Department for Energy Security & Net Zero

Climate Finance Accelerator Evaluation

Case studies - Egypt

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Contents

CFA evaluation case study reports - Egypt

Introduction

This final case study for Egypt provides an in-depth analysis of CFA implementation in selected partner countries. The longitudinal approach facilitates analysis of the CFA's progress in a country over time and enables assessment of the extent to which the CFA's success depends on context-specific factors. It draws on evidence from the inception case study and covers the completion of CFA support to the second cohort of projects. Research for the inception case study (which was prepared as part of the midterm evaluation report), took place shortly after the in-country event for the first cohort of projects.

The analysis in this final case study draws on the findings of primary and secondary data collection activities that took place between August and November 2024. There was no interim or midterm case study in Egypt. The activities for the inception and final case studies are summarised in the table below.

Primary data collected

Table 1: Number of interviews conducted by stakeholder group

No. of interviews	Inception	Final
Project proponents	0	3
Financiers	2[1]	3
Policymakers	1	1
Delivery partners	1	1
Embassy	1	1
Total	**5**	**9**

Table 2: Number of survey respondents

No. of survey respondents	Inception	Mid-term	Final
Project proponents	6	NA	1[2]

[1] A third financier did not respond to the request for interview despite repeated follow ups
[2] Repeated efforts were made to engage project proponents in the survey (including in collaboration with the DP), but there was no engagement from them

Secondary data collected

The following sources of secondary data, including documents prepared by the CFA as part of activities to design the Egypt programme, have informed this case study:

- CFA Egypt Climate Finance Landscape Mapping (referred to as country landscape mapping in this report), CFA Egypt Gender Equality and Social Inclusion (GESI) Action Plan, CFA Stakeholder engagement & communication plan - Egypt, CFA Delivery approach and work plan – Egypt, CFA Egypt: Final Event Proposition Note, Egypt Post-event Report for Cohort 1, and Lessons Learnt and Recommendations from Support to Cohort 1.
- Other secondary sources include preparatory materials for in-country event for Cohort 1, notes from observation at this event, and literature sources referenced in this text.

Update on country context

Political context

The country landscape mapping identified that Egypt has a favourable climate change policy framework. Since its COP27 Presidency, the enabling environment for domestic green businesses has improved. Egypt's 2023 Nationally Determined Contribution (NDC)aims for 42% of renewable energy in the energy mix by 2030. The updated NDC included commitments to reduce emissions by 37% in the electricity sector, 65% in the oil and gas sector, and 7% in the transportation sector by 2030 compared to business-as-usual, conditional on external support.

The Government of Egypt (GOE) is working on a National Adaptation Plan that is expected to be concluded in 2025[3] and has launched the Country Platform for the Nexus of Water, Food, and Energy (NWFE) Programme to tackle climate risks, Additionally, the Ministry of Environment (MoE) is drafting a new Environment Law covering climate, biodiversity and pollution management. [4] This is a positive development for low carbon projects as the 1994 Law of Environment does not cover climate issues explicitly.[5] The growing political importance of the climate agenda in Egypt and the greater commitment from GOE towards low-carbon and climate resilient development have enhanced the environment for private sector investments in low carbon projects.

Investment context

Egypt is a lower-middle income economy that is confronted with the challenges of rising poverty, persisting unemployment, and limited productivity growth. Adverse global economic developments, including geopolitical tensions in the region, have weakened the

[3] OECD (2024), OECD Green Growth Policy Review of Egypt 2024, OECD Environmental Performance Reviews, OECD Publishing, Paris, https://doi.org/10.1787/b9096cec-en.
[4] OECD (2024).
[5] OECD (2024).

macroeconomic environment. [6] The International Monetary fund (IMF) notes that conflicts in Gaza and Israel and trade disruptions in the Red Sea have led to substantial declines of up to 70 percent in Suez Canal receipts, which are a significant source of foreign currency for Egypt.[7] Foreign currency shortages persist, financing conditions have tightened and inflation has reached very high levels.

- Despite these challenges, Egypt's sustainable and green finance ecosystem shows promise. Financial sector regulations are fostering a conducive enabling environment for investment in climate relevant projects. The Central Bank of Egypt (CBE) has issued guiding principles on sustainable finance, followed by binding regulations for banks. The Egyptian Financial Regulatory Authority (FRA) requires companies listed on the Egyptian Stock Exchange and non-banking financial entities to submit annual Environmental, Social and Governance (ESG) reports and to fulfil Task Force on Climate-Related Financial (TFCR) disclosures requirements. Additionally, in August 2024, Egypt launched the first regulated voluntary carbon market backed by a regulatory framework for managing carbon emissions reduction certificates. Mobilisation of finance for the green transition has also increased[8]. For example, Egypt has issued sovereign green bonds worth 750 million USD to finance projects in clean transportation and sustainable water management. Egypt has also issued sustainable Panda international bonds in the Chinese financial market, at about 3.5 billion Chinese yuan (equivalent to $500 million). These bonds target projects that support sustainable development goals. Finally, Egypt has also, with the Arab African International Bank, issued a $500 million sustainability bond to advance Egypt's green transition; with this bond also obtaining investment from the International Finance Corporation, European Bank for Reconstruction and Development (EBRD), and British International Investment.[9]
- Despite the improving context, financing for climate change projects remains a challenge. As noted by interviewees from the inception and final case studies, the green finance ecosystem in Egypt is evolving. Domestic banks and investors have limited awareness of green technologies and green finance, and favour traditional businesses. Where they offer green financing services, it typically involves administering green finance provided by international development finance institutions such as the EBRD rather than their own initiatives. Another challenge is that venture capital (VC) funds primarily invest in transport, logistics and e-commerce industries . As set out in the country landscape mapping, approximately 42% of the VC funding was channelled to

[6] IMF. 2024. IMF Mission Concludes Visit to Egypt for the Fourth Review under the Extended Fund Facility. November 20. Available at https://www.imf.org/en/News/Articles/2024/11/20/pr-24429-egypt-imf-mission-concludes-visit-to-egypt-for-the-4th-review-under-the-eff
[7] IMF (2024)
[8] The green transition goes beyond climate change mitigation and adaptation objectives to cover other environmental benefits. See United Nations Issue-based Coalition (IBC) on Environment and Climate Change for Europe and Central Asia's Green Transitions Guidance Note
[9] IFC, 2024. https://www.ifc.org/en/pressroom/2024/arab-african-international-bank-ifc-ebrd-and-bii-launch-us-500-million-sustainability-bond-to-support-climate-finance-and-boost-micro-small-and-medium-sized-enterprises. Press release dated November 25. Available at https://www.ifc.org/en/pressroom/2024/arab-african-international-bank-ifc-ebrd-and-bii-launch-us-500-million-sustainability-bond-to-support-climate-finance-and-boost-micro-small-and-medium-sized-enterprises

these sectors. Stakeholders interviewed for the final case study noted that VC funds are less interested in green projects that tend to be more capital intensive compared to projects in software and fintech sectors. These challenges limit both the interest and the appetite of domestic banks, general investors and VC funds to invest in low carbon projects.

Over the past few years, Egypt has had a thriving and dynamic start-up ecosystem and is a regional leader for promoting start-ups and innovation. As a result, there is a large ecosystem of VC firms, accelerators, and incubators to support start-ups. In interviews conducted for both the inception and this final case study, stakeholders observed that the landscape is saturated with accelerators. Accelerators often overlap in terms of building the ability of projects to develop financial proposals, but those focused on start-ups devoted to low carbon solutions are limited. This suggests that the CFA adds value as one of the few accelerators supporting start-ups devoted to low carbon solutions. The dynamic start-up ecosystem notwithstanding, economic challenges are impacting investments into startups, as seen through a sharp downturn in investments in the first half of 2024. Only 33 startups secured a total of $83 million; an 80% drop compared to the same period in 2023[10]. This coupled with the nascent domestic green finance ecosystem is posing challenges for investments in start-ups with low carbon and green solutions.

GESI context

The CFA prioritises GESI principles recognising the crucial role of GESI in effective climate action, enhancing project resilience and attracting investment. The National strategy for Empowerment of Egyptian Women 2030 provides a roadmap for the GOE's efforts towards empowerment of women.[11] Additionally, GOE is a signatory and member of key international agreements that are committed to gender mainstreaming. However, gender equality gaps continue to persist in Egypt. In the 2023 Global Gender Gap Report, Egypt ranked 134th out of 146 countries, at 62.6% parity score as compared to 129th in 2021 at 63.9% parity score. Women still face numerous hindering factors in terms of labour market participation, gaps in wages and income and the attainment of leadership and management-level positions. In 2017, GOE passed an investment law (Law No. 79 of 2017) with the aim of promoting investment opportunities, with a business facilitation office for women established at the Investment Business Center.[12] However, gender gaps in entrepreneurship persist. Most women-owned businesses are microenterprises depending on microfinance institutions as the source of external finance.[13] Information on access to finance by ethnic and religious minorities is not available.

[11] https://beta.sis.gov.eg/media/413391/final-version-national-strategy-for-the-empowerment-of-egyptian-women-2030.pdf

[12] The World Bank, 2018. Women Economic Empowerment Study. Available at https://documents1.worldbank.org/curated/en/861491551113547855/pdf/134846-WP-PUBLIC-march-2-WB-Women-Study-EN.pdf

[13] Khairy, N. (2019).Women-owned MSMEs and Financial Inclusion in Egypt [Master's Thesis, the American University in Cairo]. AUC Knowledge Fountain. https://fount.aucegypt.edu/etds/744

Progress of CFA delivery

The CFA has supported two cohorts of projects in Egypt. The first cohort supported six projects, with a dual-track approach of a traditional CFA Cohort and a CFA 'Venture' Cohort. The latter involved projects seeking under $1 million. This cohort had projects from waste management; industry and manufacturing; Agriculture, Forestry and Other Land Use (AFOLU) and blue economy sectors with overlaps in sectors between some projects. There were no projects from energy and transport sectors. The second cohort comprised nine projects: four in the AFOLU sector; two in waste; and one each in energy, transportation, and industry and manufacturing sectors. The project sizes ranged from $1-6 million. At the time of application, 6 projects were seeking to raise finance and 3 were at the execution stage. The second cohort was supported by a new delivery partner, which was appointed for its expertise on Egypt's startup ecosystem and extensive experience of running programmes for start-ups ranging from seed programmes to accelerators. Capacity building continued as previously and was viewed largely positively by the project proponents that were interviewed.

Findings

Relevance

In Egypt, CFA is one of the few accelerators supporting start-ups devoted to low carbon solutions with programme activities being relevant to the needs of project proponents. Interviewed project proponents indicated that CFA's focus beyond investments and on climate and social benefits meant that CFA better understood their objectives and needs and could provide better support towards improving investment readiness and mobilising investments.

Capacity building provided by the CFA throughout the programme has benefitted project proponents. The early-stage nature of projects in the first cohort meant that it was difficult for capacity building to support projects to a point they could feasibly attract investment. Yet, interviewees from the inception case study expressed the view that it still helped project proponents understand financing structures and characteristics of bankable projects. This understanding is useful for project proponents seeking investments. Capacity building CFA activities were more tailored to meet the needs of projects taking part in the second cohort.[14] Interviews indicate that participants in the second cohort improved in their ability to tailor their pitches to investors and demonstrate or reinforce social and climate impacts of projects, whilst also supporting them towards financial modelling. Project proponents interviewed for the final case study specifically found the sessions covering GESI, carbon markets, engagements with FRA and presentation of their propositions to financiers valuable to their projects.

[14] Sessions included those on marketing, growth hacking, and carbon markets. Growth hacking refers to a marketing approach that involves low-cost tactics to enlarge customer base, market share, and revenue growth. It involves the use of digital marketing and social media strategies.

The technical solutions being proposed by CFA supported projects are relevant to Egypt's ambition to transition to a low carbon economy. Interviews and context analysis indicated that projects are aligned with the priorities stated in the NDC to increase the resilience and sustainability of agriculture, and for land management considering concerns around land degradation.

However, there are concerns that the project selection criteria for the second cohort were not the most relevant given on-the-ground reality in Egypt. Interviewees from the final case study noted that usually early-stage projects with a financing requirement of $500,000 or less apply for support from accelerators that do not involve guaranteed investments at the end of the programme. With size and scale, start-ups prefer to attend programmes involving investment components or awards at the end. Given that the CFA provides capacity building and does not provide investments, the minimum total financing need of $1 million posed challenges for project selection during the second cohort: almost 40% of the projects applying for CFA support needed less than $500,000. One interviewee noted that there was disparity in stage of start-ups in the cohort and suggested targeting early-stage projects given the on-the-ground reality. The inception case study also identified challenges of project selection and that most projects applying for CFA support were at an earlier stage than the CFA would typically support. Another interviewee however suggested that the CFA should also target mature projects to help them access finance.

Effectiveness

CFA's convening power has increased significantly between the two cohorts. During the second cohort, the CFA collaborate with the Ministry of International Cooperation to announce the call for projects on its platform that links private sector and investment opportunities in Egypt, and with the Ministry of Planning and Economic Development to disseminate the call for projects. The FRA and CBE were also engaged in the delivery of capacity building. The CFA also engaged the Executive Director at the IMF representing the Arab States and The Maldives. Interviewed project proponents from the second cohort were positive about the engagement facilitated by the CFA with a wide range of stakeholders.

Investor engagement has also improved. The number of investors engaged in the second cohort more than doubled compared to the first cohort. For the most part, interviews suggest that financiers engaged in the second cohort represented a good cross-section of financiers including VC firms and funds investing in low-carbon projects. Although, the need for more investors, especially those that invest in start-ups, was indicated by a few. Interviewees suggested that domestic banks and generalist funds, regulators in sectors relevant to start-ups, and corporates that could benefit from solutions offered by the CFA start-ups and provide supply chain finance in return would be valuable additions to consider in future. One interviewee noted that the timing of the in-country event affected the engagement of financiers as the event coincided with peak vacation timing in Egypt.

There is mixed evidence on the extent to which the CFA supported project proponents to improve their presentation of the project during preparation for the event and make the presentation more relevant to financiers and to use time effectively. Stakeholders interviewed for the inception and final case studies differed in their views on the quality of project presentations. Project proponents interviewed from the second cohort had positive responses towards this, but the perspectives from financiers differed as most did not have direct experience with the projects before CFA engaged. One financier spoke from experience of engagement with some CFA start-ups before they joined the CFA and noted that projects were able to better qualify and present social and climate relevant impacts. However, another financier observed that the pitches did not sufficiently focus on these aspects and that projects also needed to tailor their pitch and presentation style to different investors.

In terms of specific benefits for project proponents, project proponents from the second cohort noted that CFA helped change their mindsets to engaging with and pitching to investors and through this improved their presentations. One project proponent mentioned increased understanding on how to demonstrate social and climate relevant impacts of the projects, and another mentioned the ability to make ‘elevator pitches’.

Impact

There is some evidence of CFA projects in Egypt securing financing. According to the CFA Impact Report for 2020-2024, two projects in Egypt have received investments, to a total value of $300,000. Unfortunately, it was not possible to obtain evidence during the final case study regarding the role CFA played in unlocking investments from the first cohort. For the second cohort of projects, there has been insufficient time since the in-country event in August 2024 for materialisation of investments. Nevertheless, there is evidence of progress in discussions between projects in the second cohort and investors due to the CFA.

Although the CFA has engaged extensively with policymakers in Egypt throughout implementation, there is no evidence of knowledge products being shared with either government officials or financiers. One interviewee from the final case study expressed the view that although the CFA has not contributed directly to improvements in the enabling environment, it is part of the growing ecosystem that is – overall - leading to increased appetite of GOE to improve the enabling environment for climate finance, particularly for the private sector. Evidence from interviews suggests that the main barriers to investment in green projects in Egypt are not the enabling environment but rather access to finance due to the challenges within the financial ecosystem.

New connections are being made through the CFA, between financiers and project proponents and between project proponents, with there being strong evidence from the final case study. Connections between financiers and project proponents are leading to discussions on financing of projects. Connections between project proponents are also delivering benefits in terms of market access and business expansion. Examples drawn from the final case study interviews include the following:

- One project proponent had concluded a partnership agreement with another project proponent to offer solutions to the latter’s customer base and was in discussion with another project proponent to support the latter’s research and development activities (see the mini project case study).

- One project proponent highlighted upcoming partnerships with two other project proponents; one specifically focused on expanding its own geographic reach with the country.
- One project proponent has used support from the delivery partner to expand into another country in the region while another project proponent has used the connections supported by the delivery partner to introduce its product to a wider audience and is now in the process of expanding its business.
- The CFA, through the British Embassy in Cairo, has also supported one project proponent to connect with a UK based company and thus expand its geographic reach.
- In terms of improvements to enable better partnerships between stakeholders, one interviewee suggested themed events for CFA projects to engage with and pitch to the main stakeholder groups - investors, corporates, banks, government entities.

Sustainability

Interviews indicate general support for embedding the CFA in Egypt, but no evidence was found of specific activities towards this. According to those interviews, the continued presence of the CFA in Egypt is likely to be contingent on support from the UK government.

Coherence

The CFA has made an effort to complement other donor programmes and accelerators in Egypt that support start-ups. The prominent donor-supported initiatives focused on low carbon solutions include the Green Growth and Jobs Accelerator[15], which is part of the Danish-Arab Partnership Programme and implemented by UNDP, and a recently concluded GIZ programme that also delivered assistance to start-ups and small enterprises[16]. Two project proponents that received support from the latter were part of the second cohort of projects. On the private sector side, 500 Global which is a VC firm is in the process of curating a cohort of green projects under one of its accelerator programmes. As noted earlier, the delivery partner in Egypt specialises in this ecosystem and was therefore able to connect with complementary initiatives to source the pipeline of projects for the second CFA cohort. There is evidence of another accelerator referring potential projects to the CFA through such outreach.

Efficiency

Overall, there is evidence that benefits of participation in the CFA outweigh the opportunity costs of that participation. Stakeholders interviewed for this final case study were unanimous about the benefits of participating in the CFA and pointed out that benefits extend beyond the commercial ones to networking, maintaining touchpoints in the start-up and climate finance ecosystem, messaging on green finance, building greater awareness of low carbon projects, and learning about other accelerators targeting low carbon projects. This aspect was not investigated in the inception case study.

[15] It provides knowledge and mentoring to start-ups to develop sustainable business plans.
[16] It supported start-ups and small and growing enterprises to manage their activities in a sustainable and climate-friendly way.

Mini project case study

The project was part of the second cohort and is a company that provides hydroponic solutions and services, catering to both large agribusinesses and new growers. Before applying to the CFA, the company had previously received grants and technical assistance from two other initiatives. At the time of application to the CFA, the company had finalised a round of investments valued at approximately $500,000, and was keen to expand to countries in the region, and was looking for advice on access to investors. The hydroponic solutions offered by the company reduce water consumption in comparison to traditional agriculture methods to produce the same volume of crops, reduce fertiliser use compared to conventional farming methods thereby reducing nutrient runoff and environmental pollution, and enhance resource efficiency in agriculture. The solutions are estimated to be 5-8 times more efficient compared to traditional methods, thereby reducing land use and resources to produce the same amount of crops and in turn, the carbon footprint of agriculture.

The capacity building provided by CFA was helpful to the project. It helped the project to demonstrate the climate impact of the hydroponic solutions, understand carbon accounting, develop its pitch deck, and improve its positioning to different types of investors. The insights into the market for carbon credits provided through the CFA was valued as carbon credits were considered by the project to be likely of interest to its existing and future customers. CFA capacity building also helped to reinforce the company's approach to GESI and stay informed of developments in the wider low carbon development space. Engagements with FRA as part of capacity building and events were also a highlight.

At the event, the company would have preferred a greater variety of investors, particularly banks. The company has not secured commercial investments directly through the CFA process. However, they reported that they had benefitted from increased connections with other donors who could offer grants to their project. Through the CFA, the company concluded a partnership agreement with another project proponent to offer hydroponic solutions to the latter's customer base and was in discussion with another project proponent to support the latter's research and development activities in return for using the latter's technology to gather data to support improvements in hydroponic solutions. This also suggests that CFA's efforts to enable cohort learning have been successful. Another significant outcome is that they have used support from the CFA delivery partner in Egypt to expand into another country in the region.

Conclusions and recommendations

The final case study (evidence from interviews) confirms that participants in the CFA benefit in different ways. Two projects from the first cohort have received investments since participating in CFA, although no evidence was available to the evaluation team to determine the contribution of CFA to this. While it is too early for projects in the second cohort to have secured financing, there is evidence of progress in discussions between projects in the second cohort and investors due to the CFA. Additionally, connections between project proponents are delivering benefits in terms of market access and business expansion for projects. Project proponents also gain from the CFA in ways beyond commercial benefits.

CFA capacity building has improved the ability of project proponents to present their projects to financiers and where needed addressed weakness in their proposals. While capacity building supported the early-stage project proponents from the first cohort on the understanding of financing structures and characteristics of bankable projects, projects from the second cohort were able to tailor their pitches to investors and demonstrate or reinforce social and climate impacts of projects.

CFA's convening power has strengthened, and investor engagement improved over the duration of the programme. For the second cohort, the CFA successfully engaged and collaborated with policymakers and regulators although the limited resources and mandate to engage this group of stakeholders has meant that collaborations and engagements have had to be limited. The CFA is also part of the growing ecosystem that is driving improvements in the enabling environment. It has been commended and appreciated both for the intention and activities to support project developers in Egypt develop capabilities to make projects attractive and ready for investors.

There were two main challenges for the CFA throughout the programme. The first relates to the ongoing challenge of engaging local banks and investors without a well-developed ecosystem of investments in low carbon or green projects as set out in the context to this case study. Developing this ecosystem to the stage of mobilising finance for low carbon projects is also a longer-term process. In the case of the second cohort, the timing of the in-country event may have contributed to the lower attendance of financiers. The second challenge relates to project selection. Project selection was challenging during both cohorts given the on-the-ground realities of Egypt’s ecosystem of start-ups. It also contributed to disparity in stage of start-ups in the second cohort.

Recommendations

- Engage with key local stakeholders on the types of projects that the CFA could focus on in Egypt and design project selection criteria to align with the characteristics of such projects. This will also support better matching of projects to financiers and allow CFA to meet the needs of all projects in the cohort.
- Depending on the type and stage of projects being supported, leverage relationship with FRA and engage with entities such as Federation of Egyptian Banks to facilitate the participation of local banks and investors in the CFA process.
- Engage with FRA and other donors to identify avenues of capacity building on climate finance and low carbon solutions for local banks and investors.

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