

ANNEX

to the Commission implementing Decision modifying Decision C(2013) 7667 on the Annual Action Programme 2013 in favour of Egypt

Action Fiche for Egyptian National Solid Waste Management Programme

1. IDENTIFICATION

Title/Number	National Solid Waste Management Programme (NSWMP), ENPI/2013/023-393		
Total cost	Total estimated cost: EUR 51.914 million Total amount of EU budget contribution: EUR 20 million This action is co-financed (in joint co-financing) by: - KFW for the sum of EUR 12 million. This action is co-financed (in parallel co-financing) by: - KFW for the sum of EUR 3 million; - GIZ for the sum of EUR 3.75 million; - Government of Egypt for the sum of EUR 13.164 million.		
Aid method / Method of implementation	Project approach — Indirect management with Kreditanstalt für Wiederaufbau (KfW)		
DAC-code	14050	Sector	Waste Management/ Disposal

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

On 21 August 2013, the Foreign Affairs Council discussed the issue of assistance to Egypt and expressed its concern over the economic situation in the country and the negative impact on the most vulnerable groups of the Egyptian society. While stressing the need to monitor the situation in Egypt closely and readjust its cooperation accordingly, the Council reiterated its commitment to continue EU assistance in the socio-economic sector and to civil society.

The National Solid Waste Management Programme (NSWMP) is designed to drive forward development of the waste management sector across Egypt. It contains a comprehensive set of measures ranging from institutional reform and development of policy and legislation, to investment programming and implementation, professional capacity development, improving services and facilities, and civil society participation.

2.2. Context

2.2.1. Country context

Economic and social situation and poverty analysis

The exceptional circumstances which the country is currently experiencing are causing serious deterioration in its economic performance. The annual growth rate has declined from 7% a few years ago to 2.4%, and this is expected to have a considerable impact on unemployment, which is currently at 13% overall and 30% for young people (women are also particularly affected). The budget deficit is increasing and now stands at 11% of GDP. Exports and tourism revenues have declined, and as a result foreign currency reserves have dropped. Foreign Direct Investment Flows have dropped from USD 13 billion two years ago to a new low of USD 1.1 billion.

Poverty has increased from 21.6% in 2009 to 25.2% in 2011. Poverty is prevalent mostly in rural areas, where more than 70% of the poor are concentrated. Upper Egypt, which accounts for about 25% of the total population, is particularly affected as it is in this area that half of the poorest people in the country are concentrated. Several other human development indicators show the same gap between rural and urban areas: for instance, the illiteracy rate is twice as high in rural as in urban areas.

National development policy

The Government of Egypt has been working on its 10-year (2012-2022) strategic framework for economic and social development, which is also called the 'National Income Doubling Plan'.

The long-term plan (up to 2022) has a main goal of achieving an average 7 % GDP annual growth rate, doubling national income in ten years while promoting job creation and ensuring economic stability.

2.2.2. Sector context: policies and challenges

The NSWMP addresses several priority areas mentioned in the Joint Communication of 25 May 2011 'A new response to a changing neighbourhood'. Beyond the direct impact of improved health and environmental conditions in the target areas, the programme will broadly enhance sector co-operation on climate change and environment, while supporting job creation in difficult economic times and contribute to tackling poverty, social and economic disparities within Egypt.

The highly significant socio-economic dimension of waste management is fully recognised in Egypt, and progressive measures are designed into the NSWMP to tackle social equity in the provision of basic services, gender equality, to promote the legal and social recognition, as well as to improve working conditions of people involved in the waste management and recycling sector. The Programme is indeed designed to create significant additional employment through labour-intensive collection and recycling concepts.

Further socio-economic benefits of the NSWMP will be provided by the establishment of proper policy and legal framework at the national level as well as

envisaged investments in the selected governorates. Solid Waste Management reforms carried out within this programme will serve as a platform and catalyst for further investments in the sector. This will lead to positive socio-economic impact by increased quality of life and economic growth and employment potential for hundreds of thousands of people including skilled, semi-skilled and unskilled workers, young people and poor and disadvantaged workers. NSWMP will use consultation mechanisms to ensure private sector involvement and engagement.

Currently, only 60% of the waste generated in Egypt is collected; only 5% is properly disposed of; and only 2.5% is recycled. Inadequate standards of SWM impact on the health of people and the quality of the environment (severe pollution of air, soil and water). Investment in the sector is largely stagnant, and, as a result, the quality of services and infrastructure is declining.

Waste management (WM) has historically received little serious policy attention in Egypt. There is no published legally binding policy for the waste management sector, or framework legal act to drive investment, performance and standards (as the most visible of all public services, an indication of good governance, and an essential component of the sustainable development of Egypt's economy).

However, Solid Waste Management remains a priority for the Government of Egypt. In April 2013, building on the preparatory work carried out by his predecessors, the Prime Minister issued a decree to establish an Integrated Solid Waste Management Sector (ISWMS) under the authority of the Ministry of State for Environmental Affairs (MSEA). ISWMS will constitute the nucleus of a future General Executive Agency for Integrated Solid Waste Management (ESWA), for which a decree was endorsed early 2013 but which has not been created yet (as the Government preferred to have it formally approved by the Shura Council, whose elections did not take place in 2013). Once established, ESWA will take over the role of the national centre for solid waste management in Egypt from ISWMS.

Government endorsement of the decree has enabled GIZ (German Technical Co-operation) to release funds to launch the first phase of technical assistance to the MSEA, which comprises finalising the creation of the ISWMS, assistance in recruitment of staff and provision of expert advice for drawing up key policy documents.

The Sector Framework Analysis itself has been finalised by KfW and approved by the Inter-Ministerial Committee (IMC), setting out a comprehensive programme of activity designed to drive forward the development of the waste management sector across Egypt. It contains a set of measures ranging from institutional support, policy development and legislation, to investment programming and implementation, professional capacity development, improving services and facilities, and civil society participation.

2.3. Lessons learnt

Learning from earlier negative experiences, the Government of Egypt established an Inter-Ministerial Committee (IMC). This comprises representatives from all key ministries currently playing a role in the waste management sector; its remit includes preparing a proposal for the future institutional arrangements to govern the waste management sector across Egypt.

The EU-funded South Sinai Regional Development Programme is concerned with waste management at the regional level. In the course of implementation it was recognised — including by ROM monitoring reports — that an NSWMP would considerably strengthen local WM initiatives.

2.4. Complementary action

The EU has so far supported the sector through the Twinning Project (Development of Integrated Hazardous Substances and Waste Management System) 2008-2011 and the METAP Regional Solid Waste Management Project (2001-2005).

The EU has been designing a Joint EU Rural Development Programme with the Italian Co-operation (see Annex 1 of this decision) aimed at increasing sustainable agricultural production by managing water resources more effectively and improving rural livelihoods by promoting income-generating activities and making best use of local resources.

The EU has also launched the Switch Med for Green Economy initiative that promotes sustainable production and consumption practices. One of the three sectors targeted by the EU-funded Initiative Horizon 2020 to depollute the Mediterranean Sea is solid waste management. Synergies with the work carried out under the Initiative should be ensured.

The GIZ is currently running an urban development programme and is working in close conjunction with the informal sector on SWM. Co-operation is already in place to avoid overlaps, and whatever lessons are learnt will be incorporated.

2.5. Donor co-ordination

The NSWMP is by design an ‘open programme’. Whilst the specifics of the Memorandum on EU, KfW and GIZ support will establish clear responsibilities, obligations and activities for all partners, the overall intention of the NSWMP is to act as a catalyst for development of the sector. Many of the activities to be implemented under this programme will facilitate access to the sector for other international and national organisations, businesses and financiers.

For the time being, co-ordination has been mainly with the EIB, Secrétariat d'Etat à l'Economie (SECO – Switzerland) and the World Bank. The NSWMP, in its role as catalyst for the necessary policy, legal and institutional reforms and economic framework conditions, is extremely important in terms of establishing the framework for future co-ordinated inputs from the various development partners.

Central to any donor co-ordination is the need to set up a single entity at the national level in charge of the WM sector. The functions as defined in the draft Decree on establishment of the ISWMS include leadership in solid waste policy and strategy and co-ordination of waste management infrastructure in the governorates.

3. DETAILED DESCRIPTION

3.1. Objectives

The **overall objective** of the National Solid Waste Management Programme (NSWMP) is to make a significant contribution to the sustainable protection of the environment, to protect natural resources and to reduce health risks for the population of Egypt.

The **specific objective** of the NSWMP is to support the establishment and implementation of effective policy, legislation and institutional arrangements for waste management at the national, governorate and local level in Egypt, coupled with infrastructure implementation in the project regions.

3.2. Expected results and main activities

The results of the programme will be:

- **Result 1:** SWM infrastructure is established and becomes operational in selected Egyptian governorates.
- **Result 2:** The institutional partners at national, Governorate and local level are qualified to operate, maintain and develop the SWM system; co-ordination of their planning concepts is facilitated.
- **Result 3:** The population in the project regions of the selected governorates receives SWM services in line with current standards and regulations.
- **Result 4:** A comprehensive policy and strategy for setting up a national SWM system are formulated, agreed upon with relevant stakeholders, and institutionalised.
- **Result 5:** Procedures for integrating relevant players from civil society and the private sector in the implementation, execution and further development of the SWM system are established.

The results will be delivered through a combination of political commitment, professional resources and financial contributions from the government of Egypt and by way of support provided by the EU, KfW and GIZ.

Activities

Activities supported by EU, GIZ and KfW with a view to achieving the above results are:

Activities related to Result 1:

- construction/rehabilitation/extension of SWM facilities (recycling, composting plants, transfer stations, landfills, other solid waste infrastructure required for an integrated SWM system) including supply of related equipment;

- closure/rehabilitation of existing uncontrolled dumpsites usually used by the municipalities in the project regions, as part of investment projects including waste treatment or disposal facilities.

Activities related to Result 2:

- assistance in setting up SWM infrastructure (tendering, contract management, construction supervision);
- assistance with SWM costing, financial monitoring and budgeting;
- provision of IT equipment, vehicles and other materials, and of office buildings for SWM units on governorate level;
- support in developing organisational structures and human resources of the SWM units at governorate level and in selected municipalities;
- support for the EEAA in the field of licensing, supervision and enforcement.

Activities related to Result 3:

- assistance in developing a set of instruments for devising solid waste collection plans and their implementation in pilot municipalities;
- supply of mobile equipment for primary and secondary waste collection and transportation, and related maintenance facilities, as part of investment projects including waste treatment or disposal facilities;
- training for management and operational staff.

Activities related to Result 4:

- support for the development and formulation of a national SWM policy and strategy, with input from the key players;
- support to the formulation of a legal framework as coherent as possible with EU environmental standards on waste notably the waste framework directive and the landfill directive;
- support for the development and implementation of a set of economic instruments to achieve better cost recovery;
- support in implementing selected components of the national SWM strategy.

Activities related to Result 5:

- support for private sector involvement in developing a national SWM framework to make use of SWM economic potential;
- support for the development and implementation of ways and means of enabling the informal sector to participate in the decision-making process and to derive economic benefit in the SWM sector;

- support in developing mechanisms to enable civil society to participate in the decision-making process and implementation in the SWM sector.

3.3. Risks and assumptions

Since 25 January 2011 the country's political structure has been in flux. Any development initiative at this historic time will inevitably risk being associated with what is happening. The main risk is that the new authorities will encounter so many political, economic and social challenges that they would be unable to give sufficient attention and commit sufficient financing to reforming the waste management sector. Similarly, there is a risk that initiatives designed and approved during the transitional period may become politically charged in themselves.

For this reason, the emphasis is being placed on designing the NSWMP on a step-by-step basis and establishing milestones. The IMC has conveyed its strong commitment to the NSWMP, and has emphasised the urgency and importance of delivering improved waste management policy and practice to the citizens of Egypt.

The tremendous complexity of the waste management system, especially in relation to the informal sector interface and to the setting of waste management facilities, harbours further risks to NSWMP implementation. To mitigate this risk, strong emphasis is to be placed on inclusive governance, such as broad stakeholders' consultation for all aspects of the process.

As the financing for the operation of WM facilities and services is still weak, attention will be given to pinpointing new economic instruments in order to improve cost recovery and to ensure the sustainability of the programme.

3.4. Cross-cutting issues

The NSWMP is not just about managing waste. Focus is also placed on other aspects of environmental sustainability, by way of policies/ approaches/ systems that seek to capture resources before and after they become waste. Environmental and social impact assessment procedures for identifying, designing and approving investment projects will be developed and applied right from the beginning of the programme.

The significant social dimension of SWM in Egypt is fully recognised, and progressive measures are designed into the NSWMP to tackle social equity in the provision of basic services, to address gender equality, to promote the legal and social recognition of informal workers (zabaleen), and to improve the working conditions of people involved in the waste management and recycling sector.

The high profile of waste management makes it a powerful indicator of good governance. Effective waste management services depend on good public sector management, human resources, planning, revenue collection, contracting and contract management, enforcement and public relations. So civil society participation and consultation is vital.

3.5. Stakeholders

NSWMP stakeholders are manifold:

- a) the Integrated Solid Waste Management Sector (ISWMS) under the Ministry of State for Environmental Affairs (MSEA). It is intended to transfer the ISWMS to an Egyptian General Authority for Integrated Solid Waste Management (ESWA), which will be the future centre for excellence in solid waste in Egypt, responsible for guiding policy, legislation, strategy and technology and for co-ordinating and assisting decentralised implementation of improved WM practices in Governorates;
- b) the Egyptian Environmental Affairs Agency (EEAA), as the agency responsible for monitoring environmental standards;
- c) the governorates and municipalities, which are responsible for the implementation of solid waste concepts and related infrastructure in their sovereign territories;
- d) the private sector (formal and informal), which will benefit from an improved policy environment and business/investment climate for the sector;
- e) civil society and the people of Egypt, who will benefit from improved services/living environment and who will, through the participatory approach, enhance local governance.
- f) Programme partners (EU, KfW, GIZ) and other international development partners (including SECO and the World Bank), whose involvement in the Egyptian waste management sector will be facilitated.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a Financing Agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 72 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Implementation components and modules

4.3.1. *Indirect management with a Member State agency*

This action, with the objective of supporting NSWMP, will be implemented in indirect management with KfW in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No. 966/2012. This implementation is justified given KfW's experience in managing investments in the waste management subsector, at both local and national levels. This was considered an advantage when agreeing on delegated management arrangements for this action.

The European Commission is delegating to the KfW the overall technical and financial management as well as the monitoring and evaluation of the programme.

Annual audits will be carried out by independent consultants contracted directly by the European Commission.

KfW intends to subdelegate the procurement of works and supply to the ISWMS within the Ministry for Environmental Affairs and to the participating governorates for implementation of the investment components. Once the transfer of the ISWM to an ESWA has been implemented, the ESWA will assume the subdelegation entrusted to ISWMS.

Appropriate implementation provisions will be included in the Delegation Agreement that will be signed between the European Commission and KfW.

The change of method of implementation constitutes a substantial change except where the Commission ‘re-centralises’ or reduces the level of budget-implementation tasks previously entrusted to the agency.

4.4. Scope of geographical eligibility for procurement in direct centralised and decentralised management

Subject to the following, the geographical eligibility, in terms of place of establishment for participating in procurement procedures, and in terms of origin of supplies and materials purchased, as established in the basic act will apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) of Regulation (EU) 236/2014 on the basis of non-availability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative budget

Component	Amount in EUR	Third party contribution (indicative, where known)
4.3.1. Indirect management with KfW	19 700 000	
4.7. Audit	300 000	
Total	20 000 000	31 914 000

4.6. Performance monitoring

The following preliminary indicators of progress have been identified:

- delivery of collected waste to regular solid waste facilities;
- closure of uncontrolled dumpsites in current use;
- regular and environmentally friendly operation of SWM facilities.

The overall regular monitoring is part of the Delegatee body's responsibilities and will be based on the progress reports to be drawn up by ISWMS with the help of consultants. The monitoring process will also be guided by the Project Steering Committee (PSC), co-chaired by the EU, KfW and GIZ.

The Delegatee body will update the EU regularly on the progress of the project by way of: bi-annual reports; special reports as needed; and a project completion report.

The programme may also be subject to the Commission's Result Oriented Monitoring (ROM) missions.

4.7. Evaluation and audit

Mid-term and pre-completion programme evaluation will be funded by the programme and will be carried out by independent consultants recruited by KfW.

Annual audits will be funded by the programme and will be carried out by independent consultants recruited directly by the European Commission (through the use of the Commission's framework contracts or other suitable means of procurement).

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative quarter of launch of the procedure
Annual audits	services	5	Every fourth quarter (audit),

4.8. Communication and visibility

Active participation in the preparation and design of the programme and its advocacy within the country has significantly raised the EU's visibility in Egypt and in the solid waste sector. The EU is recognised by the local authorities and the donor community as a key partner in the sector.

As will be specified in the agreement with the Delegatee body, and under its responsibility, any information given to the press, the beneficiaries of funds, and all related publicity material, official notices, reports and publications, as well as construction sites and financed infrastructure will acknowledge the EU as co-financier and will display the European Union logo in an appropriate way. The EU visibility guidelines — and those of other contributing development partners — will be followed.