

## Action Fiche for Egypt

### 1. IDENTIFICATION

|                          |   |        |  |
|--------------------------|---|--------|--|
| Title                    | Water Sector Reform Programme – Phase II (WSRP-II)                              |        |  |
| Total cost               | EU contribution: €120 million (€80 million in 2010; €40 million in 2011)        |        |  |
| Method of implementation | Sector Policy Support Programme: Sector budget support (centralised management) |        |  |
| DAC-code                 | 14010   | Sector | Water Resources Policy & Administrative Management |
|                          | 14020   |        | Water Supply and Sanitation – Large Systems        |
|                          | 14030   |        | Basic Drinking Water Supply & Basic Sanitation     |

### 2. RATIONALE AND COUNTRY CONTEXT

#### 2.1. Country context and rationale for Sector Policy Support Programme (SPSP)

##### 2.1.1. *Economic and social situation and poverty analysis*

Egypt's economy weathered the international economic downturn better than originally expected, with economic growth having stabilized at 4.7% by end of 2009 after the steep fall in the first two quarters (down to 4.1% in Q2). Fiscal stimulus measures started by the Government of Egypt (GoE) in November 2008, coupled with the low exposure of the Egyptian financial sector to the global turmoil and liquidity crisis, helped cushion a potentially stronger impact on the real economy. Inflation has been brought under control, and is expected to remain stable through 2010. The GoE is projecting GDP growth of broadly 5% in FY2010. The year 2009 closed with a budget deficit of 6.8% of GDP and is expected to rise in 2010 moderately despite improving growth as state intervention for the poor and unemployed continues to increase.

Egypt is listed as a medium-level performer in the UN Human Development Index (published October 2009), ranking 123 out of 182 countries. More recently, progress has been made in improving some of the non-income dimensions of poverty, through redistribution of wealth, and social services. The UN Mid-Term Report of 2008 shows that the GoE's progress towards achieving MDGs targets is slow but consistent.

##### 2.1.2. *National development policy*

The GoE's long term vision of development is underpinned by Egypt's vision 2030, and spelled out in the sixth Five-Year National Plan (2008-2012) whose objectives are to work towards sustainable economic growth and job creation, improvement of living standards and social security, and strengthening of state institutions and political reform. For the water sector in particular, the sixth Five-Year Plan specifically aims at: (i) implementing the water resources development strategy in harmony with the agricultural development strategy and to (ii) approach full water

and sanitation requirements of cities and villages with an EGP 61.3 billion (broadly €8bn) investment program. This programme also aims to minimize water network losses, to gradually achieve cost recovery in water and sanitation services and to increase public awareness on water and pollution issues.

The strategy and actions outlined in the development plan are reflected in the National Water Resources Plan (NWRP) 2005-2017 of the Ministry of Water Resources and Irrigation (MWRI) and incorporated in the National Governorate-based Master Plan (GBMP) for Water Supply and Sanitation (WSS), thus ensuring ownership by the MWRI and the Ministry of Housing, Utilities and Urban Development (MHUUD).

## 2.2. Sector context: policies and challenges

Sector context: In 2004, Presidential Decrees 135 and 136 established the Holding Company for Water and Wastewater (HCWW) for the operation and management of water supply and wastewater services, and the Egyptian Water Regulatory Agency (EWRA) as an economic and quality regulator. Egypt's NWRP 2005–2017 was adopted in March 2005 aiming at universal supply of safe and drinkable water by 2017.

As of today, the proportion of the total population served by piped water is quite high (approx. 95%), but there are still substantial deficits with regards to service quality and quantity, especially in semi-urban and rural areas. The low sanitation coverage, particularly in rural areas (around 12%), in combination with deficiencies in wastewater treatment, results in severe water quality problems.

The problems of the water utilities result from an insufficient managerial and financial autonomy, very low tariff, lack of incentives to improve performance, continued overstaffing resulting also in a poor financial situation. In addition to that the regulatory and legal organization of the sector also shows weaknesses hampering new investments and the efficient provision of services as well as environmental protection and efficient use of water resources.

Based on the achievements of WSRP-I a National Water Supply and Wastewater Sector Development Policy and Strategy has been drafted by the Ministry of Housing in 2009, which is expected to be adopted prior to the start of WSRP II.

Sector budget and medium term financial perspective: Egypt's budget cycle is annual, running from July to June, and although there is no short-term plan for enacting an MTEF law, a pilot MTEF is currently being undertaken in the Education Sector, with the intention to roll this out during the coming years. In the absence of an MTEF, the water and wastewater sector expenditure framework is established on an annual basis and mainly calculated through historical expenditure records, looking at the last three years increases, as is done for the whole state budget.

Coordination process: The MHUUD is the main coordinator in the water supply and sanitation sectors for institutions such as NOPWASD<sup>1</sup>, HCWW and EWRA. Over the past four years, the EU had a regular policy dialogue with Egypt in the context of

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<sup>1</sup> National Organization for Potable Water And Sanitary Drainage.

WSRP-I (bi-annual Steering Committee Meetings) as well as within the Development Partners Group (DPG, see 2.6).

Assessment of Institutional Capacity: Following WSRP-I key staff of the MHUUD as well as the HCWW and EWRA have experience of implementing significant reform programmes and have experience of implementing EC sector policy support programmes.

Performance measurement: The MHUUD has recently drafted a sector policy for water supply and sanitation which commits the GoE to develop a set of standard monitoring indicators for measuring the implementation of water sector policies and strategies. WSRP-II will be supporting this key policy aspect, helping the definition and implementation of the standard policy monitoring indicators for water supply and sanitation sector.

Macroeconomic framework: For Fiscal Year (FY) 08/09 the Egyptian economy coped well in accommodating the spill-over effects from the global financial crisis. Economic growth fell from 7.2% to 4.7% but was better than expected. The underlying assumptions for the budget 2009/10 indicate that the GoE GDP growth expectations for FY10 are in the range of 5%-5.5%.

The budgeted government deficit of 6.8% for FY09 had to be modified to an 8% preliminary deficit figure in June 2009. The GoE's expansionary stance will continue into 2010 with a deficit target of 8.4%. This makes the original GoE plans for a 1% annual deficit reduction and the 3% deficit target for FY11 no longer feasible within this timeframe. Nonetheless, the GoE is expected to move back to a course of fiscal consolidation once the effects of the global crisis subside.

Public Financial Management (PFM): At the same time numerous reform initiatives are ongoing to improve the PFM systems, budget process and regulatory framework. Significant support has been provided by the IMF, WB, USAID and, more recently, the EU and some bilateral donors (Netherlands, Switzerland, United Kingdom). The design of an overall PFM Reform strategy is a top priority for the Ministry of Finance (MoF) now in order to incorporate all the piecemeal interventions that are currently being implemented.

### **2.3. Eligibility for budget support**

Egypt is eligible for sector budget support based on the analysis undertaken.

(i) Sector reform policy and strategy: Egypt's NWRP for Egypt 2005 – 2017 was adopted, based on the Water Policy Plan of 2000, and published in 2005, which aims to supply the population, farmers and industry with safe and reliable water by 2017. Furthermore, in 2009 and with the support of the WSRP-I, the GoE has developed the first Governorate-based Master Plan for Water Supply and Sanitation. Finally, the sector policy for water supply and sanitation has been drafted by the Ministry of Housing in November 2009.

(ii) Macroeconomic Policy: The macroeconomic position remains stable, in particular during the financial crisis, as the government responded appropriately in terms of fiscal and monetary policy measures. The focus now is shifting from the

policy of fiscal stimulus and expansionary fiscal policy, in particular, returning to the path of long term fiscal consolidation.

(iii) **Public Financial Management (PFM)**: Egypt has made further progress in recent years towards improving its PFM systems and has also carried out a PEFA assessment in 2009. Achievements include higher budget performance, greater accountability of budget authorities and greater transparency in budget reporting and in auditing practices. Based on the analysis undertaken, Egypt remains eligible for budget support, in particular in view of the fact that the ongoing PFM reforms are expected to deliver further progress in transparency and accountability of government finances.

#### **2.4. Lessons learnt**

Based on a preliminary assessment by the EU Delegation (to be complemented by a final evaluation of WSRP I in H1 2010) the following issues should be taken into account during the WSRP II formulation phase:

- WSRP II should continue to use the DPG for sector policy discussions.
- WSRP II conditionalities should be more performance-based.

#### **2.5. Complementary actions**

Due to the reform measures undertaken by the GoE since 2004 most active donors in the water sector like USAID, German Development Cooperation (GTZ), the Dutch development cooperation and WB have developed, in parallel and coordinated way, projects for supporting the reform of the water sector.

#### **2.6. Donor coordination**

Donor coordination in the water sector is organised under the DPG, co-chaired by the EU Delegation and the Dutch Development Cooperation in Egypt. Both MHUUD and MWRI are strongly represented by senior officials.

### **3. Objectives**

The overall objective of the WSRP-II is to support GoE continuing the reform programme of the water sector, in accordance with the objectives of the NWRP 2005-2017 as well as the WWSDPS.

The related specific objectives are (i) a more robust and coherent institutional framework with clearly defined water supply and sanitation policy and strategy, and with better performing water supply and sanitation service providers; (ii) better use of existing water resources by improving operational efficiencies of the affiliated companies, reducing water losses and reusing treated wastewater and (iii) protect public health and the environment.

#### **3.1. Expected results and main activities**

An indicative number of results and activities under the programme are as follows:

Result 1: Strengthened water supply and sanitation policy as well as better enforcement. This includes a) the adoption by the MHUUD of a water supply and sanitation policy and implementation strategy, b) expand PPP activities, c) decentralize water supply and sanitation investments and d) continue and intensify public awareness to promote the dissemination of key messages supporting the reform process.

Result 2: Improved Service and Performance in the water supply and sanitation sector. This includes; a) to adopt and implement water conservation practices, b) to extend coverage of sanitation services, c) to support service providers (i.e., affiliated companies) in the process of achieving cost recovery and d) to improve consistency of data.

Result 3: Improved environmental sustainability as well as operational practices in Water Resources Management. This includes a) an updated National Water Resource Plan (NWRP), b) to improve groundwater management through MWRI's decentralization process and, c) to increase efficiency of pumping stations for irrigation.

### **3.2. Risks and assumptions**

The GoE maintains a strong leadership and ownership of the reform process of the water supply and sanitation sector and in particular to overcome expected resistance for tariff increases.

### **3.3. Stakeholders**

The two main beneficiaries of the WSRP-II will be the MHUUD (with its organizations NOPWASD, HCWW and EWRA) and the MWRI. The MoF will also directly benefit from the programme with an ad hoc TA component.

### **3.4. Crosscutting Issues**

**Environmental Sustainability:** WSRP-II is directly addressing one of the main environmental concerns related to safe supply of drinking water and to environmental-friendly sanitation services.

**Human Rights:** WSRP-II is targeting among other the increase of access to safe supply of drinking water and basic sanitation which are basic human rights.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

Direct centralised management will be used to implement this sector budget support programme.

### **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 European Union 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 *Art. 21(7) ENPI*.

#### **4.3. Budget and calendar**

The overall budget for the programme is €120 million. €80 million will be committed in 2010. This will be complemented by an additional €40 million commitment from 2011 funds subject to the availability of budgetary resources. The additional commitment of €40 million will be made as soon as 2011 commitment credits become available. Indicatively, the payments for the budget support will be made in three tranches.

€5.5 million will be allocated for TA, which will help the GOE/MHUUD to carry out new PPP transactions as well as to foster the coordination and policy dialogue by establishing an Advisory Board Panel for the sector. The TA may include also TA to support the Ministry of Finance on PFM issues relevant for this programme. €0.5 million will be allocated for audit, monitoring, evaluation and visibility.

The indicative budget breakdown is as follows:

| Components                                   | Euros              |
|--|--------------------|
| Budget Support                               | 114,000,000        |
| Technical Assistance                         | 5,500,000          |
| Audit, monitoring, evaluation and visibility | 500,000            |
| <b>Total</b>                                 | <b>120,000,000</b> |

The indicative implementation period of the project will last 48 months from the date of the signature of the Financing Agreement.

#### **4.4. 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. A National Coordinator from the MHUUD will chair the SC and will prepare a 6-month rolling activity plan.

Implementation of the programme will be monitored regularly by the EU's services in close cooperation with the National Coordinator. Monitoring missions will take place once a year and will be arranged with reference to the (i) fulfilment of the conditions for disbursement of instalments and (ii) the general progress of the reform programme.

#### **4.5. Evaluation and audit**

The EU will hire experts to carry out mid-term and final evaluations of the programme.

#### **4.6. 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. EU guidelines will be respected for all visibility activities.

[http://ec.europa.eu/europeaid/work/visibility/documents/communication\\_and\\_visibility\\_manual\\_en.pdf](http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf).

## Action Fiche for Egypt

### 1. IDENTIFICATION

|                                       |  |  |          |
|---------------------------------------|--|--|----------|
| Title                                 | Research, Development and Innovation Programme phase II  |  |          |
| Total cost                            | Euro 20 million + EGP 10 million<br>EU contribution: Euro 20 million<br>State Ministry of Scientific Research: EGP 10 million, as parallel financing |  |          |
| Aid method / Method of implementation | Project approach – Decentralised management  |  |          |
| DAC-code                              | 43082  |  | DAC-code |

### 2. RATIONALE

#### 2.1. Sector context

The State Ministry of Scientific Research has undertaken multiple initiatives to invigorate Scientific Research. In particular, Egypt and the EU signed an agreement for Scientific and Technological Cooperation in June 2005, aiming to encourage, develop and facilitate cooperative research and development activities of common interest.

In 2007, the Egyptian government announced a plan to strengthen the country's science and technology community. The "Developing Scientific Research (2007-2016) Plan" is implemented by the Ministry of Higher Education and Scientific Research (MHESR), aiming, among others, to restructure the national scientific research system and to promote a complete cycle of innovation.

Within the context of reforms three main initiatives were launched; the "Decade for Science and Technology (2007-2016); the Higher Council for Science and Technology (HCST); and the Science and Technology Development Fund (STDF).

All the initiatives try to tackle key challenges that the scientific and technological research sector is facing in Egypt. These are a) inadequate funding of applied research and innovation by Universities and Research Centres, b) insufficient exploitation of scientific research by the service/production sectors as well as scarcity and inefficiency of research and technological advancement units in service and production units.

#### 2.2. Lessons learnt

A monitoring mission was carried out during the first phase of RDI (RDI I) that started in 2007, yielding positive results. The RDI's potential sustainability, impact prospects and effectiveness received the highest scores, although it was recommended to enhance RDI networking with related industry, higher education

and research and technology development initiatives in the Euro-Mediterranean region. These lessons will be taken into account in the next phase.

### **2.3. Complementary actions**

Complementary actions (to RDI) have been carried out within the EU Seventh Framework Programme for Research and Technological Development. More specifically, under the FP7 Capacities Programme there are three initiatives in which Egypt is a partner, namely a.) the Mediterranean Innovation and Research Co-ordination Action (MIRA), b.) the SHERACA project and the 2009 Research Potential (REGPOT).

Some EU Member States have bilateral S&T cooperation programmes with Egypt, mainly joint research funds that complement the activities of the RDI programme. The bilateral "Years of Science and Technology," has enhanced cooperation with a number of member states (Germany 2007, Italy 2009 and France 2010).

The STDF complements the research funding activities of the RDI programme, as well as the promotion of innovation capacity and monitoring the S&T indicators.

### **2.4. Donor coordination**

Coordination with other EU and Member States' activities/projects will be ensured throughout the programme. In particular, the general Development Partners Group (DPG), the EU Development Counsellors and the EU Science Counsellors meetings have been established to ensure close donor coordination.

## **3. DESCRIPTION**

### **3.1. Objectives**

The overall objective of RDI II is to further support the Egyptian Government's efforts to enhance research, development and innovation performance, facilitating Egypt's move towards a knowledge-based economy.

The specific objectives are a) fostering an 'innovation' culture and improving research collaboration between public and private sector, b) enhancing the impact of Egyptian researchers' participation in EU funded programmes and c) promoting Egypt's scientific and technological capacity in existing and future Centres of Excellence.

### **3.2. Expected results and main activities**

In line with the general and specific objectives the programme's indicative results/activities are:

**Result 1: Stronger innovation policy formulation capacity of the State Ministry of Scientific Research and enhanced collaboration between academia and industry.**

Activities:

- Assisting the beneficiary in designing Egypt's innovation landscape (policy and strategy) as well as to provide other types of TA;

- Implementing collaborative activities (Granting innovative projects) between industry and the academia.

**Result 2: Increased quantitative/qualitative participation in FP 7 and other EU funded projects, enhanced success rate and role of researchers in EU funded projects**

Activities:

- Enhance the FP7 network of focal points in selected institutions (to disseminate information on opportunities within national/regional funds to EU/Med. Partner countries (MPC) researchers).
- Create research networks between local national focal points and EU/MPC research networks.
- Activities for the EU-Egypt Year of Science 2012.

**Result 3: Established base for the Centers of Excellence (CoE)**

Activities:

- Conducting a feasibility study and develop a business plan for the creation of an overall center of excellence.
- Competitive calls for the creation of spin offs from existing centers of excellence.
- Upgrade research capacities in existing centers of excellence.

### **3.3. Risks and assumptions**

A consistent commitment from the State Ministry of Scientific Research to reinforce the science and technology system is assumed. Two units are expected to be created within the State Ministry of Scientific Research using parallel financing of EGP 10 million provided by the Egyptian government. This will help to ensure sustainability of the programme.

Effective commitment of the grant beneficiaries is assumed. Grant beneficiaries will be closely monitored.

To exploit fully the benefits of RDI the legislative environment necessary to support innovation is expected to be upgraded.

### **3.4. Crosscutting Issues**

For all activities described under 3.2, the programme will include specific targeting of environmental research, development and innovation.

The programme will thus have an indirect impact on:

- Supporting the national initiatives for environmental protection, effective utilization of natural resources and renewable energy development.

The programme will also have an indirect impact on:

- Gender equality aspects notably through the promotion of women researchers and scientists in programme activities on an equal footing with their male colleagues.

### 3.5. Stakeholders

The main stakeholders of the programme are:

The State Ministry of Scientific Research (MSR) is responsible for the development of Science and Research Policy in Egypt. It is assisted in this regard by the Academy of Scientific Research and Technology (ASRT). In addition to that, the Ministry of Communications and Information (MCIT) Technologies and the Ministry of Trade and Industry (MTI) have various interlinkages with the ICT sector.

Research Bodies, Universities and other organisations, being public or private, active or intending to build capacity in innovation and technology transfer.

## 4. IMPLEMENTATION ISSUES

### 4.1. Method of implementation

The method of implementation will be partial decentralized management through the signature of a financing agreement with the Arab Republic of Egypt. The project implementation office (PIO) created under RDI-I will implement RDI-II.

The State Ministry of Scientific Research will be responsible for procurement and grant award procedures. The Commission controls ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex-ante control for procurement contracts > 50,000 EUR and may apply ex-post for procurement contracts • 50,000 EUR. The Commission controls ex ante the contracting procedures for all grant contracts.

The EU will be the contracting authority for technical assistance contracted via the Framework Contract as well as for evaluation, monitoring and audit contracts.

Payments are executed by the Commission except in cases where programme estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below.

The responsible Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

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

### 4.2. Procurement and grant award procedures /programme estimates

- (1) Contracts

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

(2) Specific rules for grants

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 90%. This percentage builds upon the previous successful experience with grant projects under RDI Phase I.
- 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.

(3) Specific rules on programme estimates:

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. Indicative Budget and calendar

The total EU contribution to the programme is €20,000,000 with the following indicative breakdown:

| ACTIVITIES   | BUDGET (in EUR) | IMPLEMENTATION                        |
|--|-----------------|---------------------------------------|
| 1. Innovation Culture + Collaboration between business and research institutions | 6,700,000       | Mainly Grants, also Service Contracts |
| 2. Research Promotion  | 1,000,000       | Mainly Service contracts              |
| 3. Support Centres of  | 6,500,000       | Mainly Grants, also                   |

|   |                   |  |
|---|-------------------|--|
| Excellence  |                   | Service Contracts                          |
| 4. Operation fund for programme implementation        | 1,500,000         | Operational Costs                          |
| 5. Capacity building                                  | 500,000           | Service Contracts                          |
| 6. Activities (visibility, training, equipment, etc.) | 2,400,000         | Mainly Supply Contracts, Service Contracts |
| Audit/Monitoring/Evaluation/Visibility                | 250,000           | Service Contracts                          |
| Contingency   | 1,150,000         |  |
| <b>Total</b>  | <b>20,000,000</b> |  |

The Egyptian government intends to provide parallel financing (EGP 10 million) for the duration of the programme, which will be implemented following Egyptian legislation and procedures.

The indicative implementation of the program will be 48 months and the closure phase will be 24 months.

#### **4.4. Performance monitoring**

The Programme will be supervised by a Programme Steering Committee (PSC) including representatives from the four key Ministries (State Ministry of Scientific Research, Ministry of Information and Communications Technology, Ministry of International Cooperation and Ministry of Industry and Trade) together with key industrial sector representatives and the research community, as deemed appropriate by the Steering Committee. The EU Delegation will participate as observer.

At the start of the project a number of indicators should be agreed between the PIO and EU to gauge the progress and monitoring of the activities, which should include indicators with regard to environmental impact as specified under 3.4.

The project will also benefit from the system of the external EU ROM monitoring missions.

#### **4.5. Evaluation and audit**

The programme will be subject to an annual external financial and system audit launched by the Commission.

A mid-term and 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.

#### **4.6. 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 PIO and the respective grant beneficiaries. The EU Delegation in Cairo will check the visibility component of the actions through field visits and will increase visibility when it is appropriate.

[http://ec.europa.eu/europeaid/work/visibility/documents/communication\\_and\\_visibility\\_manual\\_en.pdf](http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf).

## Action Fiche for EGYPT

### 1. IDENTIFICATION

|                                       |   |        |  |
|---------------------------------------|---|--------|--|
| Title/Number                          | 200 MW Wind Farm in Gulf of El Zayt Project   |        |  |
| Total cost                            | EU contribution : EUR 20 million<br>Joint co-financing:<br>i) EU: EUR 20 million (in addition to EUR 10 million from the NIF)<br>ii) KfW: EUR 191.5 million;<br>iii) EIB:EUR 50 million;<br>iv) Government of Egypt: around EUR 68.5 million. |        |  |
| Aid method / Method of implementation | Project approach – Decentralised management   |        |  |
| DAC code                              | 23030   | Sector | Power Generation/<br>Renewable Sources |

### 2. RATIONALE

#### 2.1. Sector context

The electricity exports sector has experienced high growth rates of around 6.5% per year from 1998 to 2008, while total electricity generation grew to 125,129 GWh in this period. According to the Egyptian government's energy master plan, future demand will be covered by utilising fossil fuel energy resources (around 60%) and renewable energy sources (RES), particularly wind and solar energies. The institutional, legal and regulatory framework will be established to support private involvement in the development of the renewable energy sector.

On 26 April 2007 the Egyptian Supreme Council for Energy announced the national strategy to achieve 20% of the total power generation capacity from renewable energy sources in 2020 (the present share amounts to 12%)., mainly from wind. Accordingly, the targeted accumulated wind power capacity increase should be about 7,200 MW, i.e. about 600 MW/year. In addition, the strategy includes the construction of several concentrating solar power (CSP) plants to contribute to satisfying the local demand for electricity while exporting the surplus.

#### 2.2. Lessons learnt

The main lesson learnt for EU future support to this sector is that further strengthening of the institutional and management aspects of the energy sector is highly desirable. TA should be provided to strengthen the regulatory framework to facilitate the future opening of the market to the private sector.

Furthermore, previous experience shows that it is necessary to continue to attach priority to the policy dialogue on tariffs, as tariffs should in principle allow for full cost coverage of (i) the operation and maintenance costs and (ii) the capital cost of wind farms. Under the current national tariff scheme cost coverage can only be partially achieved.

### **2.3. Complementary action**

This 200 MW Wind Farm in Gulf of El Zayt Project is one of the first projects by the EU to be carried out under the umbrella of the Neighbourhood Investment Facility (NIF). The overall EU grant contribution is EUR 30 million: EUR 10 million from NIF funds was already contracted and the remaining EUR 20 million contribution will be added from the 2010 NIP funds. These funds are blended with loans from European Development Banks (KfW: EUR 191.5 million and EIB: EUR 50 million). The Egyptian government is also contributing broadly EUR 68.5 million. A Financing Agreement between Egypt and the EU was signed in December 2008 covering the NIF contribution.

The EU is also financing the Regional Euro Mediterranean Energy Market Integration Programme (MED-EMIP – 2008-2011) with a budget of EUR 4.3 million. Another regional programme, the Euro Med Energy Efficiency Programme in the Construction Sector II (MED-ENEC II) will start in 2010 (EUR 5 million). Other bilateral projects in the pipeline include the technical assistance for the capacity building of the Egyptian Electricity Regulator (around EUR 1 million) and the master plan for the Egyptian New and Renewable Energy Sector (EUR 3 million from the NIF) to be carried out by KfW. A power transmission project is also being developed with an expected NIF contribution of EUR 20 million.

Danida's Zaafarana Windmill Park II project started in 1994 and was completed in 2008. In the framework of this project, 60 MW capacity has been installed. Another project, the Zaafarana windmill park III, was signed in February 2007 with a total amount of EUR123 million for an additional 120 MW windmill park.

JICA's Zaafarana Wind Power Plant Project (2003 – 2012) is expected to add 120 MW to the Egyptian capacity. JICA is also funding the Kuraymat integrated 150 MW Solar Combined Cycle Power Plant Project (2006 – 2015) and the Kuraymat 150 MW Integrated Solar Combined Project II (208-2018).

A GEF/World Bank fund was made available to support the New and Renewable Energy Authority (NREA) of Egypt in the establishment of the solar part (20MW) of a solar thermal power plant (140 MW) in Kuraimat (2008 – 2011).

KfW is providing EUR 150 million for the construction of 160 MW Wind Park in Zaafarana.

### **2.4. Donor coordination**

The Wind Farm (Gulf of El Zayt) project itself is a model for donor coordination as it is developed via a joint financing scheme between the Egyptian Government, the European Commission, the EIB and KfW in line with the Paris Declaration on aid effectiveness. Cooperation between different donors in Egypt has been close and effective in recent years through the Energy and Environment Donors Partner Group.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The general objective of this initiative is to improve access to electricity for the Egyptian population and to contribute to global environmental protection by producing environmentally sound electrical energy and avoiding the generation of CO<sub>2</sub> and other emissions at a reasonable economic cost.

The specific objective is to construct a wind farm of up to 200 MW on the West bank of the Gulf of Suez. The envisaged project measures comprise all activities required for the construction/operation of the facilities, including ground surveys, the provision of materials and equipment and the implementation of construction measures, electrical installation and connection to the high voltage power grid.

#### **3.2. Expected results and main activities**

The main activities of the project are studies, design, construction, commissioning and operation of a large-size (up to 200 MW) onshore wind farm. Furthermore, the project includes gravel roads between the turbine rows, internal cabling, a ring main or transformer package stations next to the wind turbines and a remote control unit. Finally, a substation including a service centre and interconnection to a main high voltage overhead transmission line will be constructed.

Expected results are the production of environmentally sound electrical energy (200 MW) without CO<sub>2</sub> and other emissions at a reasonable economic cost.

#### **3.3. Risks and assumptions**

It is assumed that the mitigation measures and monitoring recommendations of the ornithological expert opinion as part of the feasibility study are followed by the New and Renewable Energy Authority (NREA) and will be considered as a reference for all wind farm projects in the area.

Furthermore, it is expected that the beneficiary accepts to implement the interconnection at the wind farm and the associated substation with due consideration for the guidelines on "Protecting Birds from Power Lines" as issued by the European Commission.

Challenges relate to the complex nature of the project, in particular its timely implementation. There is a risk of coordination problems of the activities between the Egyptian Electricity Transmission Company (EETC) and NREA, although similar projects were already implemented in the past.

Finally, the delivery of wind turbines could be delayed for months as is the case in several projects worldwide. High demand coupled with engineering challenges has created a shortage.

### **3.4. Crosscutting Issues**

The project helps to meet energy challenges related to Egypt's economic development, while supporting environmental objectives by avoiding the production of CO<sub>2</sub> and other emissions.

### **3.5. Stakeholders**

The executing agency for the wind farm project is the New and Renewable Energy Authority (NREA) which operates similar wind farms in the Red Sea area and has extensive technical capacities in tendering and contracting similar projects funded by other donors such as DANIDA, KfW and JICA.

The Egyptian Electricity Holding Company (EEHC, a 100% state-owned company operating under the control of the Ministry of Electricity and Energy) and EETC (a public company part of EEHC (working under the supervision of the Ministry of Electricity and Energy) are also involved in the implementation of this project.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

Decentralised management will be applicable through the signature of a Rider to the existing Wind Farm Financing Agreement ENPI/2007/019548-EG02, for which financing is provided under an earlier NIF contribution.

The contracting authority is the Egyptian partner the New and Renewable Energy Authority (NREA) following the procedures set out in 4.2 below.. NREA is a public body established by Presidential Decree under the authority of the Ministry of Electricity and Energy. Payment requests are executed by the beneficiary country through the New and Renewable Energy Authority (NREA) following a non-objection (an ex-ante verification) given by KfW. A complementary assessment was made by AIDCO in 2009 to specifically verify KfW procedures in case of project management with actions delegated to implementing partner organisations. Verification tasks (ex-ante and ex-post control) will be delegated to KfW, the lead donor in this Wind Farm project. Delegation of tasks will be formalised through the signature of an implementation agreement signed between the Commission and KfW. KfW will control ex-ante and ex-post all the procurement procedures.

KfW has successfully undergone the compliance assessment for the respect of the requirements of Article 56 of the financial regulation as well as an assessment of its capacity to undertake verification of EC procedures.

Moreover, an additional assessment on how implementing partners execute activities funded by KfW, has proven to give reasonable assurance that the requirements of the FR are respected by the implementing partners, with the exception of grant award procedures, which in any case are not relevant in the context of this project.

## 4.2. Procurement procedures

All contracts implementing the financing agreement must be awarded and implemented in accordance with the procedures and standard documents laid down and published by KfW for the implementation of external operations, in force at the time of the launch of the procedure in question. They can be adapted if required by KfW's internal rules as long as the modifications conform to internationally accepted standards, and will be detailed in a specific Manual of Procedures. Tender documents related to the project have to be submitted by the NREA to KfW for review and non-objection before tendering. The release of the tender documents to bidders requires a written non-objection of KfW.

Consultancy services for preparation, implementation and commissioning to be fully financed by KfW will be concluded in accordance with KfW's procurement procedures. For project components fully financed from the Egyptian contribution, the Egyptian laws and regulations will apply.

The supplies and services to be financed will be packaged into appropriate turn-key lots and put to international public tender.

## 4.3. Budget and calendar

The total cost for the operation is estimated at EUR 340 million and includes (i) estimated budgetary funding from the Government of Egypt in the equivalent of EUR 68.5 million and (ii) external financing under a European financing package with contributions from the German Government (via KfW, EUR 191.5 million), the EIB (EUR 50 million) and the EU (EUR 20 million from NIP and EUR 10 million from NIF).

The total project cost estimate comprises the following components

| Deliveries & Services                     | Foreign Cost | Local Cost |           | Total Cost |
|---|--------------|------------|-----------|------------|
|   | EUR          | EGP        |           |            |
|   | EP's Portion | NREA       | EETC      | EUR        |
| Consultancy                               | 6.5          | 0          |           | 6.5        |
| WTG incl. foundations                     | 219          | 0          |           | 219        |
| Other civil works                         |              | 80         |           | 10         |
| Electrical Balance of Plant               | 0            | 276        |           | 34.5       |
| Substation & Transmission Line            | 11           | 0          | 32        | 15         |
| Monitoring, external evaluation and audit | 0.25         |            |           | 0.25       |
| Contingencies **)                         | 34.75        | 160        |           | 54.75      |
| <b>Total</b>                              | <b>271.5</b> | <b>516</b> | <b>32</b> | <b>340</b> |

Contributions from the different European funding institutions are considered as one joint single financing package which may not be separated or divided. Therefore, the different loans and grants are linked in the respective loan and financing agreements through a clause of cross-effectiveness / cross-default. Consultancy services will be fully paid by the KfW. Land is provided by the Government of Egypt and is not included in the project budget. Some project components will be paid in full from the Egyptian contribution (especially contracts in Egyptian Pounds) or in full from the European Funding Institutions' contribution.

The indicative execution period of the project will be 100 months comprising an operational implementation phase that starts from the entry into force of the financing agreement and will have an indicative duration of 70 months and an indicative closure phase of 30 months that starts from the expiry date of the operational implementation phase.

#### **4.4. Performance monitoring**

Performance indicators of each operation will include an estimation of the economic and financial value of investments as well as an indication of the socio-economic and environmental impact achieved through these operations.

With the assistance of the technical consultant provided by KfW, an overall annual work plan for the implementation of the 200 MW Wind Farm in Gulf of El Zayt Project will be produced. Day-to-day technical and financial monitoring will be a continuous process as part of the NREA's and EETC's responsibilities. For that purpose NREA shall establish a permanent internal, technical and financial monitoring system, which will be also used to elaborate the progress reports (monthly, quarterly, annual) according to KfW's requirements.

#### **4.5. Monitoring, evaluation and audit**

The functioning of the NIF will be subject to an independent evaluation contracted by the European Commission, in line with the mid-term review of the EU's external activities.

Monitoring, evaluation and audit tasks will be under the responsibility of KfW and will be organised according to the requirements of the project. Audits will be undertaken externally and in line with international standards.

#### **4.6. Communication and visibility**

The European Commission and its implementing partners will abide by the visibility rules for EU Financing. The Ministry of Electricity and Energy shall ensure that the visibility of the European Union's contribution (NIF and NIP) is at least equivalent to that given through media to other donors supporting the implementation of the "Wind Farm" project.

[http://ec.europa.eu/europeaid/work/visibility/documents/communication\\_and\\_visibility\\_manual\\_en.pdf](http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf).

## Action Fiche for Egypt

### 1. IDENTIFICATION

|                                       |  |        |                           |
|---------------------------------------|--|--------|---------------------------|
| Title/Number                          | Support to the Implementation of the ENP Action Plan Programme and the Association Agreement (SAAP IV) |        |                           |
| Total cost                            | EU Contribution: €10,000,000   |        |                           |
| Aid method / Method of implementation | Project approach – Substantial Decentralised Management  |        |                           |
| DAC-code                              | 15040  | Sector | Government Administration |

### 2. RATIONALE

#### 2.1. Sector context

The European Neighbourhood Policy - ENP Action Plan (AP), signed between the EU and Egypt in 2007, supports Egypt's reform efforts by reinforcing cooperation between the two parties in a number of areas including political, economic, and social development. The implementation of the AP will allow Egypt and the EU to further develop their strategic partnership through a significant degree of economic integration, deepening of political, cultural and social co-operation, aiming at promoting the modernisation of the Egyptian economy and society.

At the national level, Egypt continues to put much focus on social and economic reforms and to improve regulatory and legislative framework, with separation between regulatory and operative functions in the Egyptian administration. In its plan for 2006-2012, the Egyptian government considers the quality of and access to public services at the forefront of its reform agenda. Priorities include transport, energy, health, employment, and education sectors.

At the central level, new laws for civil service and decentralization have been considered in legislative reform agenda, with draft legislations having been developed, though not yet submitted to the Parliament. Some national initiatives were also recently made to upgrade public services through administrative simplification and e-services as well as reforming organizational structures and building the capacities of human resources.

At sector level, recent market-related reforms encompassed the amendment/enactment of some legislation like those with respect to investment and special economic zones, export promotion, intellectual property rights, money laundering and banking, e-signature, customs, antitrust and competition, corporate tax, liberalisation of the energy market, anti-dumping and consumer protection.

Meanwhile, weaknesses in the Egyptian administration are a major obstacle to implement reform initiatives and to align the country's legislative and regulatory

framework with international standards. In particular, national resources and technical capacity to achieve a greater pace of reform are limited against the background of embedded deficiencies resulting from many years of centralised system.

It is within this context that the European Commission (EC) is launching the Support to the Association Agreement and the Action Plan (SAAP IV). The new programme builds upon and complements, in its objectives and activities, the first three series of SAAPs, aiming at boosting the implementation of the AA and AP, principally through legislation approximation to the EU aquis (where *institutional twinning* is a key instrument for implementation), and developing further the institutional capacity of the Egyptian Government.

## **2.2. Lessons learnt**

The new programme will build on the lessons learnt and experience gained from other EC programmes and particularly from the ongoing programmes "Support to the Association Agreement Programme (SAAP)" and the "Support to the Implementation of the Action Plan and Association Agreement Programmes (SAAP II and III)". Under these programmes there are more than 30 ongoing and pipeline projects. Areas addressed so far include statistics, tourism, postal services, railway safety, water quality, road safety, telecommunications regulation, environment, among others.

Relevant recommendations of the monitoring and evaluation missions on previous envelopes will be taken into consideration. In particular, the implementation of SAAP IV will build on the success of the first three twinning envelopes (e.g. greater awareness of the twinning instrument, increased experience and improved capacity of the Programme Administration Office to implement twinning operations). The programme will also mitigate some weaknesses identified in the implementation of the first wave of launched projects (some overambitious project fiches and relevant assessment of the beneficiary's absorption capacity to engage in twinning arrangements or technical assistance) and prioritization of areas will take into account the value added that the EU and its aquis can offer.

An increased focus will be made on strengthening the capacity of the Programme Administration Office (PAO), particularly, internal monitoring function which so far poses a challenge, the PAO needs to heavily improve its follow-up and reporting functions and better follow up on deliverable benchmarks of twinning projects, it also needs to develop a mechanism for prompt feedback to respond to official requests. Follow-up projects, combined Twinning and Technical Assistance as well as Best practices from other similar twinning programmes in partner countries may be considered for greater sustainability/impact.

## **2.3. Complementary actions**

Legislative and institutional reform is supported by SAAP (€25,000,000) and SAAP II (€ 17,000,000) and subsequently SAAP III (€20,000,000) with which the new programme will be directly linked. SAAP IV will be very similar in objectives and expected results and will use the same administrative structure for implementation:

the Programme Administration Office (PAO) affiliated to the Ministry of International Cooperation.

The design of new twinning projects will seek to maximize synergy and complementarity with the relevant future EC Sector Policy Support in various areas (Transport, Water, Education, etc.). As the SAAP envelopes have reached its maturity phase, greater focus will be on follow-up projects, while keeping much focus on strategic prioritisation of twinning/TA areas, selection criteria will be revisited to reflect value added based on the EU acquis, evolving national needs and cooperation priorities between the EU and Egypt.

Coordination with other donors' programmes supporting administrative and sector reform will be ensured. Other instruments (TAIEX and SIGMA) will be utilised in complement to the twinning instrument and technical assistance provided through this programme. Other activities funded by the EU Member States in sectors like Energy, Transport, Education, and Environment will be particularly taken into consideration.

SAAP IV will be also in line with national initiatives and programmes targeted at regulatory and administrative reforms in various sectors.

#### **2.4. Donor coordination**

Cooperation and coordination among EU Member States is carried out in the context of the regular meetings of the EU Development Counsellors in which the European Commission and EU Member States exchange information on their respective current and future programmes and discuss possibilities for increase cooperation and synergies.

Given the cross cutting nature of regulatory and institutional reforms, the Development Partners' Group and its nine thematic sub-groups serves as another mechanism for coordination with donor agencies active in Egypt within particular sectors.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The overall objective is to strengthen cooperation between the EU and Egypt as well as contribute to Egypt's reform process in the context of the ENP Action Plan (ENP AP) and the Association Agreement (AA). The purpose of the SAAP IV is to support the Egyptian Government in implementing the EU-Egypt ENP Action Plan and the Association Agreement, which will in turn contribute to the achievement of sustainable reform and strengthened cooperation with the EU. In particular, the project aims to:

- Support the Egyptian public administration in upgrading its legislative and institutional framework through approximation to EU legislation and best practice (acquis communautaire), taking into consideration national reform priorities and implementation needs of the ENP AP and the AA.

- Improve the capacity of governmental administrations and entities involved in the implementation of the ENP AP and the AA.

### **3.2. Expected results and main activities**

The programme will contribute to national efforts towards strengthening the regulatory, monitoring, and operational functions of the public administration, particularly through the utilisation of Institutional Twinning. Technical assistance shall be provided as such to strengthen institutional capacities of the public administration, or be used as preparatory/complementary phase for twinning projects.

SAAP IV will follow a "demand driven" approach, and is therefore designed as a relatively flexible mechanism to respond to inherent and evolving challenges that might arise during the implementation of the AP and AA. Prioritisation of intervention areas (twinning and technical assistance) will be regularly and jointly agreed between the European Commission and the Ministry of International Cooperation.

Twinability of candidate institutions shall be directly dependent upon the potential contribution of the area/sector to the national reform priorities, the expected impact on governance reform, political commitment, absorption capacity of the respective beneficiary institution and relevance to the implementation of the ENP EU – Egypt Joint Action Plan, with a view towards achieving the following results:

- Improved legislative and regulatory context through approximation with EU legislation and regulation in key priority areas;
- Improved institutional capacity of the Egyptian public administration particularly in fields specified in the ENP AP and the Association Agreement;
- Improved conditions necessary for the EU-Egypt economic cooperation and other cooperation areas (e.g. political development and governance, and social development);
- Improved awareness of the ENP Action Plan and the Association Agreement.

### **3.3. Risks and assumptions**

It is assumed that possible changes/reshuffle in the Egyptian administration/leadership would not imply passive ramifications as regards the extent of openness and political commitment to sustain/deepen reforms. National commitment towards implementing the ENP Action Plan and the Association is also assumed. It is also assumed that there is sufficient absorption capacity to carry out twinning operations with beneficiaries as well as from the PAO.

### **3.4. Crosscutting Issues**

The EU-Egypt ENP Action Plan also covers environmental actions which are to be supported by this project subject to an agreement with the Egyptian government.

Further to gender and environment, issues like administrative reform, good governance and human rights will be cross-cutting in the definition, design, and implementation of the activities funded under this project.

### **3.5. Stakeholders**

The direct beneficiaries of the Programme will be different entities of the Egyptian administration playing a crucial role in the Government's reform efforts as well as in the successful implementation of the AP and the AA (not only line Ministries but also Agencies, Administrations, Organisations, etc).

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

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

The Programme Administration Office (PAO) within the Ministry of International Cooperation will manage the programme, except for framework contracts, audits and evaluations, which are managed by the Commission. In addition, the Commission may conclude and manage contracts relating to visibility, in agreement with the PAO. The management responsibility of the PAO includes procurement and award procedures and payments.

The Commission controls ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts > 50,000 EUR and may apply ex post for procurement contracts • 50,000 EUR. No grant contracts will be awarded under this project.

Through the programme estimates, payments are fully decentralised for the relevant contracts that have been decentralised and for operating costs.

To allow for this level of decentralisation, the Authorising officer has carried out an assessment of the criteria mentioned in article 56 of the Financial regulation: the award procedures will follow the Twinning manual and remain subject to ex-ante control by the Commission; a final audit will be conducted by external experts contracted by the Commission; the publication of beneficiaries is imposed by a provision of the general conditions of the financing agreement. The internal control system and the accounting system have been assessed at the level of the PAO. The control environment offers sufficient guaranties, with a segregation of functions within the role of authorising officer, between the initiation and the verification roles. All payments are subject to double signature. Specific instructions to staff members who would come across serious irregularities or fraud have been given. The accounting system is a mixed accounting system, based on cash accounting, but allowing for some accrual transactions. It is exclusively used for EU project funding and enables the correct use of EU funds to be verified. Financial reporting foreseen for the programme estimates will allow the use of funds to be properly encoded in the Commission information and accounting system.

The conditions for decentralisation comply with the criteria provided for in the applicable Financial Regulation, as indicated in the Appendix hereto attached.

#### 4.2. Procurement and grant award procedures

Twinning contracts are awarded and implemented in accordance with the applicable twinning manual.

All other 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 the 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*.

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, except for the ceilings for payments that are not applicable.

#### 4.3. Budget and calendar

The total programme cost is estimated at €10,000,000, which shall be financed from the general budget of the European Communities, the indicative break-down of the EU contribution will be as follows:

|   |                    |
|---|--------------------|
| Operational fund (Twinning and Service contracts)   | €9,000,000         |
| Technical assistance to the PAO (Financial Advisor) | €10,000            |
| Programme Management (PAO)                          | €10,000            |
| Audit and Evaluation                                | €80,000            |
| Visibility  | €75,000            |
| Contingency   | €25,000            |
| <b>Total</b>  | <b>€10,000,000</b> |

The operational fund will be used for technical assistance and twinning contracts.

The total amount of imprest individual budgetary commitments must be fixed and communicated before the start of the implementation of the programme.

Adjustments between the amounts committed under specific individual budgetary commitments and imprest individual budgetary commitments can take place only during the “date + 3 years” period.

The programme will indicatively last 72 months starting from the date of signature of the Financing Agreement. This execution period will comprise 2 phases according to the conditions provided for in article 4.1 of the General Conditions:

- (1) Operational implementation phase that starts from the entry into force of the financing agreement and will indicatively have duration of 48 months.
- (2) Closure phase of an indicative duration of 24 months that starts from the expiry date of the operational implementation phase.

#### **4.4. Performance monitoring**

The overall performance will be monitored by the EU Delegation in Cairo. Day-to-day technical and financial monitoring will be a continuous process as part of the Beneficiary responsibilities. The PAO shall utilise and improve its internal technical and financial, monitoring mechanism.

Independent consultants recruited directly by the Commission will carry out external monitoring following the ROM methodology (Result Oriented Monitoring) on the overall programme as well as separate monitoring of selected projects.

#### **4.5. Evaluation and audit**

Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out external evaluations, as follows:

- a final evaluation, at the beginning of the closing phase;
- possibly, an ex-post evaluation;
- possibly, evaluation for individual twinning projects

The programme will be subject to an annual external financial and system audit launched by the Commission.

#### **4.6. Communication and visibility**

Activities to improve awareness and exchange of information are envisaged, awareness activities may address the ENP priorities, progress of reform aspects in relation to the programme's intervention areas, progress of the twinning portfolio/technical assistance, and relevant European best practices. [http://ec.europa.eu/europeaid/work/visibility/documents/communication\\_and\\_visibility\\_manual\\_en.pdf](http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf).

Various visibility mechanisms will be utilised such as holding conferences, workshops and roundtables with direct stakeholders, as well as using visibility printed materials and the media.

## Action Fiche for Egypt

### 1. IDENTIFICATION

|                                       |  |        |         |
|---------------------------------------|--|--------|---------|
| Title/Number                          | Support for Modernization of Administration of Justice and Enhancement of Security |        |         |
| Total cost                            | €10,000,000  |        |         |
| Aid method / Method of implementation | Project approach – centralised management  |        |         |
| DAC-code                              | 15130  | Sector | Justice |

### 2. RATIONALE

#### 2.1. Sector context

In Egypt, access to justice is a constitutional right. Free access and equality before the judicial system are its key principles. The Ministry of Justice is responsible for promoting justice through setting and implementing plans that guarantee access and ensure good administration in four main areas: 1) Civil and Economic Justice; 2) Criminal Justice; 3) Family Justice and 4) Juvenile Justice, on the basis of three main pillars: ensuring good law, efficient judiciary and enforceability of judgments.

Many of the shortcomings of Egyptian justice are technical and related to capacity of the bodies in charge of dispensing justice. The volume of cases to be treated exceeds by far the processing capabilities of the system. The number of new cases is of 1,200,000 per year, whereas the Egyptian judiciary system is only able to handle around 300,000 cases per year. This situation creates a lack of public confidence in the legal system. The root causes are a mix of procedural issues with a lack of qualified staff and lack of advanced equipment.

Closely related to these procedural shortcomings, is a second issue faced by law professionals, of knowledge of and respect of the law. Although the NCJS provides initial and continuous training to all judges, prosecutors and members of the assisting bodies it is still necessary to enhance the overall skills of law professionals. Nevertheless Egypt is strongly committed to address the issues encountered by the most vulnerable towards Justice:

Traffic of human beings: In July 2007, the Prime Minister issued a decree to form the National Coordination Committee to Combat and Prevent Human Trafficking within the Ministry of Foreign Affairs. Within this body, a sub-committee was created in Feb 2008 to formulate a comprehensive national anti-trafficking legislation in line with the UN Trafficking Protocol, as well as the regional and international agreements to which Egypt is a party. On the implementation level, Egypt expressed its interest in cooperating with the EU on the issue of victims assistance, through conducting capacity building training programmes with the National Coordination Committee, targeting judges, prosecutors, psychiatrists and social experts, in addition to legal experts (Ministry of Justice), and law enforcement officers (Ministry of

Interior). This issue is high on the agenda as the approval, on 7<sup>th</sup> March 2010, of the new anti-human trafficking law demonstrates.

Juvenile justice: much progress was made in 2008 with the new child law (Law 126/2008), which amended the 1996 law and aims among other things to promote child justice and respond to international commitments. Egypt is finalising an Implementing Regulation for the 2008 Child Law, which further enhances the protection of the child in respect to its criminal liability (raising the age of criminal responsibility, adding a number of means of referral outside the formal system, incarceration of children considered as a last resort and for the shortest period possible, segregation of children in custody from adults and criminalization of any official who holds children with adults). Nevertheless, even though the Ministry of Justice is active in this field, and is soon to inaugurate in New Cairo a Court dedicated to hearings of child witnesses, the awareness about the specific needs and rights of children remains limited in the judiciary and police system. It is worth noting that a National Child Rights Observatory was launched in January 2009.

Security-related issues: Egypt is particularly vulnerable to: a) terrorism, as every attack adversely affects the tourism sector, threatening thousands of jobs. The February 2009 attack in Cairo highlights the fact that terrorism is still a real threat, b) cybercrime, with broadband Internet access and lack of security awareness among users, all forms of cybercrime are developing (phishing, violations of intellectual property violation, software piracy), c) drugs usage: in September 2007, a study from the National Council for Fighting and Treating Addiction revealed that at least 8.5 % of Egypt's population were addicted to drugs. Drug abuse is considered one of the main problems facing society, as addiction contributes to the spread of diseases (HIV/AIDS, Hepatitis C). The Ministry of Interior, with its Anti-Narcotics General Administration (ANGA) intends to train Egyptian drug officers, and to organize awareness campaigns targeting Police Academy students and police institutes, as well as schools and universities.

In all these fields, the Ministry of Interior has developed a strategy which mixes capacity building with the upgrading of equipment.

## **2.2. Lessons learnt**

This project is the first EU action addressing Justice and judicial matters in Egypt, thus there are currently no direct lessons learnt from previous European experience. Nonetheless, during the identification and formulation phases, the outcomes of ongoing projects such as the EU-financed UNDP Benaq project “Building the Capacity in Human Rights” and the USAID “Administration of Justice project” were taken into account. The main finding of USAID is related to the sustainability of Court automation, which depends on highly qualified IT specialists, on modern buildings, and on the commitment of law professionals towards the use of new technologies. USAID also stressed that the internal capacities of the Ministry of Justice still have to be modernized, notably the expert and the forensic departments. Consultations with CSOs (Arab Centre for the Independence of the Judiciary and Legal Profession, Egyptian Organisation for Human rights) confirmed the relevance of focusing on judiciary reform.

### **2.3. Complementary actions**

Regarding modernization of the administration of justice, USAID conducted, from 1996 to 2009, two projects, Administration of Justice Support I (USD 18 million) and II (USD 30 million) which automated two pilot courts of First instance (Ismailia, North Cairo), and then deployed the model on a wider scale. USAID continues to support justice reforms, particularly in family and criminal justice. An extensive automation project is being developed with the Prosecutor General in criminal justice.

France focuses on workshop and training sessions of law professionals and judges, together with twinnings between French and Egyptian Court of Cassation, State Council, the Paris and Cairo Bar associations. France also trains police officers on the protection of tourist areas and on new techniques used to detect forged and counterfeited documents and passports. It intends also to focus on illegal migration, terrorism and the fight against corruption. The Swedish International Development Agency is active in the field of juvenile justice, and organized (January 2010) a national conference. With the help of UNDP and IOM, the National Coordinating Committee to Combat and Prevent Trafficking in Persons is undertaking a study to assess the extent of the problem in Egypt.

European cooperation in justice and police is also covered by regional programmes: Euromed Justice II (EUR 5 million, 2008-2011) and Euromed Police II (EUR 5 million, 2007-2010) Regional support in these areas will also be provided through the recently approved EuroMed III Justice and Police projects, and synergies will be ensured with the proposed programme.

### **2.4. Donor coordination**

Donor coordination in the Justice sector takes place in the context of the Donor's Partners Group (DPG), and its sub-group "participatory development and good governance". Nevertheless, given the size of the support already provided both by USAID and by the UN, it is necessary to focus on Egyptian priorities and issues which are not yet dealt with by other donors. In order to strengthen donor coordination and initiate a stronger coordination in the Justice/security field, the European Union will coordinate regularly with the main donors and the Egyptian authorities to ensure complementarity is assured.

## **3. DESCRIPTION**

### **3.1. Objectives**

The main objective is to support the modernization of the administration of justice in Egypt, and to enhance security of Egyptian citizens.

Specific objectives are: (i) Capacity Building of the Ministry of Justice (MoJ) and court professionals to increase the quality and reduce delays within the public service of Justice, (ii) Establishment of a judicial system for minors, (iii) Drafting and adopting a National Strategy for the fight against trafficking in human beings, (iv) Capacity Building of the Ministry of Interior to fight against new forms of crime.

### 3.2. Expected results and main activities

#### Component 1: Capacity Building of the Ministry of Justice and court professionals to increase the quality and reduce delays within the public service of Justice

Results : (i) Modernization of the public service of Justice offered to citizens, (ii) Case handling capacity increased, court proceedings shortened, backlog of cases reduced, (iii) strengthening of the capacities of the MoJ, notably of its departments related to investigations, (iv) a national judicial cases database is installed and offers quality services to all citizens, (v) a more professional justice service is rendered with shorter delays, thanks to a better knowledge and application of the law and modern techniques.

Activities : (i) thorough analysis of the root causes contributing to the slow pace of Justice and notably the bottlenecks resulting in the huge backlog of cases, proposal and implementation of procedural and technical solutions, (ii) according to priorities of the MoJ, and where relevant to help remove identified bottlenecks, for example via deployment of IT solutions, training etc (iii) monitoring of case processing designed to measure increase of case capacity handling and shortening of backlog of cases (iv) analysis of the MoJ's challenges related to its investigation capacities, definition and implementation of a strategy for improvement; (v) Web site interface developed with intranet, database designed, data inserted and available freely for consultation; (vi) Training strategy on national, international and regional covenants, and on new forms of crime (anti-terrorism, drug trafficking, money laundering, organized crime) defined and implemented jointly with the NCJS.

#### Component 2: Establishment of a judicial system for minors

Results : (i) Children in conflict with the Law are treated as minors and not as adults, in line with the provisions of the relevant legal texts, and notably the 2008 child law, (ii) better knowledge of the Law with security enforcement agents (judges, prosecutors, police officers) taking into account and respecting the specific situation and needs of minors.

Activities : (i) In close cooperation between the MoJ, the MoI and the Ministry of State for Family and Population (MSFP), all relevant legislation relating to children in conflict with the law is revised in accordance to the new child Law and relevant international standards, (ii) the bylaws of the Child Law are enacted, art. 112 of the 2008 Law is enforced (iii) with the MoJ, design and setup a pilot project for child friendly courts, (iv) a specialized juvenile justice judiciary unit with judges working on a full-time basis on cases involving children in conflict with the Law (v) MSFP trains the Law and Security professionals regarding the specific issues and the social and psychological needs encountered by children in conflict with the Law; (vi) Prosecutors are trained on resolving cases of accused children and referring them to educational and social alternatives.

#### Component 3: Drafting and adopting a National Strategy against trafficking in human beings

Results: (i) Adoption of a national strategy on combating human trafficking; (ii) Strengthened institutional mechanisms for combating human trafficking; (iii) Awareness of Egyptian population on human trafficking raised.

Activities: (i) National strategy drafted by the National Coordinating Committee for Combating and preventing human trafficking; (ii) early identification capacity of human trafficking set in place, mechanism to fight human trafficking identified and implemented, activities for streamlining, assisting and protecting the victims of human trafficking implemented; (iii) Media campaign on human trafficking developed, public media awareness campaign on human trafficking implemented together with a hot-line service to support victims.

#### Component 4: Capacity Building of the Ministry of Interior against new forms of crime

Results: (i) improved capacities of training of the Police Academy (ii) Improved knowledge of police officers in fighting human trafficking, drug trafficking, cybercrime, corruption, money laundering and anti-terrorism, Transfer of know-how through international/regional exchange of experiences ensured. (ii) Key Ministry of Interior Departments' upgraded, in order for the MoI to fight new threats with appropriate means.

Activities: (i) Training program including curriculum development methodology developed, Strategic plan to identify selection criteria for training of trainers (TOTs) and exchange of experience developed, TOTs competencies increased through international/regional exchange of experiences and transfer of know-how, (ii) training cycles embedding international and regional advancements in security, improved efficiency of the practices in compliance with international and regional standards, police officers trained on new forms of crimes (iii) Plan for key department automation produced, equipment purchased, installed and used efficiently by MoI staff.

### **3.3. Risks and assumptions**

The principal assumptions include: (i) The GoE remains committed to implementing the national development plans and continues its support to modernization of the judicial and security system using its own resources; (ii) The GoE remains committed to supporting projects activities; (iii) The MoJ contributes adequate human and in-kind resources to complement the projects activities, and will continue renovating courts and erecting new court buildings; (iv) The primary beneficiaries remain committed to capacity-building of the legal profession, and to cooperating with each other; (v) The MoJ allocates adequate resources to sustain project activities beyond the implementation period; (vi) Direct beneficiaries will be responsible for the development of software and maintenance of installed equipment.

Risks: (i) The main stakeholders (MoJ, MoI, MFA and MSFP) lack skilled human resources necessary to carry out the various operations and ensure the sustainability of operations. This risk will be mitigated by the training components, which will not only focus on law and crime issues, but also on the ownership of the new systems and equipment (ii) Competition between the different components of the Egyptian judiciary over EU support might cause delay in the reform process and the

implementation of the activities. This risk is alleviated by the strong leading role devoted to each stakeholder regarding its own sector, the MoJ being considered as the main implementing partner regarding Justice modernization (iii) the limited coordination among stakeholders affects programme coherence and implementation; a steering committee will monitor project implementation.

### **3.4. Crosscutting Issues**

This Programme will address a number of cross-cutting issues, including good governance, human rights, gender equality. Improving the justice service to the public will ultimately ensure that the right of citizens to justice is performed in line with delays that litigants are entitled to expect. The emphasis on the juvenile justice system will improve the conditions in which children find themselves vis-à-vis the courts. Similarly, the establishment of a strategy against trafficking in human beings is expected to provide minimum guarantees to migrants. Equality between men and women in the judiciary is not yet ensured in Egypt. In this context, the project will seek to change behaviour, by the choice of speakers in training modules, as well as by promoting the access of women to positions within the judiciary system. Human rights issues will be fully integrated within all training programs.

### **3.5. Stakeholders**

The institutional capacity of the stakeholders has been assessed and key areas in need of support have been identified. They have been fully involved and consulted at different levels, both in the identification and in the formulation phase. The principal stakeholder in the legal sector is the Ministry of Justice, which in Egypt has responsibility for the administration of the public service of justice, the entire court system, and the training of the judiciary (including the administration of the NCJS). In addition to the Courts, the Ministry is also responsible for Prosecutors and the Settlement of Family Disputes. Divisions supporting these activities include Experts, Forensics and Real Estate Registration, as well as Judicial Inspection and Court Buildings. The MoJ will be involved in three components of the Project and has sufficient institutional capacity to both facilitate EU assistance and provide direct or in-kind contributions for its implementation. Other key stakeholders are the Ministries of State for Family and Population (regarding Juvenile Justice), the Ministry of Foreign Affairs (for Traffic of Human beings) and the Ministry of Interior. In charge of public order, the Ministry of Interior is responsible for the security of Egyptian citizens, and operates training courses for police within its Police Academy.

The principal target groups are members of the legal profession (judges, prosecutors, lawyers), the MoJ (in particular the expert and forensic departments), the MoI and its police officers, since they will all benefit directly from the intended project. The ultimate beneficiaries will be Egyptians citizens, particularly the users of the judicial system who will benefit from a more efficient court system, able to render justice in a faster and a more coherent manner. The enhancement of security will also benefit citizens, as an increased knowledge of the Law and new forms of crime on behalf of police officers will lead to a reduction of miscarriage, mistakes and arbitrary decisions.

## 4. IMPLEMENTATION ISSUES

### 4.1. Method of implementation

Direct centralised management – this program will be implemented through direct centralised management. It will be subject to the signature of a financing agreement with the Arab Republic of Egypt, expected to be represented by the Ministry of Justice and the Ministry of Interior. The European Union Delegation will make sure that the relevant stakeholders will be associated through the whole project cycle, and will be represented within the evaluation committees. A steering committee comprising all the stakeholders will be established in order to ensure ownership and leadership of the project by the Egyptian Authorities.

### 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 article 21(7) ENPI.

### 4.3. Indicative Budget and calendar

The indicative breakdown of the budget is as follows:

| Components   | Euros             |
|--|-------------------|
| Component I: Modernization of the administration of Justice (service/supplies)           | 6,000,000         |
| Component II: Juvenile Justice (service/supplies)  | 850,000           |
| Component III: Human Trafficking (service)   | 500,000           |
| Component IV: Enhancement of security in combating new forms of crime (service/supplies) | 2,000,000         |
| Audit, evaluation and visibility   | 350,000           |
| Contingencies  | 300,000           |
| <b>Total</b>   | <b>10,000,000</b> |

The program will be implemented through supply and service contracts. Its indicative duration will be 48 months from the signature of the Financing Agreement, followed by a 24 months closure phase.

### 4.4. Performance monitoring

The projects will be subject to monitoring of the EU delegation. In addition the results-oriented monitoring system (ROM) can also be used as necessary.

Specific performance indicators will be established for the various components of the project, including where necessary for juvenile, justice, human trafficking etc.

#### **4.5. Evaluation and audit**

A mid-term and a final evaluation will be carried out by the European Commission via a service contract.

#### **4.6. Communication and visibility**

The program will be implemented in such a way that the best visibility is given, at all times, to the support of the European Commission for the program, the achievements of its objectives and results obtained. The EU Visibility Guidelines shall be used. All involved stakeholders will take appropriate action in order to avoid any confusion between the present program and those supported by other international donors so as to ensure the best visibility of the cooperation between EU and Egypt.

[http://ec.europa.eu/europeaid/work/visibility/documents/communication\\_and\\_visibility\\_manual\\_en.pdf](http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf).

## Action Fiche for Egypt

### 1. IDENTIFICATION

|   |  |        |                           |
|---|--|--------|---------------------------|
| Title/Number                                | Support to Public Administration and Local Development |        |                           |
| Total cost                                  | €9,000,000   |        |                           |
| Aid method /<br>Method of<br>implementation | Project approach – centralised management              |        |                           |
| DAC-code                                    | 15040  | Sector | Government administration |

### 2. RATIONALE

#### 2.1. Sector context

"Political Reform and Good Governance" is a main priority for cooperation between the EU and Egypt under the Country Strategy Paper (CSP 2007-13). In the context of the Neighbourhood Partnership Instrument (ENPI), the National Indicative Programme (NIP) 2007-2010 reflects commitment from both parties to develop the legislative and institutional framework of the Egyptian public administration and deepen practices of good governance. Egypt has undertaken gradual steps towards improving transparency and accountability. Against this background, the European Commission is launching the Support to Public Administration reform and Local Development. The proposed intervention will support the Government of Egypt (GoE) in developing relevant frameworks conducive to deepening practices of good governance, focusing on the public policy cycle. The EU contribution is particularly relevant in four closely interconnected areas where the Egyptian authorities plan to upgrade their internal processes:

(I) Public policy cycle management: the project will support the GoE in identifying existing gaps in the public policy cycle management. In particular, it will contribute to developing an in-house capacity to formulate, coordinate, monitor, and advocate public policy in order to ensure policy coherence and consistency. There is a consensus that reforms in the area of monitoring progress of policies and programmes needs increased attention, and that sound monitoring and evaluation mechanisms would significantly contribute to the sustainability of reform efforts. GoE is aiming to upgrade capacities in this area; the Cabinet Secretariat has already begun some concrete steps for partial restructuring. A Department for "Policy Monitoring and Evaluation" has been already established and is functioning under the Cabinet Information and Decision Support Centre (IDSC). One of the two main activities of this Department is to monitor implementation of the Presidential Platform and to report to the Prime Minister through the Cabinet Secretariat on a regular and consolidated annual basis.

(II) Public finance management (PFM): implementation of public policies supposes as a prerequisite a result-oriented budgetary process in line with international standards. Efficient and transparent public finance management (PFM) systems are crucial to maximise the efficiency of public service delivery and better use of public

funds. According to the PEFA results, Egypt's PFM system offers scope for improvement. Current ongoing reforms follow a piece-meal approach and lack an overall medium/long-term reform strategy. Identified shortcomings can negatively impact the government's credibility and accountability.

(III) Evaluation of public policies, in order to fine tune their definition and implementation: The Public Administration reform program will contribute to upgrading national capacities to improve and measure performance of public administrations and services, in line with international best practices. Apart from improving civil servants' regulations, there is a need to develop national principles/guidelines for how public administrations should integrate planning and performance measures consistently and regularly, with an increased focus on "outcome results".

(IV) Decentralization as a tool towards a greater efficiency of civil services: The GoE is in the phase of finalising the National Decentralization Strategy (NDS). Nevertheless, several local officials have limited knowledge of local administration's legal, institutional, and operational best practice in decentralisation. One cross cutting pillar for the NDS is to upgrade and expand the training capacity with respect to planning, coordination, implementation, and monitoring of local development. These interventions are in line with the Government's Five-Year Development Plan for 2007-2012.

## **2.2. Lessons learnt**

This project being the first EU program directly focusing on the core functioning of the Egyptian administration, there are currently no direct lessons learnt from previous experiences in this field. Nonetheless, during the identification and formulation phase, strong commitment to the project was shown by all the Egyptian authorities concerned (Ministries of State for Administrative Development, Local Development, Finance, and the Cabinet Information and Decision Support Center - IDSC). The timing for such a program is particularly relevant, notably for components II and IV, both areas where reforms are already underway.

## **2.3. Complementary actions**

Most of the operations related to institutional building of the Egyptian administration – twinnings, TAIEX, technical assistance under the SAAP programs - could be considered as complementary to the proposed program, as they intend to upgrade the internal processes of the administration. The main added value of this specific operation is that it focuses, in an inclusive and streamlined way, on the successive logical steps of implementation of public policies, from their definition to their evaluation.

## **2.4. Donor coordination**

Member States active in the field of administrative processes are Italy, with a focus on e-Parliament (€0.9 million), Spain on capacity building (€4.1 million), and France (€0.2 million) on support to political reform and rule of law. Regarding decentralization, the donors active in this field are USAID (through the "Egyptian decentralization initiative"), UNDP, Spain and France. Regarding PFM, there is

currently no specific donor sub-group coordinating activity in this sector. However the EU has held numerous meetings with the main donors supporting the GoE in this area, namely: IMF, WB, USAID and Dutch Cooperation. At the moment, only the IMF provides some type of advisory role to the Ministry of Finance (MoF) in fiscal decentralisation and PFM reform, but has no specific project in place.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The Overall objective of the program is to support the GoE in its efforts to improve good governance practices. In particular, it will contribute to enhancing capacities of the selected key beneficiaries to further enhance the efficiency, effectiveness, accountability and transparency of the public administration. Specific Objectives: (i) Contributing to improving national capacities in public policy formulation, coordination, monitoring, and communication; (ii) Supporting the GoE in improving the transparency and efficiency of public finances through the implementation of Public Finance Management (PFM) reforms; (iii) Strengthening the capacity of the GoE to improve and measure performance of public administrations and services; (iv) Supporting the GoE to reinforce its capacity to perform successfully its decentralization process.

#### **3.2. Expected results and main activities**

##### **Component I: Improving the effectiveness and efficiency of Public Policy Management**

Expected results: (i) National guidelines for improving public policies developed; (ii) Ground work initiated to set up Policy units/impact monitoring systems in selected pilot(s), with linkages to the Cabinet of Ministers, and capacity at the Cabinet of Ministers upgraded; (iii) National Capacity building program implemented, with Training of Trainers components on different stages of the policy cycle; (iv) Action Plan is developed to roll-out the application of impact monitoring systems/development of policy units.

Activities: (i) Conducting an assessment/review of policy capacity, and developing national guidelines for improvement; (ii) Designing specific reform measures for selected pilots and Cabinet of Ministers' focal point and initiating implementation, (iii) Designing and implementing a National Capacity Building Program, with training of trainers (ToT) component - the programme will address policy formulation and analysis, coordination, monitoring and evaluation, and communication.

##### **Component II: Strengthening PFM to better implement public policies**

Expected results: (i) Building on the PEFA diagnostic, enhanced and strengthened PFM systems in key areas identified by the PFM Reform and fiscal decentralisation strategy including prioritisation, sequencing and budgeting of reforms, approved and coordinated by the MoF; (ii) Design key building blocks for an MTEF, initiate its implementation process and support it with comprehensive capacity building and technical assistance.

Activities: The main indicative activities to achieve Result (i) would be (a) supporting the MoF to finalise a comprehensive PFM Reform and fiscal decentralisation strategy and (b) support the implementation of prioritised PFM reforms identified in the strategy. Result (ii) would be envisaged under two components: (a) Strengthening technical capacity in the MoF; (b) Strengthening technical capacity in central ministries and related institutions.

### **Component III: Improving and Measuring Performance of Public Administrations**

Expected results: (i) National Guidelines/Principles for improving and measuring performance of public administrations and services drafted; (ii) Improved capacity to upgrade and measure performance of public administrations and services.

Activities: (i) Reviewing the legal and regulatory framework that governs the measurement of public administrations' performance and linked services (this activity will build on SIGMA reviews and other previously conducted assessments); (ii) Supporting the GoE to develop National principles to improve and measure the performance of public administrations and linked services; (iii) Techniques/approaches for continuous improvement and measurement of performance such as Results Oriented Management and Accountability (ROMA) and Service Delivery Surveys (SDS) introduced into the planning, directing, implementation, and monitoring of operations; (iv) Developing capacity in strategic planning, administrative simplification, process reengineering, and relevant processes to facilitate the implementation of identified techniques; (v) Designing specific reform measures for the improvement of the effectiveness and efficiency of the public administration; (vi) Adoption of reform measures to selected pilots' administrations; (vii) Preparation of monitoring/Evaluation units in pilot administrations; (viii) Adoption of monitoring/evaluation mechanism in selected pilot administrations; (ix) training for civil servants in order to enhance the relation between the Administration and Egyptian citizens.

### **Component IV: Supporting Local Development/Decentralisation**

Expected results: (i) institutional and human training capacity is upgraded at the national level and expanded at the local level (capacities of Local/Regional Training Centres); (ii) Capacity for awareness and advocacy is upgraded, and staff trained; (iii) Assessment of progress achieved in the National Plans for training and advocacy is conducted (in line with the pertinent national priorities/approved NDS), National Guidelines for Communication of Local Development are drafted, and Roll-out plans are developed (for training and advocacy); (iv) Improved awareness and better informed public debate on decentralization/local development.

Activities: (i) Proposing reform measures for institutional, technical, and human capacity building of the training facility at central level; (ii) Drafting an Action Plan to upgrade/set up training facilities at the regional/local level and initiate the execution of the proposed reforms- at central and local level (selected pilot/s); (iii) Develop manuals of operations and deliver training modules and curricula; (iv) Design and conduct train for trainer modules (including ToT modules); (v) Review advocacy and awareness activities, and develop Communication Guidelines for Local Development and Action Plan for roll-out/expanding advocacy and awareness

activities; (vi) Initiate the implementation of selected number of awareness and advocacy activities.

### 3.3. Risks and assumptions

Due to the nature of the operations proposed, the success of the program relies upon the assumption that the Egyptian authorities will continue to demonstrate strong political commitment to introduce reforms in the good governance area, and that a good coordination among implementing bodies will take place. Concerning the PFM component, the main identifiable risk is the lack of effective leadership of the reforms by the MoF, which would hinder their progress. However, the MoF is setting up a Fiscal Decentralization and PFM unit, which should ensure the cooperation from the different departments in the implementation of reforms. It is assumed that MoF's strong commitment towards developing a PFM reform strategy and following through the implementation of the reforms will be sustained. As to decentralization, EU support will be fully efficient as long as progress towards upgrading the legal framework in the area of local development is achieved prior or during the early phase of implementing the program (or at least approved National Decentralization Strategy). The sustainability of the action relies upon the internal capacities of the GoE to implement and carry out reforms after the project is finalized.

### 3.4. Crosscutting Issues

As regards cross-cutting issues, gender and the environment will be addressed directly, through activities that relate to impact monitoring and assessment (policy capacity), and more generally with good governance practices that benefit women as a promoting factor of the rule of law and development.

### 3.5. Stakeholders

Major stakeholders and target groups/beneficiaries of the project are as follows:

| Component     | Main interlocutor                          | Stakeholders and beneficiaries   |
|---------------|--|--|
| Component I   | Cabinet of Ministers (Cabinet Secretariat) | IDSC, Ministry of Administrative Development, the Parliament, Ministry of Finance, Central Agency for Organization and Administration (CAOA), Ministry of Local Development. |
| Component II  | Ministry of Finance                        | Selected pilot ministries and administrations  |
| Component III | Ministry of State for Admin. Development   | Central Agency for Organisation and Administration (key stakeholder/partner, selected pilots).   |
| Component IV  | Ministry of Local Development              | Governorates, Local Councils/administrations' representatives and citizens   |

## 4. IMPLEMENTATION ISSUES

### 4.1. Method of implementation

The program will be implemented in centralized management mode, through the signature of a Financing Agreement with the GoE. The European Union Delegation

will ensure that the relevant stakeholders will be associated throughout the project cycle, and will be represented within the evaluation committees. A steering committee comprising all the stakeholders will be set up, in order to ensure ownership and leadership of the project by the Egyptian Authorities.

#### 4.2. Procurement procedures

1) Contracts: 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 relevant authorising officer shall be subject to the conditions provided for in *Article 21(7) ENPI*.

#### 4.3. Indicative Budget and calendar

| Components  | Euro             |
|---|------------------|
| I. Improving the effectiveness and efficiency of Public Policy Management | 800,000          |
| II. Strengthening Public Finance Management                               | 2,600,000        |
| III. Improving and Measuring Performance of Public Administrations        | 2,400,000        |
| IV. Supporting Local Development/Decentralisation                         | 2,500,000        |
| Audit and Evaluation, visibility  | 300,000          |
| Technical Assistance Component  | 300,000          |
| Contingencies   | 100,000          |
| <b>Total</b>  | <b>9,000,000</b> |

The foreseen operational duration is 48 months from the signature of the Financing Agreement to the end of project activities. A 24 months closure phase will follow.

#### 4.4. Performance monitoring

The indicators will be reviewed during the inception phase of the project in order to establish an initial baseline. The indicators will be monitored throughout the project's internal biannual progress reports and/or by external monitoring missions. ROM monitoring can also be used.

#### 4.5. Evaluation and audit

The project will be subject to a mid-term review and a final ex-post evaluation. The mid-term review and the final evaluation will compare the design and implementation of the project through an analysis of the relevance, efficiency, effectiveness, impact and sustainability of the project. Independent evaluators will be contracted by the Commission services in accordance with its internal procedures.

#### 4.6. Communication and visibility

The program will be implemented in such a way that the best visibility is given, at all times, to the support of the EU for the program, the achievements of its objectives

and results obtained. The EU Visibility Guidelines shall be used as guidelines. All involved stakeholders will take appropriate action in order to avoid any confusion between the present program and those supported by other international donors so as to ensure the best visibility of the cooperation between EU and Egypt. [http://ec.europa.eu/europeaid/work/visibility/documents/communication\\_and\\_visibility\\_manual\\_en.pdf](http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf).

## Action Fiche for Egypt

### 1. IDENTIFICATION

|                          |   |        |                        |
|--------------------------|---|--------|------------------------|
| Title/Number             | ENPI/2009/21869<br>Support to cultural diversity and creativity in Egypt                        |        |                        |
| Total cost               | EU contribution: EUR 3 million<br>Bibliotheca Alexandrina Contribution: up to 0.6 millions Euro |        |                        |
| Aid method               | Project approach  |        |                        |
| Method of implementation | Centralised direct management   |        |                        |
| DAC-code                 | 16061   | Sector | Culture and recreation |

### 2. RATIONALE

#### 2.1. Sector context

A large part of the Egyptian population has poor access to cultural productions, even though the Egyptian government is increasing the number of cultural centres and libraries, and promoting electronic portals to culture. Government control exists over the information distributed in the country and some censorship practices do not contribute to flourishing cultural expressions, cultural production, or access to them.

Cultural policies suffer from reluctance on the part of the relevant Ministries and state agencies to engage with independent cultural actors and to encourage free association and expression as well as free circulation of cultural works and artists. The prevalence of old-fashioned attitudes towards definitions of cultural activity as well as lack of transparency on the allocation of public funding act as an impediment to the development of inclusive cultural policies in the future. The activities of the Ministry of Culture of Egypt focus mainly on promoting the Arab identity as well as in reviving interest in the ancient Egyptian civilisation.

Apart from the Ministry of Culture, Egypt is now offering its people and the world an atypical institution: the new Bibliotheca Alexandrina (BA). The BA is a unique multi-cultural and educational complex that complements the work done by the Ministry of Culture. It is renowned for its efforts in bridging the digital gap between the developed and the developing world. Law 01/2001 created the Bibliotheca Alexandrina, a public body head-quartered in the city of Alexandria, attached to the President. It is an Egyptian centre of cultural expression that seeks to provoke and stimulate thought in the areas of culture and science in all languages across all cultures, both ancient and modern.

The BA aims to be a centre of excellence for the production and dissemination of knowledge, to be a place of dialogue, learning and understanding between cultures and peoples. The unique role of the Library of Alexandria, is of an Egyptian Library with an international dimension, focussing on four main aspects that seek to recapture the spirit of the original ancient Library of Alexandria. It aspires to be: the

world's window on Egypt, Egypt's window on the world, a leading institution of the digital age, a centre for learning, tolerance, dialogue and understanding. The BA is the coordinator and centre for many international and regional networks dealing with culture.

The BA is much more than a 'classic' library, not only able to contain millions of books; it also has an Internet Archive, six specialized libraries, four museums, a Planetarium and an Exploratorium. In addition it has eight academic research centres, nine permanent exhibitions, four art galleries, a conference centre and is host to several cultural institutions. It receives more than 800,000 visitors a year.

## **2.2. Lessons learnt**

The lessons learnt from previous experiences in local cultural activities funded by the EU are positive in terms of enthusiastic participation by both the provider and the public. Thousands of Egyptians have participated in EU-funded events, in particular the young. These events have demonstrated that Egyptian society and the cultural producers are keen on these kinds of interventions as the country is opening up towards other cultures. The demand for cultural activities is shown by recent experiences: the Jazz Factory, the Traditional festivals Fair and the Archaeological cooperation photo-exhibition. There is a need to invest in cultural projects to improve the cultural scene and to strengthen the capacity of the cultural sector in the country.

Currently there is not a level of activity in the sector, both in terms of quantity and quality, that is commensurate with this demand. Cultural activities in Egypt are particularly limited in the remote areas of the country, with Egyptian and international organisations concentrating activities in Cairo and Alexandria.

## **2.3. Complementary actions**

The European Union has been providing funds for cultural projects in the South Mediterranean countries and in Egypt since 2002.

- (1) Every year since 2002, the EU has funded in Egypt cultural activities through an annual local call for proposals having a budget that in 2009 reached €250,000.
- (2) The Special Actions 2009 and 2010 under the Culture Programme have been dedicated to those ENP countries which have ratified the 2005 UNESCO Convention Cultural Diversity. Under the Special Action 2009 three projects involving Egyptian partners received funding: Witness the past: education programmes for the public and professionals on illicit trafficking of antiquities; Cultural Conversations; and A Euro-Arab multidisciplinary cultural exchange project.
- (3) Under the 7th Framework Programme (Research and Technology) culture related projects are mainly supported under two themes of the cooperation programme: Social Sciences and Humanities, and Environment, although other themes have cross cutting issues related to culture (i.e. ICT and cultural heritage).

- (4) Some cultural regional projects funded under the Euromed Heritage programmes (II-III-IV) have involved Egyptian partners: Unimed; Islamic Art in the Mediterranean; Rehabimed; Patrimoines partagés; Manumed, to name some.
- (5) Several initiatives have been developed in the framework of Regional Euromed Audiovisual Programme (I, II). A lot of them are open to all the Mediterranean countries.
- (6) Egypt also hosts in Alexandria the headquarters of the Anna Lindh Foundation which benefits from a grant of the European Commission under the EuroMed regional programme for the Dialogue between Cultures.

With regard to cultural cooperation, the EU will continue to provide assistance to the Mediterranean countries through the Global Allocation and the Heritage IV and Audiovisual III Euromed Programmes. To this it has to be added the ongoing funding with the Culture, MEDIA Mundus, the 7<sup>th</sup> Framework Programme for Research and the Media International Preparatory Action and the thematic lines.

#### **2.4. Donor coordination**

Cultural activities undertaken so far by the Delegation have been discussed during the European Union Cultural counsellors' group meetings that were organised by the local representative of the EU Presidency in Egypt. These meetings, now under the rules of the new Treaty of Lisbon, will be organised by the Delegation of the European Union to Egypt and will constitute one of the means of coordination with the Member States and their Institutes of Culture.

With regard to other international donors, apart from information exchanged in the Development Partners Group (DPG), no effective coordination is currently carried out in the cultural sector. The coordination with the beneficiary country will be ensured through the sub-committees on Information Society, Research and Innovation and Education, Audiovisual and Culture.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The global objective of this project is to provide increased access to culture, to contribute to social cohesion, protect and promote the diversity of cultural expressions and to improve the environment for creative and cultural production to have an impact on sustainable socio-economic development.

It aims to promote cultural projects carried out in Egypt (and in between Egypt and the EU) including by building upon the experience and knowledge of the Bibliotheca Alexandrina (BA). In line with the general objective of this project the BA seeks to develop cultural activities in Egypt as a way of fostering dialogue between cultures and strengthening cultural diversity. The activities envisaged for this project will attempt to mainstream culture in all relevant aspects of society so as to foster intercultural dialogue and promote diversity.

The project will be designed in the spirit of the UNESCO Convention on the protection and promotion of the diversity of cultural expressions to which both, the EU and Egypt, are parties.

The specific objectives of this project are:

- Protect and promote the diversity of cultural expressions at local, national and international levels, especially when it comes to the new ways of creativity and contemporary arts;
- Contribute to provide increased access to culture all over Egypt;
- Foster dialogue between cultures in order to develop cultural interaction in the spirit of building bridges among peoples, especially between the two shores of the Mediterranean;
- Reaffirm the importance of the link between culture and development for all countries, particularly for developing countries, and to support actions undertaken nationally and internationally which follows this approach;
- Support capacity building and structuring of the cultural and creative sectors in order to enhance its socio-economic impact and to improve the sustainability of operators/organisations/professionalism of actors in the cultural and creative sectors;
- Support artistic and cultural education.

### **3.2. Expected results and main activities**

The project intends to give an impetus to cultural activities, among other ways, by building on the experience of the main public non-governmental cultural institution of Egypt, the Bibliotheca Alexandrina. This project will support the conceptualisation and organisation of an Action Plan of cultural activities. This AP will aim to give access to culture to all layers of Egyptian society across the country, with a particular focus on contemporary expressions. The use of new technologies and new ways of artistic and cultural creativity in performing and visual arts such as cinema, the novel and the plastic arts will be encouraged.

Activities will be complemented with training activities with the aim of reinforcing the capacities of cultural operators and organisations. As a whole, the project will contribute to the establishment of an innovative cultural agenda and raise awareness of the need for a public policy in the field of culture taking the objectives set out in the project.

More precisely, the expected results of this project include the following:

- Increased number of people having participated or assisted to a cultural event all over Egypt;
- Increased dissemination of artistic production all over Egypt;

- Improved capacities of cultural operators and organisations all over Egypt;
- Increased number of people being interested in the valorisation of intangible heritage;
- Increased number of people activated around cultural interaction and promotion of culture as a means of promoting diversity and tolerance.

Activities under the project can take place under the following five categories, in order of priority and based upon needs as follows:

- The promotion of artistic and cultural production;
- The facilitation of the access to culture to marginalised groups of people;
- The promotion of local and international cultural cooperation and networking;
- The promotion of cultural media both printed and audiovisual;
- The valorisation of Tangible and Intangible Cultural Heritage.

Activities will aim at improving access to culture and will include, when needed, a training component in order to contribute to the upgrading of professional capacities of cultural operators and organisations. They will be addressed to specialists in the field and/or cultural operators and artists.

The main priority areas of action will be contemporary expressions of art and cultural production in a large sense including performing and visual arts. All activities will be designed to have sustainable effects on Egyptian cultural and creative sectors.

### **3.3. Risks and assumptions**

Awaiting local permits and governmental authorisations to carry out certain activities may cause delays in the implementation. Translation, web posting and publishing activities may face delays when dealing with external translators and print shops.

Appropriate measures will be taken to prevent delays and shortcomings in the implementation of the activities covered by this project. Such measures could foresee the services of external advice for a detailed planning and a close monitoring of the activities.

### **3.4. Crosscutting Issues**

Gender, environment, democratic governance and human rights issues will be given special attention in the choice of activities financed under this project.

### **3.5. Stakeholders**

Participation and consultation of all stakeholders, notably cultural operators, artists and creators, is a fundamental element to be integrated into all phases of the project.

Special attention will be given: a) to engage youth, women and marginalised groups in the project's activities in order to enhance their role in the society; b) promote awareness of environmental, human rights and good governance issues.

The project will ensure coherence with other existing cooperation projects in the field of culture: the project will set up an information and coordination framework among donors intervening in the domain of culture with a special focus on activities financed by European Member States including cultural institutes active in Egypt.

A number of indicators will be identified to allow effective monitoring and evaluation of the project.

#### **4. IMPLEMENTATION ISSUES**

##### **4.1. Method of implementation**

The implementation method will be centralised management. A Financing Agreement will be signed with the Ministry of International Cooperation under which a direct grant agreement will be signed with the Bibliotheca Alexandrina. Centrally managed activities can be implemented via Calls for Proposals.

The Bibliotheca Alexandrina is a public legal entity created under Egyptian law, and which administratively is attached to the Office of the President of Egypt. It was created in collaboration with UNESCO, to provide this region of the world with a focal point on culture, education and science. The Bibliotheca Alexandrina is a unique and atypical institution. It is linked to the President of Egypt and has been chosen by the Egyptian government as the key multi-cultural and education complex, a centre of excellence, and coordinator and centre for many international and regional networks dealing with culture. Against this background a direct grant will be awarded to the Bibliotheca Alexandrina under Article 168.1(f) of the Implementing Rules of the Financial Regulation.

##### **4.2. Procurement and grant award procedures**

All contracts implementing the action will 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.

#### 4.3. Indicative Budget and calendar

The indicative budget breakdown of this project is as follows:

| <b>Class of activities</b>                              | <b>Cost in EUR</b> |
|---|--------------------|
| Project Activities via Grant to Bibliotheca Alexandrina | 1,000,000          |
| Project Activities (mainly via Calls for Proposals)     | 1,500,000          |
| Evaluation, Audit and Visibility                        | 200,000            |
| Contingencies   | 300,000            |
| <b>Total EU grant</b>                                   | <b>3,000,000</b>   |

The Bibliotheca Alexandrina is expected to contribute an amount of 20% of all grant activities. The foreseen operational duration is 36 months as from the signature of the Financing Agreement.

#### 4.4. Performance monitoring

Overall performance will be monitored by the EU Delegation to Egypt following international standards and aligned with reporting/monitoring frameworks of the EU. Day-to-day technical and financial monitoring will be a continuous process.

The ROM monitoring tool may also be used during the course of the project.

#### 4.5. Evaluation and audit

The action will be subject to a final financial audit and final evaluation. Other audits and evaluations will be undertaken as necessary, for example, on the grant activities of the Bibliotheca Alexandrina.

#### 4.6. Communication and visibility

The program will be implemented in such a way that the best visibility is given, at all times, to the support of the EU for the programme, the achievements of its objectives and results obtained. The EU Visibility Guidelines shall be used as guidelines for the program. All involved stakeholders will take appropriate action in order to avoid any confusion between the present program and those supported by other international donors so as to ensure the best visibility of the cooperation between EU and Egypt.

[http://ec.europa.eu/europeaid/work/visibility/documents/communication\\_and\\_visibility\\_manual\\_en.pdf](http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf).