system (MIS)			Client	Due Date	30-Jun-2016	
Establishment and operation of an internal audit function within SHF providing assurance service for the ownership and rental programs affiliated with the SHF.			Client	Due Date	31-Dec-2016	
The SHF and its sub-programs should be subject to periodic and timely reporting on budget execution, using the GFMS or an			Client	Due Date	30-Jun-2016	



accounting system that can seamlessly feed information into the GFMS. The financial reports should be publicly available.						
Raise beneficiaries' awareness about waste management through distributing leaflets that explain the importance of waste management at the household level.			Client	Recurrent	Continuous	
Ensure that beneficiaries use safe buildings through including building validity certificate among required application documents			Client	Recurrent	Continuous	
Guidelines and training provided to SHF staff and other stakeholders about addressing occupational safety related to construction activities and handling of building chemicals and construction wastes			Both	Due Date	31-Jan-2016	
Deliver training and capacity building to the SHF and other relevant stakeholders on issues related to land acquisition, involuntary			Both	Due Date	31-Jan-2016	



resettlement						
Strengthening the institutional Setup through developing comprehensive ToRs for the social team to be hired, and hiring social officers			Both	Due Date	31-Jan-2016	
Strengthening the institutional capacity through developing and delivering training packages to the relevant teams, and sharing best practices and similar successful global experiences			Both	Due Date	31-Mar-2016	
Designing and implementing context sensitive information sharing and disclosure mechanisms			Both	Due Date	31-Mar-2016	
Designing and implementing consultation, communication and reaching out plans			Both	Due Date	31-Mar-2016	
Establishing robust integrated grievance redress mechanism and link it to the local level grievance redress system			Both	Due Date	31-Mar-2016	