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Annual Progress Report

Environmental Sector Programme ESP

Annual Progress and Financial Report

Reporting period: January 2007 to December 2007

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List of Abbreviations

ACI	Achieving (Cost Effective) Compliance in Industry
AMG	Aid Management Guidelines
ASR	Annual Sector Review
ASRA	Annual Sector Review Agreement
BN	Billion
CBE	Central Bank of Egypt
CC	Coordination Committee
CDBA	Central Department of Branches Affairs
CDECA	Central Department for Environmental Communication Affairs
CAOA	Central Agency for Organizational Affairs
CEO	Chief Executive Officer
CP	Cleaner Production
CSC	Component Steering Committee
CTA	Chief Technical Advisor
Danida	Danish International Development Assistance
DEM	Decentralised Environmental Management
DKK	Danish currency (Kroner)
ECO	Environmental Compliance Office
EEAA	Egyptian Environmental Affairs Agency
EEPP	Egyptian Environmental Policy & Planning
EIA	Environmental Impact Assessment
EIC	Environmental Information Center
EIMP	Environmental Information and Monitoring Programme
EMA	Environment Management Adviser
EMG	Environmental Management in the Governorates
EMS	Environmental Management System
EMU	Environmental Management Unit
EPF	Environmental Protection Fund
ESP	Environmental Sector Programme

ESPS	Environmental Sector Programme Support
FEI	Federation of Egyptian Industries
GDP	Gross Domestic Product
GEAP	Governorate Environmental Action Plan
GOE	Government of Egypt
HEC	High Environmental Committee
IR	Inception Review
IT	Information Technology
JASR	Joint Annual Sector Review
JICA	Japan International Cooperation Agency
KIMA	Kima Fertilizer and Ferrosilicon Plant
LE	Egyptian Pounds
LFA	Logical Framework Approach
MFA	Ministry of Foreign Affairs
MoLD	Ministry of Local Development
NCSD	National Committee for Sustainable Development
MSEA	Ministry of State for Environmental Affairs
NEAP	National Environmental Action Plan
NGO	Non Governmental Organisation
PCC	Programme Coordination Committee
PD	Programme Document, Project Document
PMU	Programme Management Unit
RBO	Regional Branch Office of EEAA
RDE	Royal Danish Embassy
RT	Review Team
SC	Steering Committee
SPS	Sector Program Support
TA	Technical Assistance
TNA	Training Needs Assessment
TOR	Terms of Reference

USAID	United States Agency for International Development
USD	US Dollar
WP	Work Plan (annual)

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1. Introduction

The Environmental Sector Programme ESP's annual report covers the period from 1 January 2007 to 31 December 2007.

This annual progress report follows the Danida Aid Management Guidelines (AMG) published in September 2006. This report is concisely describing the progress that was achieved in the year 2007. The first part of the report is a descriptive overview of the ESP Programme while the second part consists of tables with the details about the progress, major deviations and the outstanding issues that need guidance from the Steering Committee.

The ESP Programme started in September 2001. The ESP's development objective is "to contribute to the efforts of the Egyptian government to achieve its environmental objectives with particular regard to improving environmental conditions, developing environmental management capacity of institutions which can support communities in maintaining a cleaner and healthier environment and providing frameworks for compliance with environmental regulations".

2. ESP Overview

The ESP Programme is implemented through the Egyptian Environmental Affairs Agency EEAA. The partners that the ESP is working with are EEAA, 3 RBOs, FEI and 18 governorates in particularly Aswan and Beni Suef governorates.

During the year 2007, the ESP program in general has made progress in a satisfactory way. Capacity was built in a number of RBOs and governorates as well as in the ECO office in FEI resulting in substantial increase in project implementations.

Out of a budget of 55 Million in 2007, one third has been spent on capacity building activities and two third on projects implementation.

Approximately 6 Million DKK has been spent on projects implementation in 2004, 17 Million DKK spent in 2005, 29 Million DKK spent in 2006 while 37 Million DKK spent in 2007.

Along the ESP life time, the programme has targeted at least 2 Million citizens in poor areas improving environmental conditions and consequently their life style.

During the second half of 2007, ESP programme has focused on the preparation of the programme Exit Strategy through the phasing out phase. The ESP has prepared a proposal for the sustainability of the programme various activities where fund should be allocated from the local agencies. The fund from Danida will gradually be stopped by 2008 starting with the ACI component by February 2008, SDEM by July, EMU and PMU by November 2008. As project funds should be spent by end of 2008, unspent funds must be returned back to Danida according to Danida Regulation.

As for the advisors the ACI advisor will terminate his contract in February 2008, SDEM advisor left in December 2007, EMU advisor by November 2008 and CTA by end of December 2008.

EEAA management has promised that many of the activities proposed in the ESP exit strategy will be continued after the completion of the ESP.

3. Progress in relation to programme objectives

The three overall main sector level indicators that the ESP should monitor are:

1-Development of the sector framework (national and environment sector policy, economic and strategic situation) particularly where this might affect the assumptions on which the SPS strategy is based.

2-The overall rate and completeness of supply of both Danida and partner inputs.

3-The overall impact of the SPS on the development objective, including decentralization of environmental decision making and specific impacts on poverty and cross cutting issues

For the first sector level indicator;

1- Development of the sector framework (national and environment sector policy, economic and strategic situation) particularly where this might affect the assumptions on which the SPS strategy is based.

In order to monitor the development of the environmental sector in Egypt ESP is looking at a number of performance indicators. First of all, ESP looks at the overall economic development in Egypt in order to assess its impact on allocation of funds and number of staff. Secondly ESP look at the decentralization process as decentralization is a key element in order to cope with the increasing number of environmental challenges. Third ESP is looking at the quantitative indicators; activities regarding Sustainable Development, progress in EEAA overall reporting system and the development of the Environmental Protection Funds towards more independency and transparency, and forth; 4 quantitative indicators; number of processed EIA, number of conducted inspections, number of processed complains and number of hot spots.

Development of Egypt Economy;

Egypt's economy delivered another impressive performance in 2006/07, with high growth generated by reforms and solid macroeconomic management.

A-The Egyptian economy continues to grow rapidly and unemployment is declining. Real GDP growth in 2006/07 is estimated at 7.1 percent, continuing last year's performance.

B- The continuous rise in Foreign Direct Investment (FDI) from 407 million USD in 2003/2004 to 3.9bn USD in 2004/2005 to 6.1bn USD in 2005/2006 and is expected to reach between 7.5 and 8.5 bn USD in the coming year.

C- The increase in exports by 34% to reach 18.455bn USD in 2005/2006 versus 13.833bn USD in 2004/2005.

D- The increase in foreign reserves at CBE from 14 bn USD in 2002 to 26bn USD in 2006, in addition to the increase in the service account surplus to reach 8.2 bn USD as a result of the increase in the tourism revenues.

E- The value of traded assets in the capital market amounted to 500bn EGP reflecting the liberalization policies which resulted in an unprecedented interest in the publicly-owned portfolio to reach more than 15bn EGP by the end of the fiscal year 2005/2006, meanwhile these revenues reached 12.5bn EGP during the period from July to November 2006. These revenues are directed to improve the infrastructure including roads, ports, transport and sewage and water systems.

It is not clear if the government has allocated part of these revenues in order to enhance the Environmental sector because there is no increase in the MSEA and EEAA annual budget (page 8).

F- Regarding the banking sector, the CBE has undertaken the trend of encouraging consolidation and acquisition for the goal of creating solid banking entities to comply with the "BAZEL 2" standards. Therefore, the minimum capital for banks has been determined by 500 million EGP.

G- Regarding the fiscal reform, new taxing and customs systems were put into force comprising corporate tax reductions of 50% and large customs reductions. These policies had a positive effect on tax revenues which increased by 17% in addition to the effect on enhancing economic activities and encouraging investments. Moreover, new trade agreements were reached such as the free trade agreement with Turkey and the QIZ agreement.

H- There has been a significant increase in petroleum and gas exports from 3.2bn USD in 2002/2003 to 10.222bn USD in 2005/2006.

I- Within the framework of the government's efforts to achieve the economic reform program and attract more FDI in addition to developing dialogue with different international business circles and bodies, several economic conferences were held in Egypt in 2006, including World Economic Forum in Sharm Elsheikh during the period 20th-22nd of May, Euromoney Conference held in Cairo on 11th and 12th of September, Egypt invest on 1st and 2nd of November, WAIPA Conference in Sharm Elsheikh on 17th and 18th of November, The Global Energy Round Table on 30th of November and 1st of December and Cairo Investment Forum on 10th and 11th of December. Moreover, there have been several positive reports on the performance of the Egyptian economy issued by IMF, UNCTAD, Euromoney, JP Morgan, Oxford Business Group, Moody's and FITCH. Despite the fact that these reports elaborate on the Domestic Public Debt as 62% of GDP, the ministry of Finance underlines that according to international standards, the domestic debt has not exceeded the safety level taking into consideration that this ratio has declined from 84% in 2003, to 77% in 2004, to 62% in 2006 and is expected to decline more in the coming years through the implementation of the new tax and customs laws and the unified budget account as well as directing a portion of the privatization proceeds to cover part of this debt.

Economic Growth

Item	2003/2004	2004/2005	2005/2006	2006/2007
Real GDP growth rate (%)	4.1	4.9	6.9	7.1
GDP (L.E billion)	485	558	617	670

Table 1

Source: The Cabinet Information and Decision Support Center (IDSC) Ministry of foreign trade and industry, September 2006. American Chamber of Commerce in Egypt website.

It can be concluded that the economic development in Egypt has been positive and it could be expected that the positive trends in terms of increasing tax revenues, increase trade assets would have had a positive impact on the funds allocated for MoSE and EEAA resulting in better and more efficient performance.

Allocation of funds for MSEA and EEAA.

As it can be seen from Chart 1 below economic development has still to be reflected in the yearly governmental allocation for MSEA and EEAA. The MSEA and EEAA budget is as shown in the figure. The MSEA and EEAA annual budget has slightly decreased in 2007.

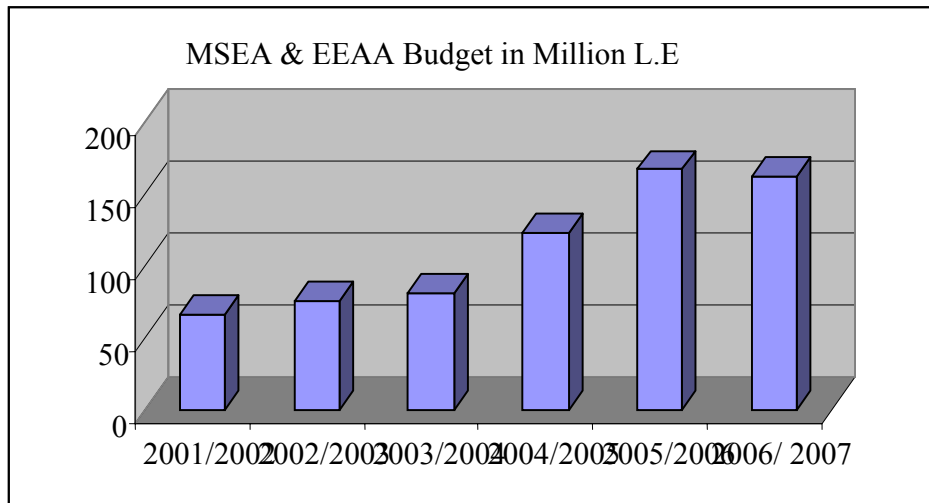


Chart1. MSEA & EEAA budget

Development in number of staff .

The number of employees working in the environmental sector in Egypt in 2007 is as follows:

	Contracted employees	Governmental employees	Total
MSEA	25	6	31
EEAA	525	547	1072
Protectorates	259	234	493
RBOs	380	275	655
Consultants	34	0	34
EMUs	228*	252 (contracted by their respective governorates)	480
Total	1451	1062	2765**

Table 2.

* EMUs staff who are contracted by EEAA

** Total number of employees working in the Environmental Sector

According to the information that ESP has been given the total number of employees in MoSE and EEAA including protectorates and RBO, but excluding EMU was in 2005, 2106. Apparently the number of employees has gone up.

Decentralization.

However, increase in number of staff is not enough to deal with the increasing environmental challenges. GoE has for a long period recognized the importance of decentralization as a tool to obtain higher efficiency and better performance.

Table 3 show the number of employees in Egypt, Denmark and Japan on three different levels. It is the assumption of ESP that one way to follow the implementation of decentralization could be to look at the number of employees at the different levels. Decentralization should be reflected in the highest number of employees at the local level.

	Egypt	Denmark in 2005 (Inspections +EIA)	Japan
Employment at Central level	1630*	8	700
Employment at Regional level	655	107	300
Employment at Local level	480	908	20000
Total	2765	1023	21000

Table 3

* Total number of employees working in EEAA, MSEA, Protectorates and consultants.

Compared with Denmark and Japan Egypt has still a way to walk in terms of employees at the local level.

The following table clarifies the EMUs employees distribution in the various governorates in 2007.

Governorates	No of Employees	Governorates	No of Employees
South Sinai	18	Damietta	16
Fayoum	18	Red Sea	50
Port Said	14	Dakahlia	26
El Qalyubiya	13	Alexandria	39
Cairo	14	Beni Suef	33
Beheira	17	Assuit	9
Ismailia	19	Giza	31
Luxor	12	Souhag	14
Kafr El Shiekh	12	Wadi El Gdeed	20
North Sinai	7	El Sharkai	17
El Menofiya	10	Qena	18
El Gharbia	14	Marsa Matrouh	8
El Menia	18	El seuz	13

Table 4

Qualitative indicators.

As mentioned previous 4 qualitative indicators has been access; number of process EIA, number of conducted inspections, number of processed complains and hot spots.

The previous Danida programme Organizational Support Programme (OSP) supported the development of Coordination Procedures between CDBA, RBO and EMUs with focus on EIA, inspection/complains and hazardous substance and waste. ESP has continue this support and the staff in EEAA, RBO and EMUs have been capacitated and are capable of performing environmental inspections, EIAs, dealing with public complaints and violations.

The following table 5 clarifies the overall number of EIAs, inspections and complains for 2007.

During 2007	EEAA	RBOs	EMUs	Total
Number of Inspections	954	1048	2677	4679
Number of Complains	13224	3962	1651	18837
Number of EIAs	4538	8506	4499	17543
Total	18716	13516	8827	

Table 5 Data from EEAA and EMUs for 2007.

Environmental impact assessment;

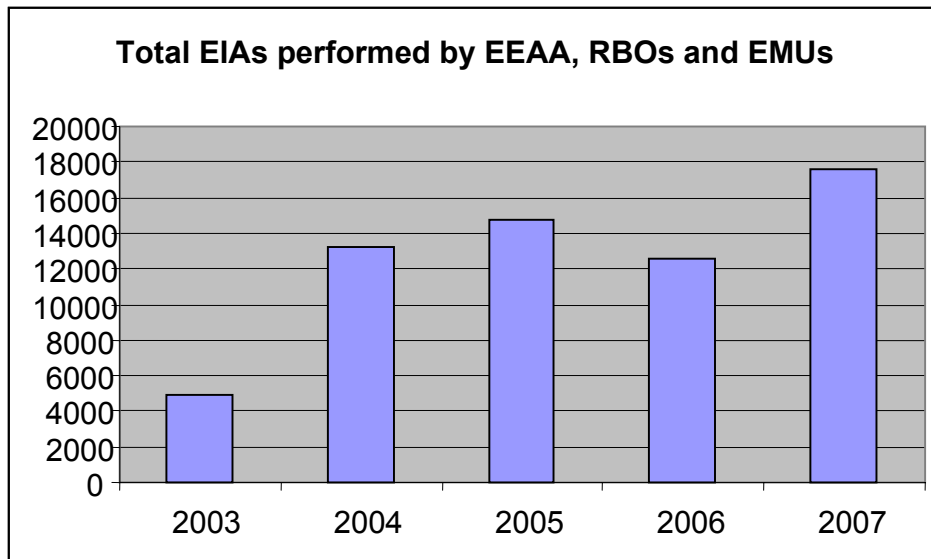


Chart 2 clarifies the increase in EIA processed by EEAA, RBOs and EMUs along the years. To process an EIA is time consuming and not an easy task as it require many different steps and technical assessments like categorization of the project, assessment of submitted EIA and the development of operational license and follow up. On top of that thorough coordination between Competent Administrative Authority (CAA) in governorates, the EMU, the RBO and EEAA is necessary.

Chart 3 clarifies the split of EIAs performed by EEAA, RBOs and EMUs.

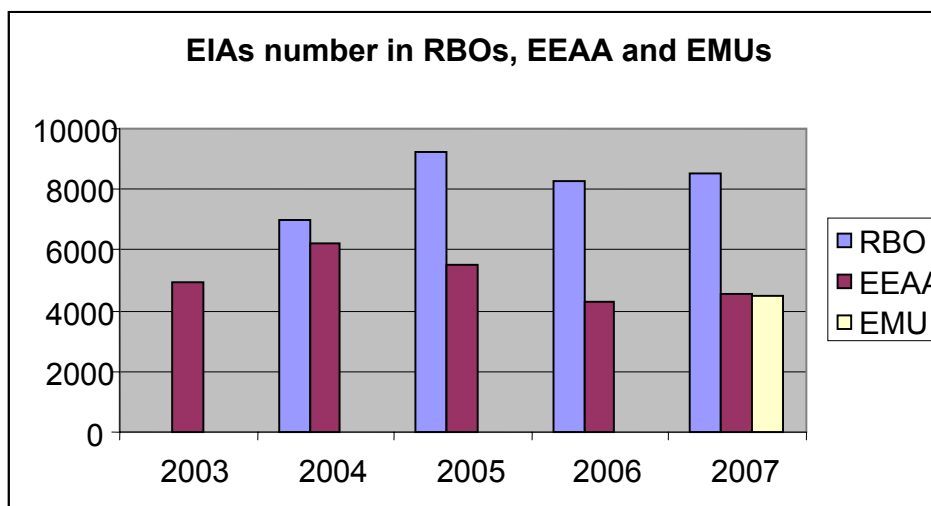


Chart 3

RBOs handle the major part of EIAs but it can also be noticed that EMU now is starting to process EIA.

Chart 4 clarifies total number of EIAs split into A, B and C categories.

The majority of EIA is A projects which are the more simple ones with limited potential environmental impact.

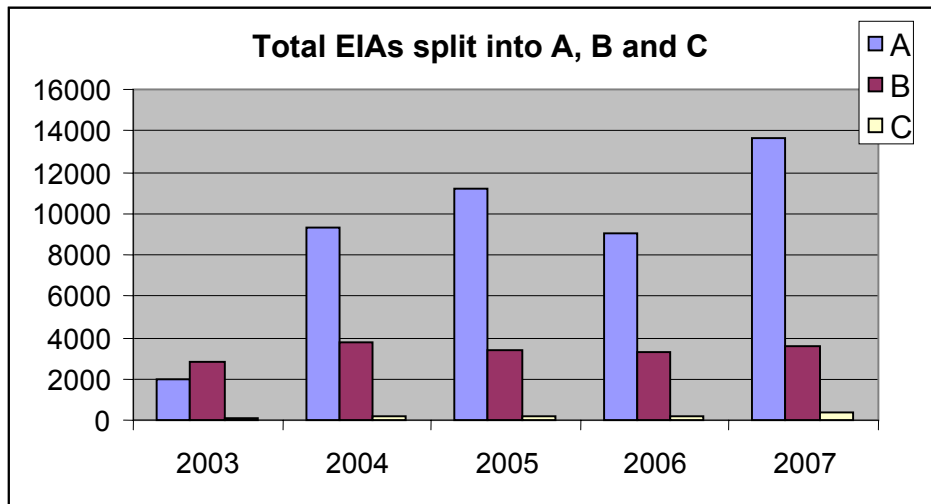


Chart 4

It is worse to consider if an EIA procedure involving 5 parties – developer, CAA, EMU, RBO and EEAA - is necessary as it needs a huge amount of manpower. In many countries A projects is not obliged to have an EIA or screening but only an environmental license for operation. In Denmark “standard description and license” has be developed for app 20 different sectors of A industries covering 80% of the total industry in Denmark. This change has release many employees from the time consuming EIA process to more relevant task such as inspections.

Environmental Inspections

The main purpose of inspection is to follow up on the environmental license. Development of environmental license is a part of the EIA process and along with increasing number of EIA, increasing number of inspections should be expected.

Chart 5 is clarifying the number of inspections performed by the EEAA inspection unit, the RBOs and the EMUs in 2005, 2006 and 2007.

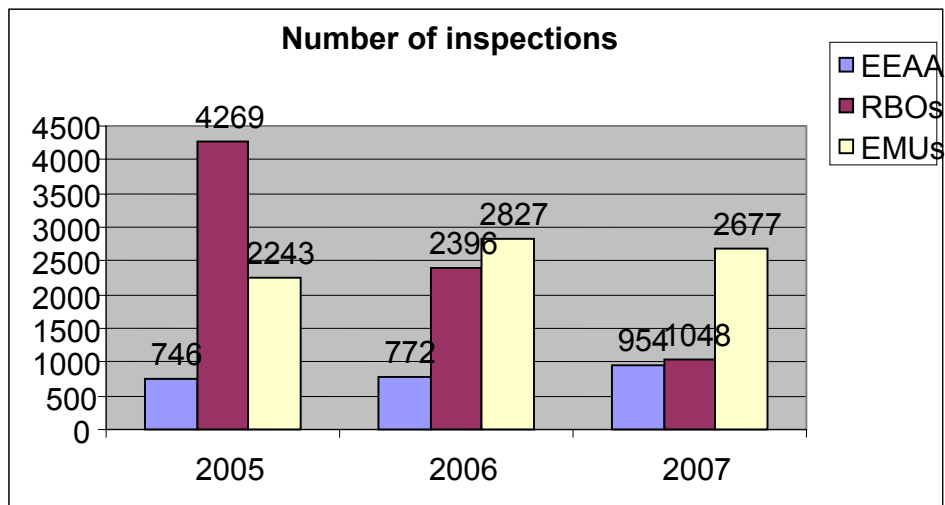


Chart 5

The total number of inspection is decreasing from 7258 in 2005 to 4679 in 2007. The major reason is the decline of inspection done by RBO. This result was found strange since ESP is giving substantial support to RBOs and the number of RBOs staff has increased.

Therefore EEAA has to give attention to the figures and study the reason of the decrease of number of inspections and to what extent inspections have an impact on the environment and move from a quantitative approach towards a more qualitative approach. i.e. X number of inspections result in Z number of non-compliance which result in Y amount of pollutants discharge to the Nile or to the atmosphere.

Environmental complains

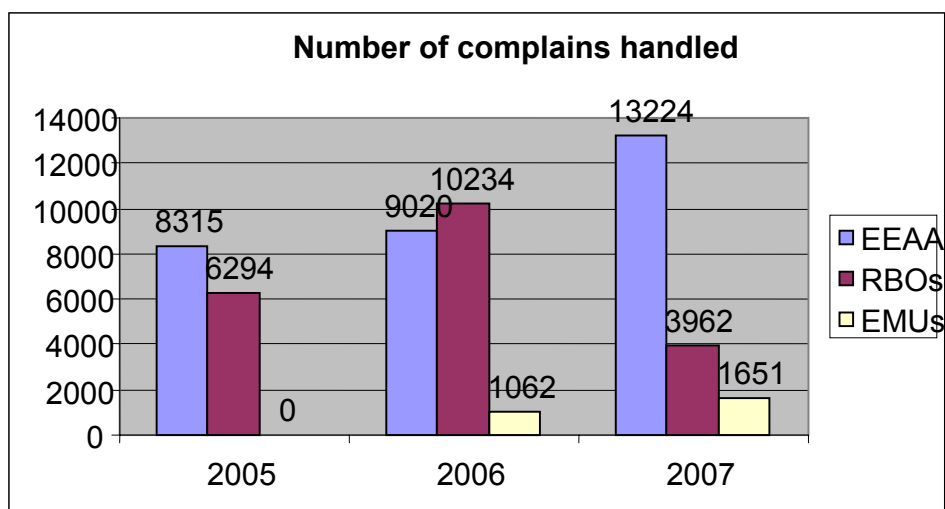


Chart 6

It is not surprising to see the number of complains increase during the years. This is what can be expected and one reason could be a higher general awareness about environment, but why compliance to EEAA is raising and RBO is declining is not understood and may be due to technicalities.

ESP has developed a report evaluating the activities in the RBOs and one of the major findings is that RBOs neglect some of their main activities in order to investigate the big number of complains which consume RBOs resources in term of labor time and other costs. It was observed that more than 60 % of investigated complains are not related to environment. In the long run, this will negatively effect on the RBO image and credibility in the region. ESP recommends that complains forwarded to RBOs should be screened centrally before forwarding it to the RBOs for investigations. Not related complains such as complains related to irrigation water should be directly forwarded to the concerned agencies ministry of irrigation in this example. The Organizational Support Project OSP funded by Danida and implemented from 1996-2001 has previously developed a system to handle public complaints and has trained the EEAA staff working in the complains office to screen and handle complains. It is not clear for ESP whether EEAA is using or updating this system or not.

Environmental Projects/hot spots

To monitor the performance of EEAA the ESP program document suggests looking into what has happened to environmental projects which calls for fast mitigation actions - the so called hot spots.

EEAA has done extensive efforts to develop a data base for all the environmental projects in Egypt. Environmental projects (as per ESP point of view) should cover projects which need fast mitigations actions such as environmental disasters, major pollutants in industrial areas, point sources of pollution discharged to the Nile etc.. All previous examples could be considered "hot spots". Hot spots should be defined and agreed upon by EEAA and then formulated into environmental projects. One sources of hot spots is the GEAPs and it is important that all governorates develop GEAPs.

As per EEAA, the number of environmental projects has raised from 300 projects in 2005 to 332 projects in 2006. In 2007, there was no update for the data base since EEAA is currently working on installing the GIS system in governorates. The system will allow governorates to locate each governorate hot spot on Egypt map. ESP would recommend that EEAA would give a priority for identifying the hot spots in Egypt since this identification could be considered the first step for setting the environmental priorities and setting actions plans in order to deal with the environmental challenges in Egypt.

When implementing the projects, another challenge will be how can EEAA monitor the environmental improvement resulting from the projects.

Quantitative Indicators:

As mentioned earlier 3 quantitative indicators has been assess i.g. Activities regarding Sustainable Development, progress in EEAA overall reporting system and

development of the Environmental Protection Funds towards more independency and transparency.

Sustainable Development

For Sustainable Development, SMAP together with ESP supported EEAA in developing a strategy for sustainable development. A report "Towards a national strategy for Sustainable Development" was developed in June 2007 and by the end of the year the Prime Minister approved the frame work for the strategy.. ESP has supported a number of workshops to discuss the report with all stakeholders. ESP has supported the International Department of EEAA to develop a road map for achieving the strategy.

(SMAP is a framework programme of action for the protection of the Mediterranean environment within the context of the Euro-Mediterranean partnership. It was adopted by the Euro-Mediterranean Ministerial Conference on Environment in 1997.)

The National Environmental Action Plan NEAP was developed back in 2001. It is not clear for ESP what is the future of the NEAP since there is no information was provided about it in 2007. From ESP point of view, EEAA could provide more guidance about the relation between NEAP, GEAPs and Sustainable Development Committee.

Reporting System

EEAA has published the State of Environment report for 2007 in Arabic and English and is continuing the development of the annual EEAA achievement report.

EEAA issued a decree in order to establish a reporting unit affiliated to His Excellency the Minister of State for Environment aiming at institutionalising the development of the environmental reports. An estimate of 500,000 L.E per year was calculated in order to operationalise the reporting unit. The cost covers printing and editing of the various reports which will be produced by the MSEA. It is not clear for ESP whether EEAA has allocated the amount needed for the reporting unit or not. ESP would like to ensure that EEAA would maintain the unit and continue the development of the reports as part of sustaining activities which were carried out earlier by ESP.

The Information Technology department has developed different possibilities for the sustainable development indicators. The department presented the indicators for the MSEA. ESP was not informed about further progress regarding this issue and how indicators could be a part of the reporting system.

Environmental Protection Fund

EEAA is developing EPF. The legislative framework of the EPF is in the process of being modified. A proposal for modifying the articles related to the EPF in the law 4/94 was developed under supervision from legal consultants from the Ministry of Justice so as to provide the EPF with some flexibility to achieve its goals. The proposal was approved internally by EEAA. The proposal for the modified law was submitted to the people assembly for approval. The proposal includes some changes

moving EPF towards more independency, raising the level of the decision making in the Fund Management Committee to a ministerial level and adding new revenue sources. The proposal of the modified law is still pending in the people assembly for approval.

Two fund management committee meeting has been conducted in 2007 and Business Plan, Operational Procedures as well as Annual Operation Plan were approved. On the project side a Taxi project was approved in close cooperation with Ministry of Finance.

For the second sector level indicator;

2- The overall rate and completeness of supply of both Danida and partner inputs.

The supply of Danida input was provided. The local partners' contribution (EEAA, Governorates) has been provided and reached around 6 Million L.E (refer to page 22). The total amount of local contribution exceeds the amount which was stipulated in the SDEM component description. Providing local contribution reflects high commitment from the local partner organizations. ESP would recommend increasing the local contribution allocated for Capacity Building activities (not only projects) in order to sustain the program activities.

FEI has contributed with its input and secured hiring the ACI staff and maintaining the ACI component activities.

For the third sector level indicator;

3- The overall impact of the SPS on the development objective, including decentralization of environmental decision- making and specific impacts on poverty and cross cutting issues.

Decentralization;

ESP is continuing to focus on decentralization of environmental management. Capacity has been built in 3 RBOs. Although the RBOs get extensive support from ESP, yet the RBO manager seems not to have managerial power or authority on RBOs staff as per the study developed by SDEM to evaluate RBOs. The RBO manager has no say on the recruited staff in terms of qualifications or specialization nor the department to be attached to within RBO. Also he/she can not relocate or assign the employee to different or further tasks as work load requires. All aforementioned procedures are made centrally at EEAA level.

18 EMUs have been capacitated during 2007 with basic training courses and equipment. 6 EMUs have been selected to get further extensive support. More projects are being implemented in particular the EMG projects.

Projects:

26 projects have been implemented in Aswan while 20 projects have been implemented in Beni Suef. Out of 46 projects in Beni Suef and Aswan, 22 projects aim at reducing

solid waste, 7 projects dealing with sanitation and the rest of the projects deal with environmental improvement, health care waste minimisation, environmental awareness and reuse of agricultural waste. Approximately 40 Million L.E has been spent on projects implementation in the 2 governorates.

15 projects are currently being implemented in 4 governorates namely (Menya, Beheira, Fayoum and Ismaeleya). 8 projects deal with solid waste, 4 projects deal with drinking water while 3 deal with sanitation.

The majority of SDEM projects are dealing with Solid Waste Management. Solid waste management is having the highest priority in the GEAPs.

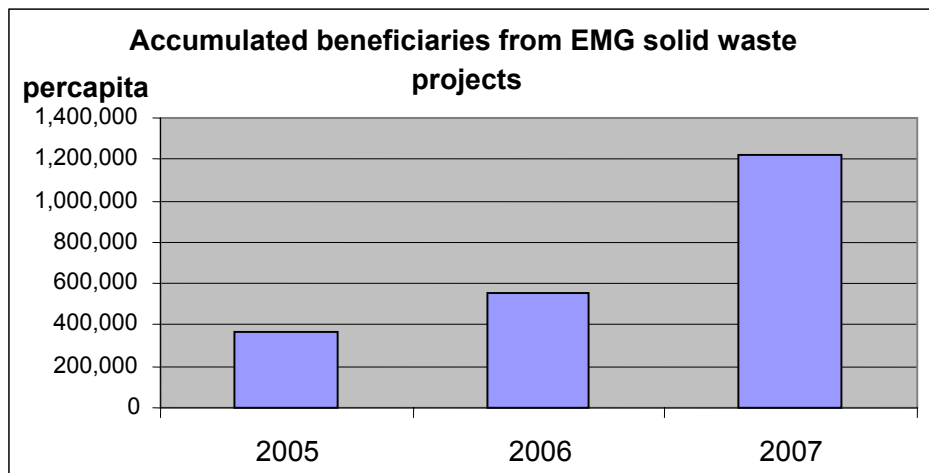


Chart 7

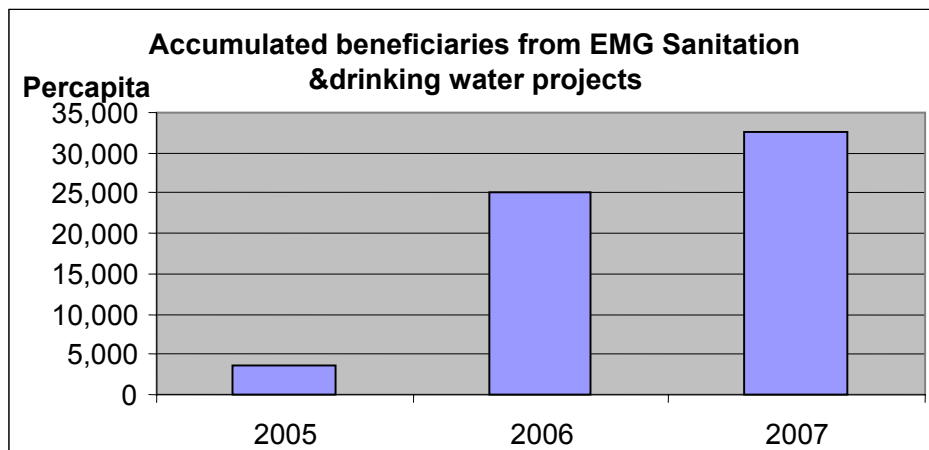


Chart 8

EMG projects are targeting poor people. The poverty is among the most important selection criteria for projects. Beneficiary number has been calculated using the population information which was provided to the EMG component by the EMUs. It is based on the number of citizens living in the city where the project is implemented.

Cross cutting Issues;

The impact of the ESP on cross cutting issues such as increased participation of women in environmental decision have benefited of the GEAP process in Aswan and Beni Suef.

The following figure represents the participation of men and women in the SDEM training courses in 2005, 2006 and 2007. It is clear that the participation in training courses has decreased in 2007 due to the phasing out of ESP. ESP would recommend that EEAA would take the responsibilities of holding the training courses in order to raise the capacity of the staff in EMUs.

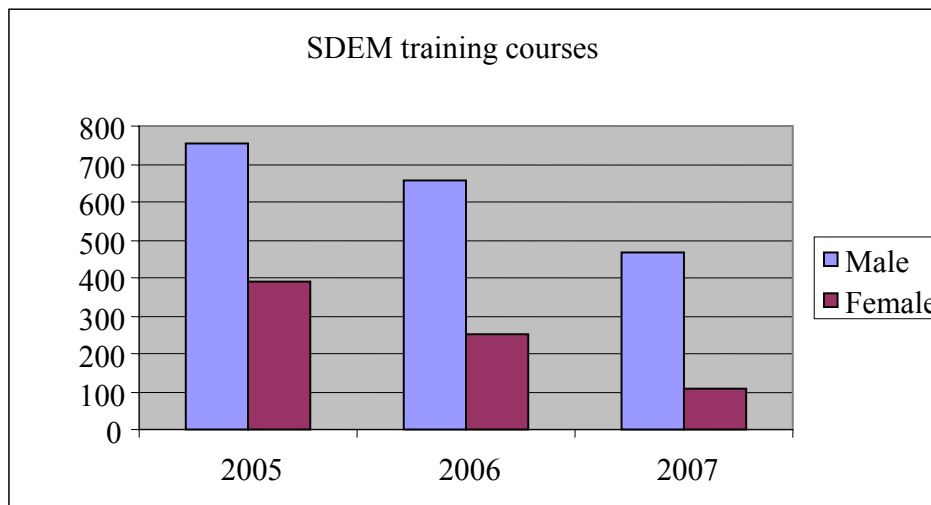


Chart 9

The ESP programme is focusing on Gender and poverty related activities through the direct involvement with poor communities in the governorates. The ESP is implementing demonstration and community projects in both Beni Suef and Aswan governorates aiming at improving the social and environmental conditions in poor communities.

Gender and poverty have been important project selection criteria for the projects. Approximately **2 million citizens** have been impacted by the projects activities (directly in hard core projects and indirectly in awareness projects, etc.). **700,000 women** have been directly involved in project activities while **140,000 illiterate** have been directly involved in project activities. Approximately **1.2 million citizens** have benefited from solid waste projects, **32,000 citizens** from water and sanitation projects and approximately **600,000 citizens** from environmental awareness projects.

The figures are calculated by actual statistics from the local governorates and the related local areas where projects are implemented.

The PMU has initiated a project with a NGO in Beni Suef so as to improve the environmental conditions of some villages. The project aimed at raising the environmental awareness of 5 poor villages in Beni Suef as well as increasing the number of connections for potable water for approximately 500 connections. A visit for one of the villages took place in summer 07 and PMU is following very closely on the

implementation of the project through receiving quarterly progress reports. Financial management of the project is going smoothly after developing understandable financial reporting forms and templates and NGO transparency and honesty. Approximately 200 families have now access to potable water. Several awareness campaigns were held and accepted very positively by women and men in the communities.

4. Progress in relation to component objectives

4.1 SDEM Component

The SDEM component progressed according to the 2007 plans.

The SDEM commenced July 2005 as a result of reshaping and focusing the ESP program. The SDEM is an umbrella bringing together the former DEM Component (Decentralized Environmental Management), the EMG Component (Environmental Management in Governorates, and the proposed EMU Component (Support to Decentralisation of Environmental Management in Governorates and Environmental management Units) in one Component. Thus eight subcomponents exist within the SDEM Component.

Strategy for Decentralization:

The Sub-component 1 “Decentralization Strategy” has been inactive for over a year since July 2006. In April 2007 Dr. Atwa Hussein was assigned the management of the subcomponent, later he was excused because of his many other assignments. In September 2007 Mr. Mohamed Ismael and Ms. Gihan El-Sakka were assigned the responsibility of continuing the activities of the component. The new management has focused its efforts so far on preparing an action plan for 2008.

Training & Workshops:

Twenty nine courses were implemented (10 courses by CDBA and 19 by EMU), and attended by 572 participants (including 107 women) from RBOs and EMUs and GDI and Dept for disaster management. Two of the courses are joint training in areas of Inspection of Hospitals and Disaster Management applied to case of Air Pollution. Joint training is intended to bring together participants from EEAA Central Departments, RBOs, and affiliated EMUs.

Other 23 training events were implemented by CDBA, G. Cairo, Suez, Assiut, and Beni Suef sub-components. The courses are related to specific needs/activities of the sub-components. Training covered areas of GIS applications, ISO9001 implementation, equipment maintenance, inspection, communication and negotiation skills, solid waste, and EIA. About 268 trainees have participated in these courses.

Sixteen workshops were implemented by sub-components in topics related to EREMIS, Unified Training System, GEAP preparation and project identification.

Training visits to solid waste facilities in Alexandria, Cairo, Port Said, and Suez were completed by staff of the Central Waste Units in Beni Suef and Aswan Govs.

The Unified Training System (UTS) is being developed in coordination with EEAA – Training Department. Progress has been relatively slow at the start of the year. During the first half of the year only two Subject Matter Experts were contracted for the subjects of Awareness and Environmental Quality and Laboratory. Progress has been below expectation because of the slowness of coordinating meetings between the individual Subject Matter Experts and the department heads and working Groups.

In order to speed up the UTS process an expert house was contracted to develop the other five subjects of Noise protection, Environmental management, Inspection, Disaster

management, and Complaints and Legal Affairs. The expert house should provide the draft material during January 2008.

Institutional Development of the RBOs and EMUs:

The study for the relation between RBOs and EMUs conducted in 2006 has resulted in the development of a matrix of the roles and responsibilities in 15 environmental functions covering environmental desk and field activities. In 2007 the matrix was tested, discussed and agreed by the RBOs and EMUs. Furthermore MoLD has been informed. The matrix of Roles and Responsibilities has not yet been approved by the Minister.

Improving the effectiveness of HCEs is still an issue of concern. No meetings are reported in B. Suez or Aswan Govs. In other Govs. meetings took place mainly to approve the Governorate environmental profile that was developed with assistance of the component. No consensus was reached among the managers as the means to activate the HCEs, however RBO manager as well as the EMU managers have acquired membership in the Governorate Executive Council. This is considered as alternative means to handle the tasks of the HCE by enlisting environmental issues on the agenda of the Executive Council meetings.

CDBA has undertaken a study for assessing and benchmarking RBO performance. The objective was to gain information that assist in taking decisions in support of the decentralization process. The study uncovered that several of the RBO mandated functions are not being performed at all, a considerable percent of the RBO effort goes to investigating complaints which is otherwise to be handled by EMUs, the human resource distribution among “technical” and non technical needs adjustment in several RBOs, and further delegation and decentralization is needed for RBO managers to be able to better perform in day to day operations.

CDBA has progressed in assessing the need for capacity building of Environmental Authorities in new urban communities and industrial cities in collaboration with the Ministry of Housing, Municipalities, and Urban Development (MHMUD). The study included a survey of such authorities where basic data were collected about their organization, resources, and current operational status. The survey was completed and needs of the environmental units are analysed; rules for cooperation between MSEA and MHMUD are drafted in expectation to be institutionalised by a mutually approved MOU between the two Ministries.

The annual audit for ISO 9001 certified RBOs (Suez, Mansoura, Tanta, and Alexandria) was successfully completed. The Sector for Branch Affairs has completed the quality manuals and is currently implementing the system before receiving the external auditor. Assiut RBO had successfully passed the external audit, the certificate shall be issued from the German TUV authority.

A core group of quality-qualified cadres was selected from the ISO 9001 certified RBOs Concerning the Environmental Information Systems:

All application programs of the Egyptian Regional Environmental Management Information System (EREMIS) were installed in G. Cairo, Suez, and Assiut RBOs, user training was completed and documentation delivered. The applications cover activities in

EIA, inspection, legal actions, planning, laboratory, and monitoring. EEAA IT staff has been trained to be able to maintain the system.

EEAA IT staff –coached by the local consultant- has completed the development of the central data warehouse which is to serve the achievement and progress reporting required by the Sector for Branch affairs.

The data warehouse should also serve the information needs of other central departments as well as the needs of the portal being developed by PMU for environmental information dissemination in support for decentralization of environmental management.

CDBA –funded by EEAA- has provided high performance PCs to the other five RBOs, supported by EEAA-IT team started installing EREMIS in those RBOs. Installation is completed in Alex RBO and expected to be achieved in Tanta and Mansoura by end of January 2008.

The GIS application installed in Suez RBO was adjusted to the latest version of EREMIS applications. The system is in use since end of June 2007. GIS systems in Assiut and G. Cairo RBOs are operational. Five more GIS licences have been purchased for the remaining RBOs. Delivery and installation is expected early 2008.

Suez RBO has completed the Regional Environmental Atlas for Canal and Sinai Region. The Regional Branch has installed the software for analysis of satellite images for surveillance of polluted areas.

Governorate Environmental Profiles and GEAPs:

After completing the EPs in 11 Governorates, the Component is starting to support the development of environmental profiles in remaining six more Governorates which have not developed profiles before. **Gharbia – Kafr El Sheikh – Sharqia – Red Sea – Matruh** through the EMU Subcomponent, and **Cairo Governorate** through G. Cairo RBO . The process is expected to be terminated during the second quarter 2008. Thus all Govs will have profiles developed.

The GEAP process has started in 6 Governorates **Behera, Giza, Fayoum, El-Menia, Ismailia, Port Said**. A kick off meeting was held followed by a workshop on project identification and transfer of experience from Beni Suef and Aswan subcomponents to EMU subcomponent. Isailia and Menia have completed. The other 4 Govs are expected to finalize during 1st quarter 2008.

Support to the other 5 Govs. Which have developed EPs in 2007 started to receive support to produce GEAPs. Finalization is expected before June 2008.

Suez RBO has completed the first draft for the Regional Environmental Atlas.

Environmental Projects:

The following table summarises the environmental projects budgets and spending in 2007

	Governorate	Number of Projects		Total Budget LE (m)	Amount transferred in 2007
		Community	Demo		
1	Aswan	2	5	16.05	4.14
2	Beni Suef	2	6	21.136	4.126
	EMG Sub-total	4	11	37.186	8.266
3	Ismailia	3	1*	0.540	0.540
4	El Menia	4	-	0.565	0.315
5	Behira	4	-	0.640	0.640
6	Fayuom	4 *	-	0.507	0.237
	EMU Sub-total	11	1	2.252	1.732

Table 6

* Project's studies completed, fund transfer is in process.

Phasing Out:

The Component has developed an Exit Action Plan for Sustainability of Outputs. The plan addresses the consolidated outputs; namely Strategy for decentralization, training systems, institutional developments, Information & communication, EMU capacity build up, environmental profiles and GEAPs and demonstration projects. The exit action plan includes a plan for dissemination of information and lessons learnt.

Local Contribution:

In 2007 the total national contribution to capacity building activities was LE 932,000 which is about 163% of the planned contribution of LE 690,000 (LE 455,000 from EEAA + LE 235,000 from Governorates). The increase is due to EEAA contribution to support the extension of the EREMIS information system in the other five RBOs.

In Aswan and Beni Suef governorates contribution to the EMU running expenses was substituted by equivalent reduction in operating expenditures.

The national contribution for projects amounts to L.E. 5,869,000 which is 160% of the estimated figure in the AWP.

Since SDEM reshaping in 2005 the cumulative national contribution for capacity building activities reaches 1,471,400 L.E which is the sum of (539,400 + 932,000) in

2006 and 2007. The contribution should reach 5.2 Million by end of 2008 as stipulated in the SDEM component document. The local contribution to projects has reached approximately 10 Million L.E which is the sum of (3.865 and 5.869) in 2006 and 2007. The contribution to projects is expected to exceed the 10 Million which were stipulated in the component document by end of 2008

DANIDA input:

Danida spending on capacity building activities amounts to 113% of the annual budget, the extra spending covers planned contingency activities mainly in the DEM subcomponents which are explained in section 3.

The subcomponent on Strategy for Decentralized Environmental Management was inactive during the report period, so no appreciable spending is reported during the report period.

Spending on projects in Beni Suef and Aswan amounted to LE 9.188 m which is about 85% of planned annual budget. Spending on projects in four new governorates (Ismailia, El Menia, El behera, and Fayoum) amounts to LE 1.732 m which is about 69% of planned budget.

4.2 ACI Component

The ACI component – materialized as ECO office - will be finalized during the first month of 2008. From an overall point of view the ACI component has been a success implemented far more than expected e.g. ECO office is now able to serve not 3 sectors but 6 sectors and more that 600 industries has in one way or another been assessed for possibilities for implementing cleaner technology. In terms of sustainability ACI is also a success as ECO office now is a formal office in FEI . A brief of the ACI component activities during 2007 are listed below.

General activities;

Danish Short Term Consultants (DSTC) have visited ECO office frequently throughout the year.

Total no. of clients in database: 680.

Continuous general technical training for Egyptian Technical Consultants (ETC) and ECO staff has been conducted and targets accomplished. Capacity building within: CP, EMS, EE, Chemicals, Food, OHS, Marketing & Communication and Reporting.

Also training on international tenders/bidding documents took place.

In food sector a circular training session for enterprises (25 owners & managers) took place in Alex.

As laid down in Danida Project Document as well as ECO Business Plan 2006-08 (revised) Gender issues, Anti-corruption and Poverty reduction are continuously high on the agenda.

QA audit has been conducted by DSTC (COWI) during the reporting period (3 visits).

Only minor discrepancies were discovered. Most of them are already corrected.

Three individual contracts secured from CIDA have been executed and feasibility studies handed over to CIDA/EEAA.

ECO office is negotiating with EPAP II (EEAA) about local support to the abatement project launched by WB / EDB.

External audit on projects conducted by EQI during Sept.-Oct.: “Value for Money”. Two projects were thoroughly audited.

Ongoing contacts to other foreign donor organizations on a regular basis.

MoU signed on Feb. 21 between ECO and NBE/IDB (commercial banks) for cooperation: Loans to SME’s for equipment related to CP.

Formalizing cooperation (MoU) with IMP (Int’l Management Partners), DK regarding CDM (Cleaner Development Mechanism). Expected to be partly funded by B2B in the initial stage.

Revolving Fund (RF) is functioning satisfactory through the agreement signed between FEI, EEAA and NBE with 16 loans disbursed during the reporting period and a total amount of L.E.17.2 mill.

Accumulated 52 loans totaling L.E. 64 mill. have been disbursed.

Towards end of December L.E. 4.8 mill. was transferred for the projects (loans) from the budget for 2008 into 2007.

Dissemination is going very well and until to date we have been in contact with some 620 enterprises being ECO clients one way or the other.
Website is re-installed and functioning (www.eco-fei.org).

Individual Training Sessions:

Training programmes in GHS, Reach, OHS, Food (hygiene) have been conducted by DSTC's.

Some part of the programmes also included ETC's participation.

Participated in a workshop: "Fostering Women Entrepreneurship in Egypt".

One staff has been selected for participating in Danida's Fellowship programme for "Human Rights" in Denmark, August 2007 (three weeks).

All costs covered by Danida (separate budget).

Acting Manager together with two Sen. Coordinators (Chemicals & EE) went for training in Denmark (by DTI & COWI) during the month of December.

Exhibitions and Conferences:

Seminar on Climate Change and CDM, January (Conrad hotel, one day).

Seminar & exhibition launched in Akhbar El Youm Academy, 6th Oct. City for students.
End of April.

During the month of May our Acting Manager participated in a 4 days conference/workshop for NCPC (Nat. Center for Cleaner Production) arranged by UNIDO in Marakesh, Morocco and upon invitation by the said organization.

Environment 2007. May 21-23 in International Conference Hall, Nasr City. Stand jointly with other Danida components.

Two coordinators presented papers on CP and EMS in the conference.

June 04-07. Environmental day (in FEI premises)

One week trip during June to visit GIFA 2007, Dusseldorf, Germany (international foundry exhibition). Acting Manager jointly with Chairman from Metallurgical Chamber (decided by SC meeting no. 16)

End of August. Workshop on CP in industries, Amman, Jordan. Wafaa Ismail attended.

International Textiles Manufactures Federation held 4 days conference/workshop in Cairo during the month of November. Dr. Sherif Hamdy participated.

Critical issues, including previous decisions not completed

Implementation of Business Plan 2008

Continued focus on environmental impacts/pollution abatements

Tangible assets (ECO office) – transfer ownership from Danida (RDE) to ECO

Currently ACI is preparing for:

Ensure sustainability for ECO (Exit Strategy & Action Plan: done)

Success stories (compiled projects – enterprises)

ACI profile brochure (almost ready)

ESP Annual Report for 2007 Jan 2008

Financial study 2008-2010 (ECO)

Revolving Fund Procedures Manual (almost ready)

Workshop on Jan.28, 2008 – closing the ACI component

4.3 Programme Management Unit PMU

The programme management unit PMU is working on supporting EPF, monitoring the program as well as supporting the EEAA strategic level.

Support to EPF

The merge between PMU and EPF has taken place. Offices have been renewed and reshuffled. Physical integration between EPF and PMU has been completed resulting in having three departments in EPF; Projects department, Financial department and Communication and follow up department.

PMU has supported EPF in updating EPF business plan, developing EPF operational plan for 2007, developing two half year progress reports and EPF procedures manual.

PMU has supported EPF in holding 2 FMCs in February and July. Although PMU has proposed holding FMCs every two months so as to speed up the approval on projects, yet it was found out that it is very difficult to apply the FMC frequency. PMU is exerting more effort so that EPF succeed to conduct FMCs regularly. Conducting regular FMCs meetings is considered part of the ESP sustainability.

EPF faces many challenges;

EPF should have full back up from EEAA top management and a good understanding on how should EPF work and be more independent and expand. EEAA back up and support could be proved in conducting frequent FMCs, supporting EPF manager through providing him with more authority and expand his responsibilities. EEAA has made modifications to law 4/94 so as to promote the idea of independency of EPF yet it is not clear whether the modified law will be approved by the parliament.

EPF management needs to acquire a broader vision so as to face the future challenges and expansion of EPF. There is a need for a strong "banking" attitude and a good understanding to start new initiatives.

EPF staff capabilities and skills need to be enhanced to fulfill the challenges facing the fund.

EPF staff participation and engagement in EPF so as to develop EPF to a "true" fund needs further development and motivation. Staff should be capable of initiating projects, marketing EPF, calling consultants in, monitoring projects etc.. Increasing staff motivation will increase their trust and belief in the EPF which will directly affect the work performance.

153 projects have been received by EPF projects department from the governorates. ESP has supported with a system which facilitate projects proposal collection. Screening and evaluation processes for the projects are currently taking place.

Status of Requests for Funding Projects through EPF since 2000 till 2007

Items	2000	2001	2002	2003	2004	2005	2006	2007
No. of Requests for Projects	300	136	60	20	35	65	99	153
Agreed upon by FMC	4	1	12	2	5	1	15	28 + 4 (Half Year)

Table No. 7

The number of projects arrived to EPF from two sources, from EEAA and from governorates through the EMUs Component. The number of applications arrived increased (in a short period of time) due to raising the capacity building of the teams working in EPF and due to contacting the governorates already prepared the GEAP (7 governorates) or the governorates who are already preparing it (6 governorates).

Support to EEAA :

The PMU is continuing the strategic support to EEAA as describe in the revised programme document on four major areas;

- Information System operationalised as a decentralization tool
- Support to the Planning and Follow up Department, Technical Office for the Minister/CEO and the International Cooperation department.
- Gender
- CEM, Communication of Environmental Management

Information System operationalised as a decentralization tool:

Building the IT system in EEAA, in the RBOs and the EMUs is the first step towards compiling environmental data, yearly reports etc.. so as to publish it on Intra and Internet and disseminate it to public.

A very successful technical IT group has been established and is working effectively in developing data bases and the connection between EEAA, RBO and EMUs. Data regarding air pollution is ready to be published via the internet and reports on the performance of RBO offices are ready to be published inside EEAA. ESP will continue its IT support.

Computer	524	3,604,029
Printers	224	454,091
Server	16	576,297
Scanners	40	50,148
Software	0	73,090
Data show	29	371,592
Grand Total ESP	833	5,129,247

Table 8

As it can be seen from Table 8 ESP has purchased IT equipment with more than 5 Million pr September 2007. In order to sustain the “ESP investment” a simple calculation has shown that EEAA has to allocate app 2 Million L.E /year so as to maintain and update equipment, license etc.

ESP believes that EEAA must develop an overall IT plan for the coming years in order to be able to target goals for the IT development and to provide funds. But there is also a need for a high level forum which could endorse IT plan, budget and are able to convey potential impacts on the organization to the CEO.

Support to the planning and follow up, technical office for the Minister and the International Cooperation department.

Planning and Follow up Department;

The Secretariat for The National Committee for Sustainable Development has received minor support from ESP in terms of financing workshops, printing and translation of the Report “Towards a National Strategy for Sustainable Development, Framework of the National Strategy for Sustainable Development and the methodology of settings its indicators”.

Technicl Office/EEAA Reporting System:

ESP supported EEAA to develop a reporting system which consists of four reports;

- State of Environment report to be produced annually.
- EEAA Annual achievements to be produced annually
- An Institutional and Legislative report to be produced every 5 years
- Environment in Egypt to be produced every 5 years.

ESP supported by Dr. Tolba has supported EEAA to develop a context for each report. ESP supported EEAA in developing and printing the Annual State of Environment report for 2005 and 2006. Both reports were published in Arabic and in English in 2007.

As regards EEAA achievement report, ESP was informed that it is in progress and in the printing phase.

EEAA issued a decree in order to establish a reporting unit affiliated to His Excellency the Minister of State for Environment aiming at institutionalising the development of the environmental reports. An estimate of 500,000 L.E per year was calculated in order to operationalise the reporting unit. The cost covers printing and editing of the various reports which will be produced by the MSEA. It is not clear for ESP whether EEAA has allocated the amount needed for the reporting unit or not. ESP would like to ensure that EEAA would maintain the unit and continue the development of the reports as part of sustaining activities which were carried out earlier by ESP.

International Department

For the support to the International Cooperation department, ESP intended to support the department in making overall coordination between EEAA and donor funded projects. The idea was to raise the department's capacity to develop projects proposals and approach to donors. ESP has implemented a training course for the department in 2007. The training aimed at raising the staff skills through a course for "Logical Framework Analysis" which helps in developing project proposals then a broad idea for "cost and benefit" which will help in the calculation of the cost of environmental degradation. ESP is planning to continue the support for the International department in 2008 and give more training to the administrative staff.

EIA Department

ESP supports the EIA department to review, translate and reprint EIA guidelines which are;

- EIA guidelines for electricity generating facilities based on hydropower
- EIA guidelines for electricity generating facilities based on solar power
- EIA guidelines for electricity generating facilities based on wind power
- EIA guidelines for electricity generating facilities based on thermal power

ESP supports EIA department in the development of new EIA guidelines for socioeconomic impact assessment.

ESP has supported EIA department with IT equipment and a curriculum for a training course explaining Danish EIA system, administrative procedures in Denmark and strategic environmental assessment method and cases.

Gender

The PMU is currently continuing the work related to gender and poverty by making one contract with a NGO in Beni Suef. The project aims at raising the environmental awareness in some selected villages as well as connecting those poor villages to the potable water system. PMU is following very closely on the implementation of the project through receiving quarterly progress reports. Financial management of the project is going smoothly after developing understandable financial reporting forms and templates and NGO transparency and honesty. Approximately 40 families have now access to potable water. Several awareness campaigns were held and accepted very positively by women and men in the communities.

CEM, Communication of Environmental Management

For CEM, CEM has supported CDECA both financially and technically. During the reported period, CDECA through CEM conducted 19 workshops to different stakeholders on various environmental issues.

For Bezra programme, it has been the main focus of the CEM and will remain so in 2008. The CEM management plan in 2007 was to develop the programme and increase the public's awareness of its products. This was achieved through the following
During the reporting period the CEM conducted 119 Bezra campaigns for children with a total number of beneficiaries reaching 39405 children. The campaigns covered 24 governorates in Egypt.

CEM has produced and distributed 4 issues of the Bezra magazine (20,000 copies of each issue). Substantial modifications to the appearance and content of the magazine have

been made. A deal has been made with Nahdet Misr Publishing House to distribute Bezra magazine with Mickey magazine and 3 issues have been distributed with Mickey (60,000 copies per issue).

Intensive advertising of Bezra website has been initiated in the last quarter of 2007 as a preparatory phase for a major revamping of the website in 2008. As a direct result the number of visitors has increased from 316195 in July 2007 to 520321 in December 2007 indicating an increase of 204126 visitors.

Copybooks carrying environmental messages and advertising Bezra website have been produced and are currently being distributed (100,000 copies). Moreover coloring books covering a set of environmental messages have been produced (10,000 copies). T-shirts advertising the Bezra character have been produced and distributed to children of the Zabaleen area (garbage collectors), one of the neediest areas of Cairo.

Furthermore CEM sponsored a special annex in October magazine highlighting EEAA efforts in dealing with the global problem of climate change on the occasion of the celebration of the World Environment Day.

CEM has produced a calendar for ESP that highlights all the main areas of focus of the ESP. The calendar was distributed to major stakeholders as well as EEAA management.

The Bezra Programme for environmental awareness is the main activity that CEM wishes to fully hand over to CDECA and ensure its sustainability. Since May 2007 the Bezra campaigns are mostly carried out by CDECA staff allowing for a smooth hand over in July 2008. The main obstacle however seem to be financial. In the 6 months of 2007 the expenditures of the programme amounted to over 600 thousand Egyptian Pounds and it is forecasted that programme expenses in 2008 will exceed 1.5 million Egyptian Pounds. The CEM management is planning on preparing a sustainability strategy for the programme in the first quarter of 2008.

The poor has been at the centre of the attention of CEM activities several activities specifically targeted the poor such a 3 day Bezra campaign in the Zaballen Area of Manshiet Nasser and the a 10 day visit to the rural areas of upper Egypt. Moreover CEM has produced 100,000 copybooks with environmental messages that are distributed to school children as a contribution to the ever growing school related expenses on the parents. Last but not least the fact that the Bezra magazine is distributed for free (80,000 copies) is a clear indication on how CEM targets the poor and underprivileged communities in Egypt

Programme Management

Daily Management

ESP management has participated in steering committees meetings and in between supported components by attended workshops, round table meetings, field visits. In particular ESP would like to high light the “Sunday Meetings” which is a weekly coordination- and information meeting between ESP managers. There is no fixed agenda but all items can be addressed. Normally each participant gives a brief upon upcoming task, events for the week but also matters of principle are often discussed and how it can be addressed.

Previously ESP conducted ESP Management Meetings inviting all managers and advisors on a quarterly basis. Management meetings were very useful in the beginning of the programme but has gradually been phased as more and more ownership has been taken by the component managers. In 2007 only one Management meeting was conducted regarding budget for 2007.

Programme Coordination Meetings has also been phased out as ESP strive to use “EEAA systems” and not parallel “institutions” like the Programme Coordination Committee, PCC. The majorities of out standing issues – like sustainability of ESP long term activities, transparency and independency of EPF, regular FMCs, decentralization - were addressed at SDEM and ACI steering committees meetings or have been discussed directly with the Minister, the CEO or relevant Governor. Later on ESP has noticed that issue raised by ESP have been addressed by EEAA board and the governmental committees like the High Environmental Committee or the Executive Committee in the governorate. It can be concluded, that ESP/CTA as well as the Development Counselor at the Embassy has easy access to the CEO, Minister and Governors.

Financial and Value for Money Audits.

Financial follow up are done on a monthly basis and status on expenditures compared with budget are forwarded to each components. A long with previous years a financial audit was carried out for the year 2006 with out any major comments or findings.

To new initiatives have been taking in 2007 - Value for Money Audit and Review of Project Holders Documentation of Expenditures.

Value for Money Audit can be seen as the next step after financial audit. Financial audit can uncover irregularity between received funds and spent funds, but do not uncover the value of funds i.e. in our case could a project have obtained better environmental benefits? During Value of Money Audit 4 projects – two in governorates and two in private sector were audited and the conclusion was that the money was spent proper. However, the audit also reveal that the documentation at the project holders are weak.

In order to follow up and improve the documentation a review was started up in December expected to be finalized in February 2008.

5. ESP Programme budget for 2007

The original budget for 2007 according to the reshape documents was 48 million DKK. Due to the increase of the Egypt contract frame in Danida the total revised ESP budget for the year 2007 reached **55,6 million DKK**

Budget Reallocation

Due to the less progress of SDEM component a reallocation of the budget was done as shown in table 11 below:-

The entire amount in DKK million

Component	2007 Old budget	Reallocated / deducted by RDE	2007 Final Budget
Total PMU Budget	5,854	442	5,512
Total SDEM Budget	27,004	(7,350)	20,104
Total ACI Budget	22,752	5,000	27,752
Minus EIMP Reposted By RDE			117
Total ESP Budget 2007	55,610	2,792	53,251

Table 11

Explanation for reallocation 2007 Budget:-

The total amount reallocated to ACI is **5 million DKK** as ACI has confirmed that they have list of client waiting for fund for CP projects. The amount will be deducted from ACI 2008 project budget.

The SDEM project budget and local budget for 2007 will be deducted by 3.5 million DKK and 1.5 million DKK respectively and it will compensate next year.

The PMU international consultant was deducted by 442,000 DKK and the SDEM international consultant was cut by 2,350 million DKK due to the overestimated of the original budget.

ESP expenses since last report

Table 12 shows the overall budget and expenditure as of 31/12/2007

Table no 12

Description	2007 Final Budget	Total Budget 2007 in LE *	Expenditure in LE	Exp v.s total budget %
PMU	5,512	5,623	5,231	93%
ACI	27,752	27,704	20,312	73%
SDEM	20,104	20,305	19,431	96%
RDE repost	(117)			
Total	53,251	53,663	44,975	84%

*** Exchange Rate Used**

Please be advised that since ESP receive the amount granted from Danida on installments basis and each installment has a different exchange rate. However, in the column labeled Budget in LE an average exchange rate has been used. The effect for that is minor when we compare the total expenses against the budget in LE.

For the amount deducted directly by Danida (e.g. exchange rate differences and RDE share we used the exact exchange rate since it is accounted in one transaction with one exchange rate).

Notes regarding the component spending rates**PMU Component:**

The overall PMU budget utilization is 93%. This utilization rate is a result of high utilization rate of PSU and low utilization rate of CEM subcomponent.

The high utilization of PSU is due to payment of the medical insurance for all ESP staff, higher price for the external auditor this year and some other new assignment was requested by RDE (e.g. value of money audit which was charged against the PMU local budget).

CEM:-

The low utilization rate of the CEM budget is mainly due to the change of the CEM management. An updated budget for CEM has been presented by the new CEM manager and that the activities was accelerated in the last three months but due to the time limit the total budget could not be spent and the completion of these ongoing activities will be carried out in 2008.

The ACI Component:-

The overall utilization rate is 73% of the total budget. The main reason for that is that the utilization rate of the revolving fund for ACI is 82% and they have an amount of 7.6 million LE in the bank as of 31/12/2007, but on the other hand they have a long list of clients who are technically approved waiting for the loans and it takes some time to process the application and meet the bank requirements and we expect to spend the remaining amount is two month time.

SDEM component:-

The total budget of SDEM was cut down by 5 million LE (transferred to ACI) due to the low performance and spending rate of SDEM for the first nine months.

The utilization rate for SDEM expenses reached 97% after reallocation of the budget.

