

Annex 1

ACTION FICHE FOR EGYPT

1. IDENTIFICATION

Title	Promotion and protection of human rights and civil society in Egypt		
Total cost	EUR 17 000 000		
Aid method / Management mode	Project approach/Decentralised management		
DAC-code	15162/15150	Sector: /Civil Society	

2. RATIONALE

2.1. Sector context

Progress achieved in the promotion human rights in Egypt has been rather uneven. Hopes about democratisation were raised by promises of political reforms announced by President Mubarak during his 2005 presidential campaign. However, the first multi-candidate elections of 2005 had some deficiencies; voter turnout was estimated at only 25%.

Albeit limited, progress has been made in recent years. The Government of Egypt (GoE) expressed commitment to further strengthen citizens' rights, enlarge women's participation and extend good governance practices. The establishment of the National Council for Human Rights (NCHR) in 2004, the National Council of Women (NCW) in 2001, and the Family Courts are examples of this.

Egypt was elected as member of the UN Human Rights Council on 17 May 2007. In the "voluntary pledges to promote human rights", the country expressed firm commitment to strengthen national human rights and to promote the constructive role of Civil Society Organizations (CSOs). Some activities implemented by CSOs in the past few years have made more citizens aware of their rights, as made evident by recurrent demonstrations organised by unions, factory workers and government employees. Regarding environmental rights, and following the EUR-Med Ministerial Conference held in Cairo in 2006, there is a clear commitment from GoE to strengthen the dialogue and to develop partnership with civil society. For this purpose Government will further enhance the involvement of CSOs in the protection of the environment.

2.2. Lessons learnt

The project builds on ongoing, successful activities implemented in the framework of the project 'Support to Human Rights, Democratisation and Civil Society', including support to the Ministry of Justice and the Minister of Interior via UNDP (EUR 2.4 million), Support to the Ombudsman office of the NCW (EUR 0.8 million), Support to the Ombudsman office of the NCHR

(EUR 0.9 million) and to the General Federation of NGOs and Foundations (EUR 0.4 million).

The training for judges and prosecutors on human rights practice and international standards has contributed to the mainstreaming of human rights principles. The project has a groundbreaking and pioneering character and is achieving significant impact also thanks to the wide geographical coverage of the activities. It is worth emphasizing that the training sessions are held not only in Cairo but throughout the country in order to reach the most remote areas.

Furthermore, useful experience has been gained from the Children at Risk project (EUR 20 million), through which the NCCM was supported.

In the domain of child protection rights, key messages have reached the general public via the Think Twice (TT) initiative, launched in 2003 by UNDP/NCCM. Experience has shown that information and communication need to be linked with concrete initiatives and advocacy at community level, such as the partnership established between the Female Genital Mutilation project, the Free Village Model project and the Think Twice initiative.

The coordination of international donors led by the NCCM is effective at national level, however strengthened coordination mechanisms have to be established at governorate level, mainly between NCHR and NCW.”

2.3. Complementary actions

Apart from EC-funded projects, the following donors are already active in the area of human rights: Netherlands and Sweden in Civic Women Education, the UNDP in training of Law Enforcement Agents, the US in national campaigns and general public awareness and Canada in promoting environmental rights.

2.4. Donor coordination

Donor coordination is actively pursued in Egypt in the context of the Donor Assistance Group (DAG) and its nine thematic sub-groups. Coordination among EU Member States is carried out in the context of the meetings of the EU Development Counsellors, in which Member States and Commission exchange information on their respective programmes and discuss prospective synergies.

3. DESCRIPTION

The general objective of the Programme is to strengthen the respect of human rights and the environment in Egypt.

The specific objective is to increase the capacity of the GoE's concerned institutions and of Civil Society Organisations (CSOs) in effectively implementing international conventions related to human rights and the protection of the environment. The programme will support the development of partnerships in this sector, improving the capacity of CSOs in the areas of good governance and transparency.

Support to civil society organisations will be part of all the components of the programme, so as to enhance their capacity to be active on all these different issues, but also in order to enhance dialogue, understanding and partnership between the targeted institutions and civil society.

The programme consists of three components: **Civil and political rights, women and child rights** and **environmental rights**. Five direct beneficiaries are targeted: National Council for Human Rights (NCHR), National Council of Women (NCW), National Council for Childhood and Motherhood (NCCM) and Egyptian Environmental Affairs Agency (EEAA) and CSOs.

Component I: Civil and political rights

Specific Objectives:

1. Promotion of HR culture and increasing the efficiency of the NCHR Ombudsman office
2. Application of basic and advanced HR principles by relevant institutions
3. Awareness-raising of higher education students in HR and democratic practices.

Expected Results for Specific Objective 1:

- (1) Number of registered complaints presented to the NCHR Ombudsman increased;
- (2) Number of complaints solved by NCHR Ombudsman increased;
- (3) Increased advocacy capacity of CSOs

Expected Results for Specific Objective 2:

- (1) Improved knowledge of human rights principles to Law Enforcement Agents (judges, police officers, prosecutors, social workers) and media staff;
- (2) Handbooks, publications and studies on HR are developed as a reference for training course addressed to law enforcement agents and media staff.;
- (3) Human rights principles are gradually incorporated into curricula of primary, secondary and tertiary education, including police academies.

Expected Results for Specific Objective 3:

- (1) Increased awareness of students about human rights and democratic practices;
- (2) Practical learning tools in the area of democracy and human rights are developed (e.g. election/parliamentary exercises).

Activities related to Results 1-3:

- (1) Institutional support to NCHR Ombudsman office, improvement of its organizational structure, improvement of the case handling and follow-up and extension of its geographical scope;
- (2) Advocacy activities implemented by CSOs active in the field of the promotion and defence of Human Rights.

Activities related to Results 4-6:

- (1) Training of Law Enforcement Agents and Media personnel on international standards of Human Rights in the administration of justice and in the application of commitments taken in the framework of international conventions ratified by Egypt;
- (2) Development and distribution of publications on HR in Arabic;
- (3) Running workshops, seminars, studies and study tours to expose Egyptian law enforcement agents to international experiences and best practices;
- (4) Development of curricula in primary, secondary and tertiary education including police academies.

Activities related to Results 7-9:

- (1) Development of awareness-raising material;
- (2) Organisation of awareness-raising campaigns;
- (3) Organisation of simulation exercises;

Component II: Women rights and rights of the child

Specific Objective:

Protection and promotion of women's rights and rights of the child and reduction of violations of vulnerable groups' rights

Expected Results:

- (1) Increased capacity of the NCW Ombudsman to follow up complaints related to the violation of women's rights;
- (2) Strengthened ability of NCCM to plan and implement activities related to children in need of special protection and to coordinate the latter with civil society organisations;
- (3) Improved communication strategy around the activities of NCCM related to the promotion of children's rights;
- (4) Increased awareness about the need to stop the practice of FGM and a better mainstreaming of FGM messages disseminated by key stakeholders and integrated in targeted sector policies;
- (5) Increased advocacy capacities of CSOs active in the promotion and defence of women's and children's rights.

Activities:

- (1) Continued support to NCW Ombudsman office and strengthen its geographical scope;

- (2) Provision of institutional support to NCCM activities for children in need of special protection; development of research and studies related to children in need of special protection; establishment of a permanent platform led by NCCM and organisation, on a regular basis, of workshops on 'Children in need of special protection' at central and governorates' level with both institutions and CSOs;
- (3) Implementation of the integrated communication initiative Think Twice (TT), dealing with the production of educational programmes and the development of an outreach strategy addressing children's and youth rights;
- (4) Advocacy activities targeted at key stakeholders (line Ministries officials, religious leaders, medical and legal staff, youth, etc); organisation of national and local media campaigns to develop information on FGM; incorporation of FGM messages in the curricula and extra curricula activities of primary, secondary and tertiary schools (Medical Schools, Social Service Schools and Education Schools) in all the concerned governorates;
- (5) Implementation of advocacy activities implemented by CSOs on women's and children's rights.

Component III: Environmental rights

Specific Objective:

Reinforce the involvement of EEAA and CSOs on environmental issues, planning and implementation.

Expected Results:

- (1) Strengthened NGO Unit at the EEAA;
- (2) Environmental action plans are developed and agreed between Government and CSOs;
- (3) Increased role of CSOs active in the field of environment.

Activities:

- (1) Provision of direct institutional support to EEAA at central and local level, so as to develop the ability of its staff in organisational as well as technical matters (human resources management, how to enhance partnership with civil society, communication skills, participative approaches, monitoring and evaluation, environmental rights, etc.); development of national environmental action plans incorporating the views of civil society and implementation at governorates level;
- (2) Support to the activities of CSOs in the implementation of the national environmental action plan.

3.1. Stakeholders

Institutional capacity of direct beneficiaries has been assessed and key areas of action have been identified. All direct beneficiaries have been fully involved and consulted

at different levels, both during the identification and the formulation phase. Direct beneficiaries are NCHR, NCW, NCCM, EEAA, Ministry of Higher Education and CSOs. Indirect beneficiaries are GoE staff, Law Enforcement Agents, women, children, media and CSOs staff.

3.2. Risks and assumptions

Risks

- (1) The programme must be closely monitored taking into account the Egyptians authorities' cautious and sensitive response to external involvement in support of human rights and democratic reform;
- (2) Limited coordination among stakeholders affects programme coherence and implementation, hence the need to provide technical assistance to back up the PIU.

Assumptions

- (1) Participation in calls for proposals has to be open to all Egyptian CSOs;
- (2) Regular resources have to be allocated by GoE in order to guarantee programme sustainability;
- (3) Low turnover of direct beneficiaries' personnel has to be secured in order to capitalize on the benefit of EC support;
- (4) Involvement of Ministers of, respectively, Higher Education, Interior and Justice at both central and local level;
- (5) GoE commitment in supporting reforming Family Law,
- (6) Continuous support from the Ministry of Environment on CSOs role and environmental rights promotion.

3.3. Crosscutting Issues

- (1) Visibility: EC should maintain a low profile when financing programmes dealing with sensitive issues such as human rights, since high visibility may produce negative effects and EC support may be perceived as interference. This issue will be addressed by the TA in close consultation with the EC Delegation.
- (2) Gender: need to secure a balanced participation of men and women in the programme activities to be reflected in grant agreements and call for proposals' guidelines.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

The project will be implemented through decentralised management. A financing agreement will be signed with the Ministry for International Cooperation. The Commission controls ex ante the contracting procedures for procurement contracts >50 000 EUR and ex post for procurement contracts < 50 000 EUR. The Commission controls ex-ante the contracting procedures for all grant contracts.

Through the programme estimates, payments are decentralised for operating costs and contracts up to the following ceilings: The Authorising Officer ensures that, by using the model of financing agreement for decentralized management, the segregation of duties between the authorising officer and the accounting officer of the decentralized entity will be effective, so the decentralization of the payments can be carried out within the limits specified below.

Works	Supplies	Services	Grants
< EUR 300 000	<EUR 150 000	< EUR 200 000	• EUR 100 000

Technical assistance, institutional support to stakeholders, HR/FGMs capacity building and monitoring and evaluation will be implemented through centralised management.

4.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by ENPI. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in 21(7) ENPI.

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.
- derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to

start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

Four direct grants will be awarded to four direct beneficiaries: National Council for Human Rights (NCHR), National Council of Women (NCW), National Council for Childhood and Motherhood (NCCM) and Egyptian Environmental Affairs Agency (EEAA), as they have exclusive competence in their respective field of activities in Egypt (art.168 of Implementation Rules). All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.3. Budget and calendar

The following is an indicative allocation by components:

1. Services	
– TA and support to centralised management:	EUR 2 232 000
– Institutional support to direct beneficiaries:	EUR 5 300 000
– HR capacity building:	EUR 2 200 000
– FGM capacity building:	EUR 3 000 000
2. Activity grants:	EUR 3 800 000
3. Evaluation /audits/ visibility:	EUR 300 000
4. Contingencies:	EUR 168 000
Total	EUR 17 000 000

The programme duration will be 48 months from the date of signature of the Financing Agreement.

4.4. Performance monitoring.

The performance will be monitored and evaluated through regular reporting.

Meetings and field visits will be carried out by the Delegation in coordination with the PIU.

Specific performance indicators are included in the expected results.

4.5. Evaluation and audit

A mid-term and an ex-post independent evaluation will be carried out by the EC via a service contract. Every twelve months, the Programme shall be subject to an external audit, to be undertaken by independent auditors directly contracted by the EC.

4.6. Communication and Visibility

Programme visibility will comply with EC guidelines under the guidance of the EC Delegation. Coherence of the contents of the information materials across the different programme components will be secured by the TA information and communication expert in close consultation with the EC Delegation. Operational funds for production of the information material are earmarked in each specific grant agreement with the beneficiaries and in the Evaluation/Audits/Visibility budget line.

Annex 2

ACTION FICHE FOR EGYPT

1. IDENTIFICATION

Title	Support to political development and good governance		
Total cost	EC Contribution : EUR 3 000 000		
Aid method / Management mode	Project approach / Decentralised management		
DAC-code	15140	Sector	Government administration

RATIONALE

4.7. Sector context

For more than two decades, Egypt has succeeded in introducing reform measures that have resulted in improved economic fundamentals and growth. The last World Bank “ease of doing business” report ranks Egypt as “top reformer” for 2007. While macro-economic growth performance has been satisfactory, the fruits of this have not reached all Egyptian social classes. 40% of Egyptians live on or below the poverty line.

Political governance has not progressed at the same pace, but some positive developments can be noted. The recently created “National Committee for Fighting Corruption”, together with the re-launched political dialogue on a modern civil service Law are concrete signs of the Government’s political will to tackle corruption and to reform public administration.

These commitments to good governance are reflected in all on-going EC cooperation plans with Egypt. The Country Strategy Paper (CSP) and the National Indicative Programme 2007-2010 (NIP) identified support to political development, decentralisation and good governance as priorities for co-operation. According to the NIP, this project aims at enhancing the efficiency of selected key public entities, to increase transparency and accountability in the administration of public affairs, both at central and local level.

Originally three components were envisaged in this project, i.e. support reform of the electoral process, decentralisation reform and anti-corruption measures. However, following the identification phase, the support related to the electoral process had to be reconsidered as the Egyptian authorities did not consider it a priority for international co-operation at this stage. Following a request from GoE, the decentralisation component has to be postponed until the new decentralisation Law is in place; thus, this component is replaced by a new component, "Support for the information function in the Egyptian Parliament".

Through this component, the Speaker of Egypt's People Assembly has asked the EC for support to strengthen the Documentation/Information function within the Assembly and to create a unit to liaise with the EU Parliaments. After this reorientation, the project has been redesigned with the respective potential beneficiaries in accordance to the guidelines provided by EuropeAid's Draft Handbook on Promoting Good Governance in EC development and co-operation.

4.8. Lessons learnt

The overall lesson drawn from recent years is that socio-economic development will be stronger and more sustainable operating within a good and comprehensive governance framework. In this respect emphasis should be given to practical support as opposed to support for amending the legal framework.

4.9. Complementary actions

Several donors are supporting the Government of Egypt's reform agenda. The joint OECD-UNDP "Good governance for development in Arab countries initiative" is co-chaired by Egypt and Sweden; working groups, supported by technical assistance, are delivering guidelines and benchmarks for good governance reform. With the project "Support to the Association Agreement Programme", EC and GoE have chosen *a demand driven approach, through institutional Twinning*, as the main instrument for implementing reforms in various areas, with particular emphasis on legislative and institutional development (approximation to the European *acquis*). Thus, more than 15 twinning and technical assistance projects are currently being implemented or in the pipeline,

The only existing cooperation project with the Parliament in this field is managed by the UNDP (training sessions related to WTO issues for MPs). There is no significant cooperation in the fight against corruption

4.10. Donor coordination

Regular meetings will take place with all relevant stakeholders to ensure an open exchange of information, to avoid overlapping of activities and/or financing and to incorporate the lessons learnt by other actors into the scope of the project. Coordination will continue to be ensured through the Donor Assistance Group (DAG), within the sub-group dealing with governance issues, as well as through bilateral contacts with other relevant actors.

5. DESCRIPTION

5.1. Objectives

The overall objective of this project is to support GoE's efforts to improve good governance practices in public administration. The specific objectives of the project are:

- (1) To support the better management of information communication resources in the Parliament;

(2) To improve the fight against corruption in the administration.

5.2. Expected results and main activities

Component 1: Information function in the Egyptian Parliament

- Improved quality of laws;
- Easier access to legislation for citizens;
- Enhanced links between Egypt and EU Parliaments.

Main activities are:

a) Institutional capacity building

- Setting up of an information department in the Parliament, open to all MPs as well as to the public at large
- Setting up a liaison unit dedicated to strengthening links with EU Parliaments.

b) Training

- Training of Parliament information and research staff, study tours to EU Parliaments
- Monitoring and evaluation of training results

c) Equipment

- Supply for IT equipment

Component 2: Fight against corruption

- In line with the UN Convention Against Corruption, the legal framework for combating corruption is in force;
- A comprehensive national strategy to enhance the prevention of corruption in the public sector has been adopted by the line Ministries and agencies;
- The capacity of the anti-corruption agencies, e.g. the Administrative Control Authority (ACA), the Attorney General (AG), and the Administrative Prosecution (AP), is enhanced, including the capacity to use modern techniques to combat money laundering;
- Less tolerance of corruption in Egyptian society and decrease in the number of cases of corruption and misconduct of civil servants.

Main activities are:

a) Capacity building

- Review of current legal framework and proposing of amendments, revisions or new laws;
- Information of the MPs and other stakeholders (civil society and media);
- Support to the Ministry of State for Administrative Development (MSAD) to draft a national strategy to fight corruption;
- Support to implementation of the strategy in line Ministries;
- Preparation and implementation of a public awareness campaign.

b) Training

- Training needs assessment in ACA, AG, AP;

- Drafting of curricula and operational practice manuals;
- Training;
- Monitoring and evaluation of training results.

c) Equipment

- Provision of IT equipment/software to anti-corruption and anti-money laundering agencies.

Selected **key indicators** at the result level are:

– **Component 1: Information function in the Egyptian Parliament**

A responsive Information Department providing quality documents to all MPs regardless of their political affiliation, as well as information of the legislative agenda to the public at large. Indicators: consultation of websites, the number of staff allocated to the Information Department; the percentage of MPs and staff participating in the exchange of experiences and information between EU Parliaments and the Egyptian Parliament.

– **Component 2: Fight against corruption**

Publication of revised/new laws against corruption in the Official Gazette; media coverage on national anti-corruption strategy; number of ACA, AG, AP staff trained; media and civil society reports; number of corruption cases brought before courts.

5.3. Risks and assumptions

The risks for the project success are:

- Bureaucratic/political resistance to change in Ministries and Egyptian Parliament;
- Low salaries in the civil service may favour corruption;
- Lack of financial means, incentive and rewards is detrimental to staff's personal involvement in Public Administration improvements;

Egypt is in a transitional political phase, therefore it is assumed that:

- There is continuity of the reform approach in the Egyptian top leadership.
- Civil society reform movement will keep its strength;
- Current economic growth is sustained;
- Regional situation will not further deteriorate

5.4. Crosscutting Issues

Promoting good governance practices will have a substantial impact on crucial cross-cutting issues such as gender and the environment.. The need for transparency will be tackled in the framework of this project through the implementation of ad-hoc visibility actions (knowledge management, publications, press conferences, awareness campaigns) related to each of the activities envisaged to attain the defined objectives.

5.5. Stakeholders

Major stakeholders and target groups of the project are:

Component 1: the MPs and staff of the Egyptian Parliament, and the public at large.

Component 2: the Administrative Control Agency (ACA), the Administrative Prosecution (AP), the Attorney General (AG), the Public Prosecution (PP), the Ministry of Finance, the Ministry of State for Administrative Development, the Ministry of Interior, and the Ministry of Justice are the main stakeholders; the main target groups are the staff of the ACA, AP, PP and civil society organizations.

6. IMPLEMENTATION ISSUES

6.1. Implementation method

The implementation method for the project will be decentralised management (ex-ante). A financing agreement will be signed with the Ministry for International Cooperation.

A Project Implementation Unit (PIU) will provide operational support to the beneficiary and it will work in close collaboration with the Ministry of International Cooperation and other stakeholders. The PIU will support the implementation of the envisaged activities in conformity with the objectives of the project and according to the overall and the annual workplans.

The Commission controls ex ante the contracting procedures for procurement contracts > 50.000 EUR and ex post for procurement contracts • 50.000 EUR. The Commission controls ex ante the contracting procedures for all grant contracts.

Through the programme estimates, payments are decentralised for operating costs and contracts up to the following ceilings:

The Authorising Officer will ensure that, by using the model of financing agreement for decentralized management, the segregation of duties between the authorising officer and the accounting officer of the decentralized entity will be effective, so the decentralization of the payments can be carried out within the limits specified below.

Works	Supplies	Services	Grants
< 300 000 EUR	< 150 000 EUR	< 200 000 EUR	• 100 000 EUR

The Commission will be responsible for the procurement and payment of the technical assistant services and for evaluation, audit and part of the visibility activities.

6.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by ENPI regulation. Further extensions of this

participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 21(7) ENPI.

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.
- derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

6.3. Budget and calendar estimates

The indicative breakdown of the budget is as follows:

Expenses category	Amount in EUR
Services ⁵	700 000
Supplies and works	50 000
Grant (anti-corruption component)	2 000 000
Audit/evaluation and visibility ⁶	210 000
Contingencies ⁷	40 000
TOTAL	3 000 000

The programme duration will be 48 months from the date of signature of the Financing Agreement.

⁵ TA to be managed directly by E.C.

⁶ Audit evaluation and a part of visibility to be managed directly by E.C.

⁷ May only be used with written prior agreement of the E.C.

6.4. Performance monitoring

Regular monitoring will be ensured by the EC Delegation in Cairo and a project monitoring unit operating at the level of the Ministry for International Cooperation. Performance monitoring missions will be undertaken in order to measure progress in the implementation.

6.5. Evaluation and audit

An independent evaluation will be carried out by the EC via a service contract. An annual certification of expenditures will have to be submitted as part of the contract requirements.

6.6. Communication and visibility

Communication and visibility are considered a key component of the project. A comprehensive communication strategy will be developed in coordination with all the stakeholders. Activities to improve awareness are envisaged, including workshops, visibility materials and the media.

EU visibility guidelines are to be respected by the respective Beneficiaries. The EC Delegation in Cairo will check the visibility component of the actions through field visits and will increase visibility when it is appropriate.

Annex 3

ACTION FICHE FOR EGYPT

1. IDENTIFICATION

Title	Education Sector Policy Support Programme – Additional Commitment		
Total cost	EUR 20 000 000 (EC contribution)		
Aid method / management mode	Sector Policy Support Programme – Sector Budget Support (centralised management)		
DAC-code	11110	Sector	Education Policy and Administrative Management

RATIONALE AND COUNTRY CONTEXT

The proposed intervention reinforces the sector programme in support of the reform of pre-university education in Egypt launched in 2007. The Education Sector Policy Support Programme (ESPSP) provides support for a coherent and consistent sector strategy that sets ambitious targets for the reform of a key sector in the framework of a strengthened EU-Egypt partnership. The Government of Egypt (GoE) considers the reform of Education a pillar in its reform agenda and therefore during the course of 2008 requested the EC to reinforce the 2007 education programme.

The National Strategic Plan for the Reform of Education 2007/2008-2011/2012 fosters a significant paradigm shift in the sector. Providing high quality education to all students and preparing youth to become progressive citizens in a knowledge-based society are top priorities of the Government.

GoE shows a strong commitment of the reforms planned in education. The implementation of reforms designed to enhance public finance management in education will lead to increased efficiency in public spending in the sector. The largest contributor will be the GoE, but there are still needs to be addressed, in particular to allow the reform to yield prompt results. A decent level of social services in both health and education provide the best guarantee for social cohesion and internal stability. The strategic importance of reforms in the Egyptian education system therefore calls for a reinforced support to the implementation of the Plan.

1.1. Economic and social situation (change from transport)

On the back of a solid growth performance in the past years Egypt's economy has continued to display a high degree of dynamism during 2007/8, recording a high growth rate, while pursuing a relatively sound macroeconomic management. Real GDP growth in 2007/08 is estimated at 7.3%, thanks to a continued - but slower - expansion of the oil and gas sectors and to increasing activities in labour intensive sectors, such as agriculture and manufacturing. Due to the strong growth

performance fiscal imbalances have narrowed and unemployment has declined. Preliminary data indicates that the 2007/08 central government deficit is to fall to 6.9% of GDP, below the 9% level of recent years. However, the mastering of the inflation proved to be difficult and is the key challenge ahead. Strong domestic demand, reduction in subsidies in core products and price increases of imports and administered products lifted the headline y-o-y (urban) inflation to 16.4% in April 2008.

Egypt is listed as a medium-level performer in the UN's human development index (published 2007), ranked 112 out of 175 countries. It faces the challenge of tackling critical social issues such as life expectancy, literacy, education, standards of living, employment and child welfare. Unemployment, especially among youth (32% of the population are less than 15 years), is a major concern to the government, and emphasis has been given to remedying the mismatch between output of the education system and the demands of the labour market. About 20% of the population (13.6 million people) lives below the poverty line and another 20% not far above it. Three quarters of all poor live in rural Egypt and one quarter in urban areas. Most workers in the informal sector (20% of the GDP) are illiterate or quasi- illiterate. More recently, progress has been made in improving some of the non-income dimensions of poverty: a number of Millennium Development Goals targets are being met in literacy, mortality and health status. As a result of recent economic developments and policy choices Egypt still enjoys a relatively high degree of macro-economic stability, fulfilling the relevant eligibility criterion for budget support. However, challenges emanating from recent prices increase need to be monitored carefully.

1.2. Cooperation policy of beneficiary country

The Egyptian Government adopted the country's 6th five-year plan covering the period 2007-2011. The plan targets annual real GDP growth at 8% on the basis of boosted investment in formerly neglected and deprived regions, such as the governorates of Upper Egypt. The development will be fostered through the encouragement of agricultural, industrial, tourism and trade-related investment projects. Egypt's northern coast is the second region where the Government is encouraging further investment.

Education plays a crucial role in the realisation of the objectives of the 6th plan and in the country's efforts to sustain higher growth and reap the benefits of knowledge-based production and services.

1.3. Government Sector Programme

Over the past two years, the Ministry of Education (MoE) has undertaken a wide and ambitious reform exercise aiming at addressing the major sector constraints through a paradigm shift based on quality and efficiency.

The result is the National Strategic Plan for the Reform of Pre-University Education 2007/08 – 2011/2012 recently launched by the MoE. The plan reflects the vision of the Ministry to (1) provide high quality education for all, as a basic human right; (2) prepare all children and youth for healthy citizenship in a knowledge-based society, under a new social contract based on democracy, freedom and social justice; and (3) to adopt decentralized educational system that enhances community participation,

good governance and effective management at the school level as well as at all administrative levels (source: MoE, National Strategic Plan).

The plan aims at ensuring:

- (1) High levels of quality education performance;
- (2) Efficient management system, effective community participation and decentralization, and
- (3) Equal access to education for all children.

The Plan, developed with the support of the main stakeholders in education, is based on two main complementary components: firstly, on 12 priority programs based on the results of the situation analysis on the performance of the education sector, developed by the MoE; secondly and based on findings and recommendations of the PER (WB, 2005), the Egypt Human Development Report and other donor-funded analysis; secondly, on an analysis and projection model (Egypt - ANPRO model), which allowed the MoE to set and quantify strategic targets, assess resource implications and verify their feasibility. The model has been used to translate long-term plans into medium-term, programme-based plans and to support the preparation of medium-term expenditure frameworks (MTEFs).

The MoE has already launched the implementation of several measures included in the Plan, such as the first phase of the teachers' cadre, the fiscal and administrative decentralization process, the development of early-childhood education and the expansion of the Girls' Education Initiative.

Public finance management

Public finance is in the process of a wide-ranging overhaul:

- Budget classification is being modernised and a Treasury Single Account (TSA) is progressively being established;
- Generalised Sales Tax and Income Tax are now put under a single Tax Commissioner and a fully-fledged VAT is being prepared;
- Subsidies are being made explicit in the budget and at the same time being reassessed in terms of their economic and social relevance;
- Fiscal compliance is enhanced through expanding the tax base and removing unjustified tax exemptions.

As for Egypt's public finance management (PFM), credible reform efforts are ongoing, in particular technical assistance programmes by the IMF and USAID. Recommendations from the World Bank (WB) addressing the the most critical weaknesses in PFM are being followed up.

The EC envisages reinforcing PFM related matters through:

a) EC support for the WB's initiative for creation of a group on PFM issues (to be created during 2008)

b) Preliminary talks have been launched with the WB to suggest to the Egyptian authorities to conduct a joint PEFA assessment. Terms of reference for a full assessment on public finance management in Egypt are being developed and will be launched most probably in July. This will include an extensive public expenditure and financial accountability (PEFA) based PFM assessment in general and in the transport sector. Recommendations of this assessment will be beneficial for the development of the PFM related disbursement criteria.

Egypt has undertaken a Public Expenditure Review of the education sector. The recommendations which have been mainstreamed in the ESPSP, put emphasis on the need to enhance efficiency in education budgetary process, reduce textbook spending, promote an effective educational decentralisation, rebalance the teaching/non-teaching staff ratio and pre-university/university shares in the education budget.

Egypt is eligible for sector budget support based on the analysis undertaken and based on the assumptions as specified in 9.4.

1.4. Lessons learnt

The ESPSP builds on the achievements and best practices developed in the eight years of implementation of the Education Enhancement Programme (EEP) and take into account lessons learned from past and present budgetary support programmes in other areas implemented or under implementation in Egypt (e.g. SPSP Spinning and Weaving, SPSP Water). These are:

- The programme should be fully linked to Egypt's reform agenda.
- The establishment of parallel systems or processes should be avoided. Rather a comprehensive reform framework should be supported.
- The coordination of donor's efforts is important to build up a consensus for a policy change and to harmonizing their interventions within the framework of the National Strategic Plan.

1.5. Complementary actions

Several donors are supporting the National Strategic Plan. USAID, the EC and the WB are the main actors in the Education sector. USAID's assistance focuses mainly on fiscal decentralization (pilot in Education), Teachers' Cadre, number of textbooks, conversion of qualified non-teaching staff into teaching position and liberalization of textbooks publishing. UNICEF and CIDA are supporting Community-Based Education models, while WB-WFP-CIDA the enhancement of Early Childhood Education. The WB is also identifying a new intervention in support to the reform of secondary Education within the framework of the Strategic Plan.

The EC is currently supporting the reform of the national Technical Vocational Education and Training System (TVET) with a contribution of Euro 33 000 000. The Programme promotes the transition from a centralized, segmented and supply-driven

system to a decentralized and, demand-driven system.. The programme's cornerstone is the establishment of 12 partnerships of private and public providers of training in different sectors of the Egyptian economy.

Within the framework of the Children at Risk programme (Euro 20 000 000), the EC is assisting the National Council for Childhood and Motherhood (NCCM) in establishing 200 girl-friendly schools in seven governorates across Egypt. Girl-friendly schools enable children both to work with their parents and to attend school, thanks to curricula and administration mechanisms specifically designed to encourage girls – often burdened with traditional household responsibilities – to attend lessons. The active learning approach used in these schools help children to acquire the basic life skills needed for active participation in society.

In designing the ESPSP, the main pillars and achievements of the EC-funded programmes in support to the TVET sector reform and Children at Risk (in its component of Girls Education) have been mainstreamed and valorised.

1.6. Donor coordination

All major donors contributed to the development of the Reform Plan, under the leadership of the Ministry of Education. The MoE pursued the harmonization and alignment of all ongoing aid programmes under a common strategic framework. Each component of the Plan reflects the main axes and best practices of pilot programmes implemented by donors, UN agencies and civil society organizations along the past ten years. The National Strategic Plan will be the instrument through which the MoE will coordinate all donors' interventions in pre-university Education.

In a joint position adopted by the DAG sub-group for Education, currently co-chaired by the EC, all donors reiterated their support to the MoE in implementing and monitoring the National Strategic Plan. A joint exercise was undertaken by DAG members in order to assess their coverage/complementarities in supporting the Plan and enhance effectiveness and harmonization.

The establishment of a Partnership Committee, as foreseen by the MoE, is expected to facilitate coordination, monitoring and joint reviews.

During both the identification and the formulation phases, the EC held numerous consultations with all the members of the DAG and the main stakeholders in education. In particular, some exercises were undertaken with KfW, the World Bank, USAID and CIDA with the aim to share best practices and reinforce cooperation.

By providing direct sector budget support, the EC is fully aligned with GoE's strategy and it avoids establishing parallel systems or duplicating efforts.

2. DESCRIPTION

2.1. Objectives

As a general objective, the programme aims at enhancing human capital, democracy, social justice and at contributing to productivity, competitiveness and high level sustainable growth.

In particular, the ESPSP aims to ensure equitable delivery of quality educational services to all children, through a cost-effective and financially sustainable pro-poor and anti-exclusion approach.

2.2. Expected results and main activities

The ESPSP addresses four main issues:

- Open and equitable access for all children;
- Decentralization and school-based reform;
- Quality of educational services and learning outcomes;
- System efficiency and enhancement of public spending in education.

The programme activities are expected to bring about momentous changes in all key elements of the education system. These include considerable improvements in learning outcomes, pedagogical and assessment methods, learning environment, community participation, curricula, unreached children intake ratios, teacher motivation, teaching/non-teaching staff ratios, and system efficiency.

Within the framework of the National Strategic Plan, the ESPSP supports measures to implement both administrative decentralization and school-based reform, by focusing on:

- Organizational and institutional restructuring of the MoE and affiliate bodies in support to the decentralized school-based paradigm;
- Devolution of decision-taking power from the central and governorate level to districts and schools;
- Empowerment of schools by increasing administrative, financial and managerial autonomy. The role of local communities and civil society in school management is also being strengthened;
- Reorganisation of the Education Management Information System (EMIS) and introduction of a school-based data management system (SMS).

In terms of quality, the ESPSP supports:

- Quality accreditation process of schools, building on the capacity created within the Effective School Programme;
- Development of a new curriculum framework based on a student-centred approach and active learning concepts. A common core curriculum will be developed to fill the quality gap between general and technical and vocational education. Textbooks will be adjusted to the new curriculum framework and their production and procurement will be progressively liberalised;

- Implementation of the Teachers’ Cadre for the reform of education civil servants, with proper professional development systems, effective incentives and career ladders to enhance teachers’ motivation;
- Establishment Teachers’ Academy;
- Use of school infrastructures during out-of-class hours to provide services to their local communities (adult literacy, TVET linkages and cultural activities), and
- Expansion of Early Childhood Education.

With the aim to ensure equitable access to all students, the ESPSP embraces MoE’s priority actions in:

- Reforming the assessment system and its use for allocating students through the different cycles of education. Over time and with the reformulation of the examinations, especially the admission to university, it is expected that demand for private tutorship will decline substantially from current levels;
- Phasing-out and converting preparatory vocational into general preparatory schools;
- Ensuring access and quality education to children with special needs, by improving physical accessibility, enhancing curricula and pedagogical tools and creating public awareness on diversity, and
- Ensuring access and quality education to girls and out-of-school children through Community-Based Education.

In view to enhance public finance management and accountability, the ESPSP focuses on the improvement of quality, efficiency and effectiveness of public spending in Education. It assists the MoF and the MoE in:

- Streamlining expenditures and transparency by completing a Public Expenditure Tracking Survey (PETS) on Education, eliminating identified leakages and improving the budgetary funding process on the base of PETS’ recommendations;
- Developing a sector MTEF;
- Gradually piloting programme-based budgeting in Education and implementing financial decentralization at school level, and
- Liberalizing textbooks production and procurement.

2.3. Stakeholders

Main stakeholders are line Ministries, notably Education and Finance. Other Ministries involved in the implementation of the Strategic Plan are: Administrative Development, Higher Education, Economic Development, Finance, Local Development, Social Affairs. Education civil servants, teachers, students, parents, communities, the civil society and the private sector are also closely involved in the reform process.

The MoE adopted a highly participatory approach in the identification of the reforms involving at all stages the civil society, donors and international organizations. A permanent partnership committee representing the MoE, other line Ministries, donors (DAG–education sub-group), NGOs and private sector interests has also been established and discussed the reforms in all preparation stages.

2.4. Risks and assumptions

The following principal assumptions for the achievement of the support programme’s objectives have been identified:

- Maintenance of macroeconomic stability, in particular controlling inflation.
- Continuation of government’s efforts to improve public finance management.
- GoE leadership and supportive public opinion;
- Sufficient and timely availability of envisaged funding for the implementation of the reform;
- Reasonable reliability of targets and time scheduling of the reform plan;
- Successful coordination and change-friendly response between stakeholders (especially MoE and MoF), including public sector, civil society and private sector, at national and local level (Governorates and Idaras) to agree on common objectives and strategies and sufficient operational coordination, and
- Donor coordination and willingness to real alignment and harmonization.

Possible mitigating actions could include the use of TA support and intensive awareness campaigns, as well as Twinning and/or TAIEX missions on specific subjects.

2.5. Crosscutting issues

The ESPSP supports the MoE in its efforts to guarantee access to quality education for all children currently out of school (approximately 400,000) in underprivileged areas by the end of 2012. The strategy foresees: the expansion of the one classroom and community schools model, the development of educational schemes (curricula, textbooks, teaching methods) adequate to the socioeconomic characteristic of these children, the strengthening of the Girls Education Initiative and, the establishment of a system for the management of Community-Based Education, aimed at increasing efficiency, community participation, awareness and private participation.

The ESPSP also supports a major expansion of *kindergarden* facilities for children of 4 to 5 years, thus allowing opportunities for employment to mothers of young children and single household parents, pre-dominantly female.

ESPSP makes provision for the inclusion of Children with Special Needs, by implementing new teaching systems and enhancing accessibility in special schools. Gradually, more children with mild and moderate intellectual disabilities, visual and hearing impairments will be included. The plan identifies a further need to provide

training and professional development to teachers and specialists in mainstream general education schools to enable them to deal more successfully with diversity. Finally, the plan envisages the development of awareness campaign on diversity, with a strengthened involvement of local communities and civil society.

3. IMPLEMENTATION ISSUES

3.1. Implementation method

The implementation method is centralised management (sector budget support). A financing agreement will be signed with the Ministry of Education.

4. PROCUREMENT PROCEDURES

All contracts implementing the action (complementary support) must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

4.1. Budget and calendar

The Financing Agreement (FA) of was signed on 8th June 2008 and has an implementation period ending on the 7th June 2011. The funds envisaged for this action will be added to the budget support component through a rider to the existing 2007 ESPSP FA; this integration will not affect the implementation period envisaged in the 2007 ESPSP.

The additional available funds of EUR 20 million will be disbursed following the plan and calendar defined in the rider of the ongoing 2007 ESPSP programme.

4.2. Performance monitoring and criteria for disbursement

The progress made against expected outcomes is regularly monitored and assessed in the framework of a joint technical dialogue between the EC, the GoE and other stakeholders involved. A Steering Committee is in charge of ensuring coordination, implementation and follow up of programme activities. It may involve representatives from any other Government body or from the major stakeholders, both donor agencies and civil society, in assessing the general progress of the reform of the sector.

The Steering Committee has been established to ensure coordination, implementation and follow up of the programme activities as well as the general progress of the reform of the sector. The Committee monitors the implementation of the ESPSP by assessing progress made against expected outcomes, reviewing performance against annual targets and jointly agreeing on future directions to be taken in a coordinated way. The Commission participates as an observer.

Internal coordinators appointed by the two beneficiary Ministries (MoE and MoF) facilitate the follow up the programme implementation at operational level.

The monitoring carried on by the EC aims to assess: the fulfillment of the conditions/indicators for disbursement of the installments and the general progress of the programme. Monitoring missions of external independent experts will also be contracted by the Commission.

The EC financial assistance is delivered in three tranches after the Commission services have ascertained that general conditions and the targets related to each instalment have been met. Compliance with general conditions (macro-economic stability; endorsed sector strategy; reliability of public finance management) indicates continued eligibility for direct budget support. Specific policy-based conditions relates to the four objective-areas previously described.

4.3. Evaluation and audit

ESPSP supported activities will be continuously monitored and evaluated through the compliance assessment exercise and the regular dialogue with the MoE and other stakeholders. A final external evaluation for the whole programme will be contracted by the Commission with the aim to provide an independent and reliable assessment with conclusions, recommendations and lesson learned which should assist policymakers and managers in the implementation of the Programme and/or planning of future interventions.

4.4. Communication and visibility

To ensure the visibility of ESPSP, a communication strategy will be developed focusing on progress achieved in the education reform. The strategy will combine different communication tools and channels in order to highlight the partnership between the EU and Egypt in Education.

Annex 4

ACTION FICHE FOR EGYPT

1. IDENTIFICATION

Title	Transport Sector Policy Support Programme		
Total cost	EUR 80 000 000		
Aid method / management mode	Sector budget support (centralised management);		
DAC-code	21010	Sector	Transport policy and administrative Management

RATIONALE AND COUNTRY CONTEXT

1.1. Economic and social situation

Egypt's economy has continued to be dynamic during the last years. Real GDP growth in 2007-2008 is estimated at 7.3%, thanks to a continued - but slower - expansion of the oil and gas sectors and to increasing activities in labour intensive sectors, such as agriculture and manufacturing. Fiscal imbalances and unemployment have narrowed. Preliminary data indicates that the 2007-2008 deficit will fall to 6.9% of GDP, below the 9% level of recent years. However, the mastering of the inflation remains difficult. Strong domestic demand, reduction in subsidies in core products and price increases of imports and administered products lifted the headline (urban) inflation rate to 16.4% in April 2008.

Egypt is listed as a medium-level performer in the UN Human Development Index (published in 2007), ranked 112 out of 175 countries. Egypt continues to face the challenge of tackling critical social issues such as life expectancy, literacy, education, standards of living, employment and child welfare. Unemployment, especially among youth (32% of the population are less than 15 years), is a major concern to the government, and emphasis has been given to remedying the mismatch between output of the education system and the demands of the labour market. More recently, progress has been made in improving some of the non-income dimensions of poverty: a number of Millennium Development Goals targets are being met in literacy, mortality and health status.

As a result of recent economic developments and policy choices, Egypt still enjoys a relatively high degree of macro-economic stability, fulfilling the relevant eligibility criterion for budget support. However, challenges emanating from recent price developments need to be monitored carefully.

1.2. Cooperation policy of beneficiary country

Egypt-EC transport cooperation is based on the transport chapter of the ENP Action Plan (signed in March 2007), which reflects the Government of Egypt's (GoE) priorities in the transport sector.

1.3. Government Sector Programme

The policy paper on transport approved by the Cabinet was translated into policies and actions in the 6th National Development Plan (2007/20008–2011/2012) voted by the Parliament and adopted by GoE. This plan envisages both investment programmes and policies aiming at expanding production capacities and improving social services and infrastructure. The current Egyptian transport policy aims at reforming the transport sector while improving and modernizing infrastructure required for achieving the targeted GDP growth and economic liberalisation.

Public finance management

Public finance is in the process of a wide-ranging overhaul:

- Budget classification is being modernised and a Treasury Single Account (TSA) is progressively being established;
- Generalised Sales Tax and Income Tax are now put under a single Tax Commissioner and a fully-fledged VAT is being prepared;
- Subsidies are being made explicit in the budget and at the same time being reassessed in terms of their economic and social relevance;
- Fiscal compliance is enhanced through expanding the tax base and removing unjustified tax exemptions.

As for Egypt's public finance management (PFM), credible reform efforts are ongoing, in particular technical assistance programmes by the IMF and USAID. Recommendations from the World Bank (WB) addressing the the most critical weaknesses in PFM are being followed up.

The EC envisages reinforcing PFM related matters through:

- a) EC support for the WB's initiative for creation of a group on PFM issues (to be created during 2008)
- b) Preliminary talks have been launched with the WB to suggest to the Egyptian authorities to conduct a joint PEFA assessment. Terms of reference for a full assessment on public finance management in Egypt are being developed and will be launched most probably during the second semester of 2008. This will include an extensive public expenditure and financial accountability (PEFA) based PFM assessment in general and in the transport sector. Recommendations of this assessment will be beneficial for the development of the PFM related disbursement criteria.

Egypt is eligible for sector budget support based on the analysis undertaken and based on the assumptions as specified in 13.5.

1.4. Lessons learnt

This programme will be the first of its kind in the transport area in Egypt. However, some lessons can be drawn from other budgetary support programmes implemented in Egypt in other areas (e.g. SPSP Spinning and Weaving, SPSP Water). These lessons are:

- Conditionalities should be achievable and not overly ambitious. The programme should promote the process of reforms. In this respect, the coordination of donor's efforts are important to build up a consensus for a policy change;
- The programme should help in animating a national policy dialogue around the transport sector in Egypt, including representatives from the private sector and taking into account of international experience in certain transport issues;
- Building support for transport policy reform should be done by showcasing stakeholders' benefits from such reforms;
- Problems should be well diagnosed in order to ensure that measures under this programme will be well defined so as to promote investment in specific areas needed to promote concepts such as multimodality and interoperability;
- The existence of powerful interests should be adequately taking into account when establishing conditionalities.

1.5. Complementary actions

The Regional Transport Action Plan (RTAP) 2007-2013, solicited by the Euro-Mediterranean Ministerial Conference of Marrakech, comprises a set of actions in different transport sectors (maritime, road, railways and civil aviation) and targets mainly a regulatory (institutional) reform and infrastructure network planning and implementation.

The RTAP 2007-2013 foresees that transport planning and policy are better coordinated at differentiated levels (national transport strategies, the ENP Action Plans). Several actions are to be implemented at the national level but monitored at the multilateral level. This will be done in the framework of the Euro-Mediterranean Transport Forum, ongoing and future EuroMed regional projects (e.g. SAFEMED, Motorways of the Sea, and Rempec).

In addition, the EC has identified 3 high priority twinning arrangements in the field of transport safety -respectively with the Egyptian Authority for Maritime Safety (already ongoing), the Egyptian National Railways and the Roads, Bridges and Land Transportation Authority-; all three authorities are operating under the umbrella of the Ministry of Transport.

Other donors-funded activities in the field of transport include:

- USAid study on the reform of PFM in Egypt;

- The assistance provided by UNDP to the Egyptian parliament on budget control;
- The support provided by the Japanese Development Agency (JAICA) to the Egyptian Government for the development of a national transport master plan;
- UNDP/GEF programme to promote the use of environmental friendly vehicles in the specific governorates in Egypt;
- Activities in the fluvial transport sector funded by the Netherlands;
- France's funds for the construction of a third line of the Cairo Metro Network;
- Projects in preparation by the World Bank, (one in the field of railways -USD 120 million- other on urban transport management -USD 100 million).

1.6. Donor coordination

Cooperation between different donors has been close and effective in recent years through the Donors Assistance Group (DAG). Discussions for the creation of a specific sub-group on transport are ongoing in order to focus efforts and consultative work on this specific issue. This sector sub-group on transport will be in place before the start of this programme. Meanwhile, regular consultations with other donors are in place on an *ad hoc* basis.

2. DESCRIPTION

2.1. Overall Objectives

The objective of the envisaged budgetary support operation is to provide assistance to Egypt's efforts to reform the transport sector. These efforts relate to the implementation of a series of administrative, regulatory and legal measures to improve access and quality of transport as well as the restructuring of the different financial flows to enhance efficient use of resources.

2.2. Specific Objectives

While focusing on Road and Rail modes, support the Egyptian Ministry of transport to implement an updated transport policy framework with a view to:

- put in place an efficient, competitive and sustainable freight transport
- improving accessibility and affordability of safe and secure passenger transport services.

2.3. Expected results and main activities

The matrix of conditions of the financing agreement will cover:

Optimized transport sector governance through strengthened institutional capacity and separation of policy/planning, regulatory/executive and operational functions

- Appropriate organizational structure and decision making procedures for the central transport policy/planning mission of the Ministry of Transport established;
- Process heading to the establishment of an independent regulator (including market/competition, safety and security) for each transport mode (rail, road,);
- Commercialization of state-owned national transport service providers with focus on Railways pursued;
- Proper concept (custodian function) for Transport Executive Authorities established in rail and road;
- MoT lead role in transport sub-sector donor coordination established
- Comprehensive, consistent and transparent transport sector statistics and performance measurement and monitoring system is initiated in rail, and road.
- Comprehensive institutionalized, sustainable and transparent transport PSP/PPP strategy and coordination mechanism for private sector participation in investment and operation established especially in road and rail sectors.

Improved financial sustainability of the transport sector based on a proper and transparent transport budgetary planning/monitoring system and financial viable transport services

- Adequate transparent budget resource allocation and budgetary approval structure of public and private investments in the transport sector is based on a systematic and integrated strategic planning process;
- Improved revenue/ cost relation of state provided “commercial” transport services guided by the “user pays” principle;
- Increased financial and budget autonomy of the state-owned transport service providers (“operators”) and executive authorities, in road and railways.
- Public Service Obligation compensation schemes for commercially non profitable transport services (state-owned operators) are established and respective budget for compensations allocated by the PSO beneficiary in rail and road.
- Private sector participation in transport infrastructure investment projects, transport service concessions increased.

Adequate policies, regulation and technical applications for transport safety, security and environmental sustainability established

- Policy guidelines for safety and security regulation and strategic environmental impact assessment (SEA) are set-up as part of an integrated transport & environment strategy by the MoT.
- Mode-specific adaptation, enforcement mechanism and monitoring of safety, security and environmental issues are integrated in the function of the mode specific national regulatory bodies.

- EIA is applied in all transport projects based on the same SEA principles and guidelines established by MoT and the respective regulatory bodies.

Policy framework for improved access of citizens to reliable and affordable passenger transport services

- Improved quality of “commercial” cost-covering passenger rail services;
- Passenger service networks expanded under a consistent allocation policy making maximum use of mode specific advantages.

2.4. Stakeholders

The main beneficiary under this programme is the Egyptian Ministry of Transport and the following dependent authorities:

- The Ministry of Finance;
- The General Authority for Roads, Bridges and Land Transportation (GARBLT);
- The Egyptian National Railways.

These institutions generally need assistance to build up their institutional capacity to refine, maintain, and monitor a national reform and development strategy for the transport sector, properly integrated with other sector strategies. External capacity building support is being provided via twinning projects.

2.5. Risks and assumptions

GoE is expected to maintain a stability-oriented macro economic policy that would be conducive for the implementation of sector policy and budget. Furthermore, it is assumed that the government will be able to maintain its present programme to improve public finance management.

The reform of the transport sector is ambitious and foresees substantial changes in terms of management and responsibilities. Its success will depend on the political willingness to continue with such reforms and on the technical capacity to implement them in the frame of a well defined sector policy and strategy. Donor coordination is also a key factor for the success of the reform.

2.6. Crosscutting Issues

Poverty reduction: The promoted transport policies and strategies will pursue a combination of interventions to meet national poverty-reduction goals (e.g. improved transport access and employment opportunities). Improving management of road agencies, putting maintenance financing on a sustainable basis and reforming loss-making transport agencies holds important benefits (e.g. provision of more reliable services, freeing up amounts of public resources).

Good Governance: Good governance is materialized by ensuring safety and security in transport infrastructures, which is a major problem in Egypt. An effective public-

private partnership, will provide the population with the confidence to safely use transport and other-related infrastructures.

Integration in world economy: Egypt's ability to compete in a global economy is dependent on its transport system. Supporting service activities include the implementation of a multimodal and intermodal freight transport system composed of modes, infrastructures and terminals throughout the country to support trade.

Environment: This programme paves the way to implement strategic environmental impact assessments for all relevant plans, programmes and projects related to transport.

3. IMPLEMENTATION ISSUES

3.1. Implementation method

Centralised management will be used to implement the sector budget support component (EUR 75 million) of this programme. A financing agreement will be signed with the Ministry of Transport.

The Technical Assistance (TA) package will be implemented via centralised management following the procedures and standard documents laid down and published by the Commission for the implementation of external operations. The EUR 4.4 million TA package will ensure proper follow-up of implementation, report on the evolution of the programme, and provide for specific advice to facilitate the realisation of critical objectives related to the programme benchmarks.

3.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by ENPI regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 21(7) ENPI.

3.3. Budget and calendar

The overall budget for the program is EUR 80 million. Following the signature of the financing agreement, an initial payment of EUR 15 million will be made. The subsequent two tranches will be paid in equal instalments (EUR 30 million each). Tranche disbursement will be done on a yearly basis once the Commission's services have ascertained that the conditions relating to each instalment as presented in the matrix of conditions have been met.

In principle, and always in accordance to the provisions envisaged in the Special Conditions of the Financing Agreement, the funds for the programme would be transferred in Euros to the Treasury Account opened for this purpose at the Central

Bank of Egypt. This sum would be converted into Egyptian Pounds at the exchange rate in force of the day on which the account is debited. The amount into Egyptian Pounds would be transferred to the Government's budget.

EUR 4.4 million will be allocated for Technical Assistance. The European Commission will directly recruit the Technical Assistance (TA) component on behalf of the beneficiary. EUR 0.6 million will be allocated for audit, monitoring and visibility.

Contribution from the European Commission to this programme is set at a maximum of EUR 80 million. Unused amount from provisions for technical assistance could be added to the last tranche.

3.4. Performance monitoring and criteria for disbursement

A **Steering Committee (SC)** shall be in charge of the follow up of the programme activities as well as the general progress of the reform of the sector. The SC will periodically review progress against the matrix of conditions and it may invite anytime to representatives from any other Government body or private sector organization considered relevant for the programme in order to facilitate the follow up of the reform measures,

The National Coordinator will prepare, under the supervision of the Minister of Transport, a 6- month rolling activity plan where the main activities to be foreseen under the technical assistance component will be detailed.

Implementation of the programme will be monitored regularly by the European Commission's services in close cooperation with the Steering Committee and the National Coordinator. Monitoring missions will take place at least once a year and will be arranged with reference to:

- (i) Fulfilment of the conditions for disbursement of instalments and
- (ii) The general progress of the programme.

Considering the number of authorities involved in this programme, the Egyptian Minister of Transport will issue a ministerial decree to establish a coordination committee including all involved parties under the umbrella of the Ministry of Transport. The committee will be chaired by a senior official from the Ministry of Transport and will follow up the programme implementation at operational level. This committee will prepare, under the supervision of the Minister of Transport, a 6 months rolling activity plan detailing the main activities to be foreseen under the technical assistance component.

In order to prepare the disbursement of the different tranches, a dialogue with the Steering Committee will be organised annually at the end of each semester and before each annual disbursement, in order to discuss progress of the programme on the basis of the indicators chosen.

Standard Indicators (SI) for a project or sector financed by the EC are designed to measure the effect of aid and to be better accountable for aid operations. SIs are also part of the dialogue with the partner country⁸.

3.5. Evaluation

The Delegation of the European Commission to Egypt will hire experts to carry out mid-term and final evaluations of the programme.

3.6. Communication and visibility

Communication and visibility will be carried out via regular joint events on the occasion of fulfilment of the disbursement criteria, and in connection with the results of technical assistance projects in the transport sector. A communication budget is established for promotion of the implemented reforms.

Communication and visibility activities, as per envisaged in the Communication and Visibility Manual for EU External Actions, will include:

- Stakeholders' workshops (among other, at the end of each semester after disbursement of each tranche).
- National and international press releases
- Kick-off meetings and launching of technical assistance contracts/projects. Participation at transport-related conferences on jointly with other international donors or financial institutions.

⁸ Support to Sector Programmes covering the three financing modality : sector budget support, pool funding and EC project procedures

Annex 5

ACTION FICHE FOR EGYPT

1. IDENTIFICATION

Title	Improved Water and Waste Water Services Programme (IWSP)		
Total cost	EUR 29 000 000		
Aid method / Management mode	Project approach - <i>Joint co financing (KfW, EC, AFD, EIB)</i> <i>Decentralised management</i>		
DAC-code	-14020 -14030	Sector	- Large Water Supply and Sanitation Systems - Small Water Supply and Sanitation Systems

RATIONALE

1.1. Sector Context

A relatively high percentage of Egypt's population is served with piped water, but there are still substantial deficits both in quality and quantity in the semi-urban and rural areas. There is also a lack of adequate provision of sewerage facilities, which covers only 40 % of the population country-wide (10 % only in rural areas).

More than one third of Egypt's population lives in the extremely densely populated Governorates of the Nile Delta. In this area sanitation services are inadequate with untreated domestic wastewater as a significant source of pollution affecting irrigation and drainage networks. The degradation of water quality has a direct impact on agricultural production, human health and the ecosystem.

Faced with such a low level of service for both water supply and sanitation, the Government of Egypt (GoE) envisages to invest EGP⁹ 20 billion (EUR 2.5 billion) in the medium term (2007-2012) so as to improve service provision, especially in rural areas.

The current project concerns a joint effort of the GoE (contribution EUR 82 million) supported with a structured and co-ordinated donor contribution of EUR 213 million. In addition to the EC grant of EUR 29 million from the ENPI and a €5 million funding from the NIF (Neighbourhood Investment Facility), Kreditanstalt für Wiederaufbau (KfW) will contribute with EUR 69 million, European Investment Bank (EIB) with EUR 70 million, and Agence Française de Développement (AFD) with EUR 40 million. KfW has accepted to be the lead donor.

⁹ Egyptian Pound. On average, Euro 1 = EGP 8

1.2. Lessons Learnt

The 2005 on-going EUR 80 million EU-Water Sector Reform Programme (WSSRP) supports many initiatives related to water and wastewater sector policy development and strategy reform.

The main lesson learnt for EC future support to the water sector is that the further strengthening of the institutional and management aspects water supply and sanitation is highly desirable. Furthermore specific technical assistance should be provided with a view to strengthening government coordination and capital investment at national level. Lastly, the EC should act as catalyst to provide more donor support in this key sector.

1.3. Complementary actions

- (1) The ongoing WSSRP focuses on the legal, financial and institutional reforms of the water sector at large covering water resources management, water supply and sanitation and water-related public finance management. Relevant areas under the WSSRP, that are also covered by this IWSP project are:
 - (a) (a) Water and Wastewater Master Plans for the affiliated companies that will emanate into a national master plan. Coordination and supervision will be done by the Holding Company for Water and Wastewater¹⁰ (HCWW), who has the overall responsibility regarding quality and results.
 - (b) (b) Rural Sanitation Strategy, it is the first country-wide strategy of this kind, financed under WSSRP.
 - (c) (c) Water and Waster Water Law reforms that define more accurately the responsibilities and mandates of the different institutions active in the sector (MHUUD¹¹, HCWW & affiliated companies) and at regulating their interaction.
- (2) Institutional Capacity Building for the Egyptian Water Regulatory Authority (EWRA). It is an EC funded project through the SAAP Programme (2005). This technical assistance project provides operational technical capacity of EWRA with a view to developing its key basic functions as a water economic regulator.
- (3) Water and Wastewater Sector Policy Reform Project is a USAID funded programme. This six-year effort (2003- 2009) aims primarily at building HCWW capacity to manage the subsidiary utilities, to improve their operational and financial performance, and to stimulate private participation. The programme also assists EWRA in the design and implementation of

¹⁰ The Holding Company for Water and Wastewater (HCWW) is a public entity established by Presidential Decree of the Arab Republic of Egypt n° 135 of 2004. HCWW is regulated by the Public Enterprises Law and it is directly dependent of the Ministry of Housing, Utilities and Urban Communities. The Decree also establishes the list of public economic authorities for water supply and sanitary drainage that are transformed into affiliated companies to HCWW.

¹¹ Ministry of Housing, Utilities, and Urban Development

performance monitoring and benchmarking systems, tariff analysis and design, and review of utility applications for tariff adjustments.

- (4) Water and Wastewater Management Programme (WWMP) is a German funded programme. WWMP is supporting HCCW for building its capacity with regard to capital investment planning and to corporate management towards its subsidiaries.
- (5) Italian-Egyptian Capacity Building Programme for Integrated Water Supply and Sanitation (IBISS) is an EC-funded project via the Life programme. This project focuses on water leakage control and reduction, providing operational support to three subsidiaries of HCWW, and subsequently transferring leakage control know-how to HCWW technical management staff.

1.4. Donor coordination

IWSP itself intends to be a model for donor coordination as it is developed on a joint financing scheme among the European Commission (EC), the Agence Française de Développement (AFD), the European Bank of Investments and Kreditanstalt für Wiederaufbau (KfW) in line with Paris Declaration and aid harmonization. Cooperation between different donors has been close and effective in recent years through the Donors Assistance Group (DAG) via the existing water Sub-DAC in Egypt. In this context, systematic co-ordination and complementarities with programmes supported by Member States (MS) and other donors' water supported programmes (ISSIP, new USAID water programme) is an asset.

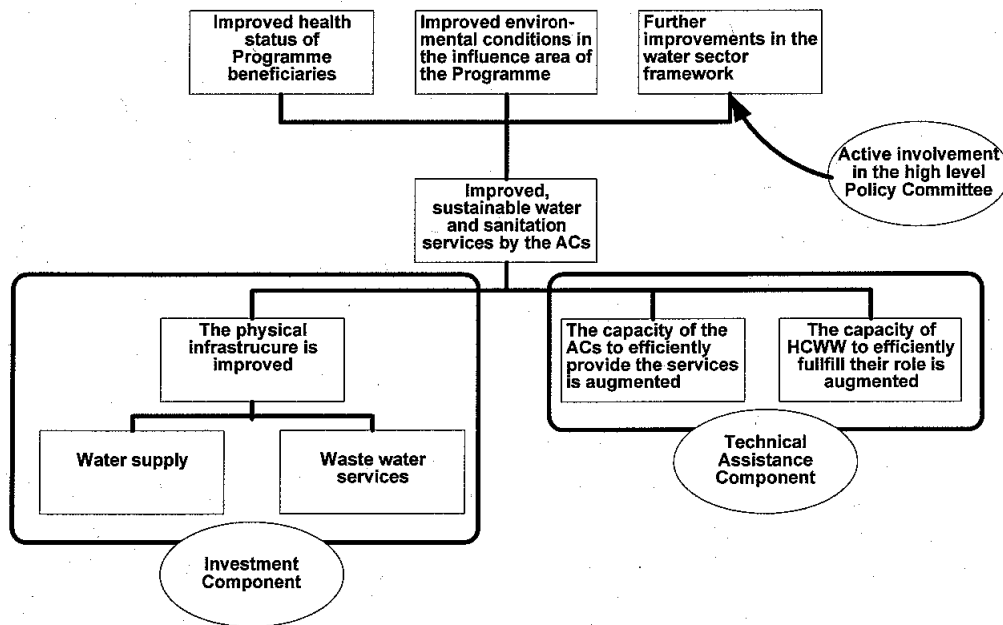
2. DESCRIPTION

2.1. Objectives

IWSP General Objective

The general objective of IWSP is shown in the chart below. IWSP will provide support through both investment in infrastructure to improve the performance of the HCWW affiliated companies, and through the provision of Technical Assistance (TA) to improve their operational efficiency.

Project partners (EC, KfW, AFD and EIB) will contribute to the sector dialogue at national level by participating as observers at the sessions of the National High Level Committee for Utilities



IWSP Specific Objectives

- To improve water quality and output as well as wastewater services in four Governorates through a sector investment program. The target is to increase coverage up to 99% for water supply services and 40% for wastewater and sanitation services on both urban and rural areas.
- To develop investment, planning, steering and monitoring capacities in the HCWW;
- To strengthen planning, implementation and operation capabilities of the water- and wastewater management local companies;
- To support the gradual introduction of a tariff system that assures a full coverage of operating and maintenance costs (including depreciation);
- To improve technical and financial performance of the water- and wastewater management companies in the selected Governorates.

2.2. Main activities and expected results

Main Activities

- (1) An investment programme for improving the quantity, quality and efficiency of the water supply and particularly wastewater services in the four governorates Sharkia, Gharbia, Damietta and Beheira in the Nile Delta region. About 4 million inhabitants will benefit from this action through the implementation of civil works, provision of electro-mechanical equipment, pipelines, goods and associated services.

- (2) Capacity building and institutional strengthening of HCWW in four key pillars:
 - (a) Business Development
 - (b) Technical Support from HCWW towards its subsidiary companies
 - (c) Monitoring and Evaluation
 - (d) Managing outsourcing process for training services

The Technical Assistance provided will cover the following activities:

- Corporate, operational and business planning of the IWSP program;
- Capacity Building of the HCWW in key areas such as human resources, fiduciary oversight, quality management, management information systems, etc.

Expected Results

- Improved and extended water infrastructure and water- and sanitation services in the four selected governorates;
- More efficient budget and financial management in the water supply and sanitation sector.
- Improved governance framework for water supply and sanitation.

2.3. Stakeholders

The stakeholders of the IWSP are:

- Egypt **water and wastewater institutions and agencies** i.e., HCWW and its affiliated companies in Governorates of Sharkia, Gharbia, Beheira and Damietta. These governorates have been selected on the basis of three criteria: needs, other donors' presence and structure of established water operators/companies.
- Major new capital investments and rehabilitation works which will be owned and managed by the affiliated companies for the rural governorates mentioned above. These are semi-corporate public agencies directly receiving funds from State Budget.
- The four Governorates have a total population of 16 million while the target population is estimated at 4 million. In addition, the population living upstream of the drainage channels and using water for irrigation or other purposes are indirect beneficiaries of the programme.

3. RISKS AND ASSUMPTIONS

Assumptions

- Senior management at HCWW headquarters and the subsidiary companies will commit to applying and enforcing performance standards and incentives;
- HCWW and Egyptian Water Regulatory Agency (EWRA) are willing and able to achieve agreement on performance targets and input/output ratios.
- Harmonized implementation procedures covering fiduciary risks (mainly procurement and financial management) will be streamlined among the four participating donors involved in this programme. An implementation agreement amongst participating donors will be signed.

Risks

- IWSP is an ambitious programme. Coordination of IWSP activities between HCWW and its affiliates must be closely monitored.
- The sustainability of the programme should be increased through the creation of an adequate regulatory and supporting environment by the Government of Egypt.

3.1. Crosscutting Issues

IWSP is directly addressing one of the main environmental concerns related to the supply of drinking water in the four governorates concerned. .

4. IMPLEMENTATION ISSUES

4.1. Implementation method

A financing agreement will be signed with the Government of the Arab Republic of Egypt. The EUR 29 million EC contribution to IWSP is divided into the following two components:

a) Investment Financing Component (EUR 20,000,000), the amount of this component is part of capital investment financing to be disbursed through a specific mechanism developed jointly with KfW, EIB and AFD and defined in the Implementation Agreement.

b) Technical Assistance Component (EUR 9,000,000) to build the capacity of HCWW in the areas of capital investment planning, project management and steering capacities for subsidiaries management.

The method of implementation will be partly decentralised management through the signature of a financing agreement with the Government of Egypt.

The degree of decentralisation and the contracting and paying authorities of this programme will vary in the two different components, as detailed below.

(1) Investment Financing Component of EUR 20,000,000

Procurement procedures for works, supplies and services will be decentralised at the level of the affiliated companies, acting under supervision of the HCWW, designated by the Government of Egypt. *Ex-ante* controls will be carried out by EC.

EC funds will be paid to an account held by the Government of Egypt. The paying authorities (HCWW, the affiliated companies) will be reimbursed through this account.

An advance payment will be disbursed at the start of the project. All payments, including the advance payment, will be made in principle following a *pari passu* share among the donors involved in the project. Other payment arrangements may apply for the engineering consultancy services.

Except for the advance payment, all further payments will be disbursed after receiving an external independent audit report on the expenditure incurred. In the payment circuits within the paying authorities, effective segregation of the duties of authorising officer and accounting officer or of the equivalent functions will be respected.

(2) Technical Assistance Component of EUR 9,000,000

This component includes audit and evaluation contracts of the project.

Support in procurement procedures for services and supplies will be provided under this component. The contracting authority will be the HCWW.

Ex-ante controls will be carried out by EC. All payments will be made in principle following a *pari passu* share among the donors involved.

Audit and evaluation contracts will be contracted and paid by the Commission or another donor acting on behalf of EC.

4.2. Procurement and grant award procedures

For the Investment Financing Component

Rules and procedures to be applied will be mutually agreed upon in an Implementation Agreement to be signed between the Donors. The applicable procurement procedures will be based on the EC procedures and templates, except for procurement of works below the threshold of EUR 5 million, for which the WB procedures allowing a pre-selection of companies will be implemented.

For all tenders, an *ex-ante* control will be done by EC. Grant award procedures are not applicable in this project.

For the Technical Assistance Component

All contracts will be awarded and implemented in accordance with the procedures and documents laid down by the Commission in force at the time of the launch of the procedure in question or in accordance with KfW procedures which conform to international standards set. An assessment was carried out in April 2008, the auditors concluded that the six key pillars, as mentioned in article 56 of the Financial

Regulation (and thus including procurement procedures), are well established and operational within KfW. There mechanisms and controls in place to ensure that the funds will be used for their intended purpose.

For both components, participation in the award of contracts for the present action shall be open to all natural and legal persons covered by ENPI Regulation. Further, participation will be worldwide in accordance with the rules of other donors and article 21.8 of the ENPI regulation.

4.3. Budget and calendar

The financing structure of the project is as follows:

Financier	Amount (EUR)	Interest Rate	Maturity	Grace Period
A. Investment Funding:				
EC (Grant)	20,000,000	N/A	N/A	N/A
KfW (Loan)	33,962,967	0.75	40	10
KfW (Loan)	26,653,350	1.95*	40 / 10	10 / 5
EIB (Loan)	70,000,000	5.00*	20 **	5**
AFD (Loan)	40,000,000	3.60*	20	5
GoE (EGP Equiv.)	82,191,317			
<i>Sub-Total</i>	<i>272,807,634</i>			
B. Technical Assistance (All Grants)				
KfW	8,300,000			
EC	9,000,000	National Indicative Programme		
NIF	5,000,000***	Neighbourhood Investment Facility (NIF)		
<i>Sub-Total</i>	<i>22,300,000</i>			
TOTAL	295,107,634			

(*) Indicative current fixed rates; the final rates are to be defined according to conditions described in the respective loan agreements

(**) Possibly from the date of each disbursement (to be negotiated)

(***) Subject to the approval of the NIF Board

The EC contribution under the NIP 2007-10 to the programme will be EUR 29,000,000 million. The indicative breakdown for the EC contribution is as follows:

Activities	Budget	Implementation
Technical Assistance to HCWW Audit and evaluation	EUR 9 000 000	Mix decentralized and centralized
Capital Investment Activities i.e., Construction and Rehabilitation of Water and Wastewater Facilities in IWSP project area (Governorates of Beheira, Gharbia, Sharkia and Damitta)	EUR 20 000 000	Decentralized
Total	EUR 29 000 000	

The operational duration of the programme will be 60 months.

4.4. Performance monitoring

With the assistance of the Technical Assistant consultant, HCWW will produce the overall and the annual work plans for the implementation of the IWSP programme.

HCWW will regularly produce monthly progress reports, quarterly progress reports and annual reports.

Reporting and monitoring will be based on a regular flow of information by HCWW on the financial and operational implementation of the project to EC, EIB, KfW and AFD.

Upon the completion of the joint appraisal mission among EC, KfW, EIB and AFD, a certain number of detailed and accurate indicators will be agreed between the HCWW and four involved subsidiaries, on the one hand, and EC, WIB, KfW and AFD on the other hand.

Among other quantitative and qualitative indicators to be included, are:

- (1) number of water and wastewater coverage in the selected 4 governorates
- (2) number of water and wastewater household connections;
- (3) rationalized use of energy in the rehabilitated water and wastewater facilities;
- (4) billing collection rate;
- (5) percentage of women out of total participating at local communities and NGOs benefiting from the IWSP programme...etc.

4.5. Evaluation and audit

Regular audits will be carried out by the Donors (KfW as lead donor on behalf of the other donors or directly by EC). Quarterly external independent audits will be launched in order to verify the expenditure done. This is in addition to joint EC, KfW, EIB, AFD independent external mid-term review and final evaluation to be also carried out.

The Commission may, furthermore, send specific missions at any time to assess the progress of the project.

4.6. Communication and visibility

In accordance with the “EU Visibility Guidelines for External Actions”, for Technical Assistance projects and for studies, the TA contractor and/or implementing partner must always issue at least one press release and use the appropriate stationery and report presentation format.