

**Egyptian Environmental Affairs Agency
Danish Ministry of Foreign Affairs**

**EEAA
Danida**



**Adjusted
Sector Programme Support Document
Danish Support to the Environment Sector
Egypt**

Ref. No. 104. Egypt. 806

July 2005

MAP OF EGYPT

Marsa Matrouh

Alexandria

Beheira

Mounofeya

Giza

Fayoum

Beni-Suef

Minya

Assiut

El Wadi el Gedid

Kafr el Sheikh

Damietta

Dakahleya

Port Said

Garbeya

Sharkeya

Qaliubeya

Ismaelia

Cairo

Suez

N. Sinai

S. Sinai

Red Sea

Sohag

Qena

Aswan

Table of Contents

Executive Summary	viii
1 Introduction	1
2 National Socio-economic and Policy Context	2
2.1 Background	2
2.2 Overview of Poverty in Egypt.....	4
2.3 Gender Issues	5
2.4 Human Rights, Good Governance and Participation	5
3 The Environment Sector in Egypt	6
3.1 Environmental challenges	6
3.2 Environmental Sector Policy and Planning.....	8
3.3 Sector Set-up and Stakeholders.....	11
3.3.1 Stakeholders	11
3.4 Donor Support and Assistance Coordination	16
3.4.1 Donor Support in the Environment Sector	16
3.4.2 Coordination of Donor Assistance	16
4 Strategic considerations and alternatives considered	17
4.1 Main Criteria for the Cooperation Programme	17
5 Description of Support.....	18
5.1 Development Objectives	18
5.2 Support to Decentralised Environmental Management (SDEM) ..	20
5.3 Achieving Cost-Effective Compliance with Environmental Regulations within Industry (ACI).....	23
5.4 Support Activities	29
5.4.1 Communication for Environmental Management	29
5.4.2 Strategic Support to EEAA	30
5.4.3 Support to the Environmental Protection Fund	31
6 Budget.....	33
6.1 Overview of Programme	33
7 Assumptions, Risks and Preconditions	34
7.1 Assumptions and Risks	34
7.2 Preconditions.....	36
8 Indicators	36
8.1 Use of Indicators	36
8.2 Development of Sector Level Indicators.....	37
8.3 Verification	39
9 ESP Management	40
9.1 Overall ESP Management and Organisation.....	40
9.2 PSC.....	41
9.3 Embassy Coordinator	42
9.4 PMU	42
9.5 Financial Management and Procurement.....	43
9.6 Operational Exit Strategies 2005-8	44

10	Monitoring	45
10.1	Reporting Requirements.....	45
10.2	ESP Performance Monitoring	45
10.2.1	Performance Monitoring Responsibilities	46
10.3	Timing of Key Events	47
10.4	Review and Evaluation	47
11	Flow of Funds, Accounting and Auditing	48
11.1	Overview of ESP Financial Flows	48
11.2	ESP Financial Controls	49
11.3	Support to Decentralised Environmental Management (SDEM). 50	
11.4	Achieving Cost Effective Compliance within Industry (ACI).....	51
11.5	Accounting, Regulating and Auditing Procedures	53
12	Implementation Plan 2005-8	53
Annex A	1	
Environmental Management Plan	2	
Annex B	3	
B.1 Job descriptions: Permanent Staff of the PMU	4	
Annex C	10	
Annex C.1: Strategic Support Job Assignments.....	11	
Annex C.2 Support to EPF in Business Plan Development	12	
Annex C 3 Strategic Support to EEAA.....	16	
Annex C4 Support to the Environmental Protection Fund.....	20	
Annex D Budget Details	26	
Annex E Risk Analysis	27	
Annex F Institutional and Legal Context.....	31	
Annex F1 Overview of Donor Assistance to the Environmental Sector	35	
Annex G TOR for the PSC.....	37	

Abbreviations

ACI	Achieving (Cost Effective) Compliance in Industry
ADB	African Development Bank
AGCCD	Association of Garbage Collectors for Community Development
AMG	Aid Management Guidelines
ARM	Annual Review Meeting
ASR	Annual Sector Review
CAOA	Central Agency for Administration and Organisation
CAFE	Community Action for the Environment
CAPMAS	Central Agency for Public Mobilisation and Statistics
CBA	Cost/Benefit Analysis
CDA	Community Development Association
CDBA	Central Department of Branches Affairs
CDE	Capacity Development in the Environment
CDECA	Central Department of Environmental Communication and Awareness
CDFA	Central Department for Finance and Administration
CEDAW	Convention on Elimination of All Forms Discrimination Against Women
CEM	Communication for Environmental Management
CEO	Chief Executive Officer
CIDA	Canadian International Development Agency
CP	Clean Production
CPRF	Clean Production Revolving Fund
CRC	Convention on the Rights of the Child
CSC	Component Steering Committee
CT	Cleaner Technology
CTA	Chief Technical Adviser
CUH	Cairo University Hospitals
CZM	Coastal Zone Management
Danida	Danish International Development Assistance
DEM	Decentralised Environmental Management
DEPA	Danish Environmental Protection Agency
DFID	Department for International Development (UK)
DKK	Danish Kroner
EAO	Environmental Affairs Office
ECO	Environmental Compliance Office of the FEI
EEAA	Egyptian Environmental Affairs Agency
EEAP	Egyptian Environmental Action Plan of 1992.
EEIS	Egyptian Environmental Information System
EEPP	Egyptian Environmental Policy Project (USAID)
EETP	Egyptian Environmental Training Programme
EETU	Egyptian Environmental Training Unit
LE	Egyptian Pounds
EA	Environmental Assessment
EIB	European Investment Bank
EIC	Interim Environmental Information Centre
EIMP	Environmental Information and Monitoring Programme
EMG	Environmental Management in the Governorates
EMN	Environmental Monitoring Network
EMS	Environmental Management System
EMU	Environmental Management Unit
ENGO	Environmental Non Governmental Organisation
EPAP	Egypt Pollution Abatement Project
EPF	Environmental Protection Fund
EPL	Environmental Protection Law
EQI	Environmental Quality International
ERSAP	Economic Reform and Structural Adjustment Programme
ESPS	Environmental Sector Programme Support
ESP	Environmental Sector Programme
ETC	Egyptian Technical Consultants
EU	European Union
Feddan	Egyptian area unit 1 feddan = 0.4 hectare
FEI	Federation of Egyptian Industries
FGM	Female Genital Mutilation
FINNIDA	Finnish International Development Agency

FDI	Foreign Direct Investments
GCA	Greater Cairo Area
GD	General Department
GDP	Gross Domestic Product
GEAP	Governorate Environmental Action Plan
GIS	Geographic Information System
GNP	Gross National Product
GOE	Government of Egypt
GOEA	General Offices for Environmental Affairs
GOFI	Government Organisation for Industrialization
HC	Hazardous Chemicals
HCW	Health Care Waste
HDI	Human Development Index
HRD	Human Resources Development
HRI	Hydraulic Research Institute
IDA	International Development Association
ILO	International Labour Organisation
IT	Information Technology
IC	International Consultants
IS	Information Systems
ISO	International Standards Organisation
JASR/JSR	Joint (Annual) Sector Review
JICA	Japan International Cooperation Agency
KFW	Kreditanstalt für Wiederaufbau
LCD	Least Developed Countries
LE	Egyptian Pounds
LFA	Logical Framework Approach
M&E	Monitoring and Evaluation
MALR	Ministry of Agriculture and Land Reclamation
METAP	The Mediterranean Technical Assistance Program
MFA	Ministry of Foreign Affairs
MHUCC	Ministry of Housing, Utilities and Urban Communities
MIMW	Ministry of Industry and Mineral Wealth
MDG	Millennium Development Goals
MOEA	Ministry of Environmental Affairs
MOHP	Ministry of Health and Population
MOU	Memorandum Of Understanding
MPWWR	Ministry of Public Works and Water Resources (former Ministry of Irrigation)
MSEA	Minister of State for Environmental Affairs
MSW	Municipal Solid Waste
NC	National Consultants
NEAP	National Environmental Action Plan
NGO	Non Governmental Organisation
NICZM	National Interministerial Coastal Zone Management Committee
NOSCP	National Oil Spill Contingency Plan
NWRC	The National Water Research Centre
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OSP	Organisation Support Programme
PCC	Programme Coordination Committee
PC	Programme Coordinator
PMU	Programme Management Unit
PSC	Programme Steering Committee
PSU	Programme Support Unit
QA/QC	Quality assurance/quality control
RBO	Regional Branch Office of EEAA
RDE	Royal Danish Embassy
RM	Reshaping Mission
SEAM	Support for Environmental Assessment and Management
SEM	Strategic Environmental Management
SFD	Social Fund for Development
SDEM	Support to Decentralised Environmental Management
SPA	Shore Protection Agency
SPS	Sector Programme Support

SPSD	Sector Programme Support Document
TA	Technical Assistance
TEF	Tourism and Environment Fund
TCOE	Technical Cooperation Office for the Environment
TOR	Terms of Reference
TQM	Total Quality Management
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
USD	US Dollars
WB	World Bank
WHO	World Health Organisation

Terms used

Danida advisor: Advisor recruited through Danida personnel assistance.

International technical assistance/consultant (IC): Consultant recruited through Danida tender procedures.

Local or national technical assistance/consultant (NC): Consultant recruited directly by the programme or by Danida in Copenhagen as part of a consultancy contract.

Exchange rates (February January 2005)

Egyptian Pound (LE) 592	= USD 100,00
Danish Kroner (DKK) 6.00	= USD 1,00

Cover Page

Country:	Egypt
Sector:	Environment
Title:	Environment Sector Programme Support (ESPS)
Cooperating Agencies:	Egyptian Environmental Affairs Agency (EEAA) under the Ministry of State for Environmental Affairs (MSEA)
Duration:	7 years
Starting Date:	1. January 2001
Budget 2001-8 for present Components:	DKK 282.74 million

Description:

The development objective of the Environmental Sector Programme (ESP) 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 by providing frameworks for compliance with environmental regulations.*

This will be achieved by: effective implementation of environmental management and improvement activities at the local level; by institutional support to selected governorates, especially the Governorates of Aswan and Beni Suef; by assisting the Egyptian industry to improve compliance with environmental regulation through cleaner production and, by strategic support to the EEAA and to the Environmental Protection Fund (EPF).

ESP assistance will be provided via 2 components and a number of support activities:

ESP Components:

- Support to Decentralised Environmental Management (SDEM)
- Achieving Compliance in Industry (ACI)

Support activities

- Programme Management Unit; incl. support to EEAA/EPF
- Budget Support to CEM (Communication in Environmental Management), and to EIMP (Environmental Information and Monitoring Programme).

The immediate objectives of the programme are the development objectives of the components and support areas:

SDEM Component - The Regional Branch Offices (RBOs) and Environmental Management Units (EMUs) function at the local level and effectively implement the Environmental Law 4/94 with a consequent improvement in the environment in the respective Governorates leading to an improved quality of life especially for the poor and disadvantaged groups.

ACI component - To assist the industry to improve compliance with the environmental legislation through Cleaner Production

Support activities

- Environmental awareness among the public and decision-makers strengthened towards compliance with Environmental Law 4/94 and mainstreaming of environmental concerns.
- Management of the ESP in accordance with its objectives and approaches, strategically improved organisational performance of EEAA, and the EPF enabled to have a major and strategic impact on environmental investments.

Poverty alleviation and contribution to cross-cutting issues

The ESP will enhance the ability at local level to implement the environment law, to improve environmental governance and to ensure a greater degree of environmental justice. The ESP will deliver environmental management services and implement environmental improvement projects and activities. These activities are based on direct community involvement and participatory planning processes and will have a positive, long-term impact on the quality of life of poor people who suffer disproportionately from pollution.

The ESP has a potential influence on gender disparity, as it will help to ensure that women are trained and that the awareness programs include women. To increase the potential for direct benefits, the ESP implementation strategy will monitor poverty and gender indicators in order to be able to address these issues during implementation. The ESP will support improved governance by strengthening the ongoing efforts to decentralise environmental management in Egypt and by facilitating greater openness in the administration, i.a. through involvement of community groups in planning processes, collection, preparation and dissemination of environmental information.

Although all demonstration projects to be implemented as part of the ESP will be designed to secure an overall improvement in the environment, they will still be subject to Environmental Assessment if potentially significant adverse effects could result from preparation activities or during implementation. This will be monitored through an Environmental Management Plan.

Signatures:

Executive Summary

Introduction

Environmental cooperation between Egypt and Denmark was initiated in 1991 with special emphasis on capacity building in the central institutions. In 1996 the environmental sector became a priority sector in the Egyptian-Danish development cooperation. A programme document with 7 components was finalized in April 2000 and the programme started in 2001.

A High Level consultation in 2003 decided, that the Environmental Sector Programme should phase out by 2008. The Second Joint Sector Review, October, 2004, addressed the necessity for refocusing the ESP during the phasing out period; by recommending *"To refocus the programme and reallocate the budget within two major areas: (i) capacity building for decentralised environmental management, and (ii) Cleaner Production and refocus the Programme Support Unit (PSU) into a more strategically oriented PMU with supports to the Environmental Protection Fund (EPF) and EEAA"*. Feasibility notes on options for implementing the recommendations were prepared and preferred options subject to a review in April 2005. This Sector Programme Support Document (SPSD) describes the cooperation for the period 2005-2008.

Denmark supports "Arab Initiative" with important activities in Egypt (support to improved good governance and human rights) and Egypt's national aim of creating 1 million employments per year. Financial support to the Environmental Sector would stimulate decentralised investment both at public and private level, and thus improve living conditions for the poor and contribute to the aims of the Arab Initiative. The review in April 2005 recommended that Denmark should consider supporting Egypt through the FEI Revolving Fund for Cleaner Production and the EPF for decentralised development investments, also after 2008.

Socio-Economic Situation

Egypt is a democratic country. However, decision-making power is heavily centralised and state-of-emergency laws have been in force since 1981 due to political violence. The Gross National Produce (GNP) per capita is USD 1202 (African Development Bank (ADB) 2004). Although this puts Egypt roughly on the threshold of becoming a middle income country there are considerable regional variation e.g. in Upper Egypt, 17% of households still live in poverty, while 7% (mostly women) live in extreme poverty. Economic progress has been fostered by structural reform towards a more market-oriented economic system, including trade liberalisation, privatisation and institutional strengthening. The government is expected to press ahead with these reforms in coming years and, in particular, to encourage key financial institutions to operate transparently in line with concepts of good governance.

Environment

The protection of water resources is the most critical environmental issue in Egypt. Industry, municipal wastewater and agrochemicals pollute the Nile, which supplies about 97% of all fresh water. Other significant issues include:

- inadequate wastewater treatment plant capacity;
- deteriorating wetland habitat, endangering wildlife and fisheries;
- air pollution damaging public health and cultural heritage;
- rapid urbanisation engendering slums and squatter settlements;

- inadequate handling and disposal of domestic and hazardous wastes;
- pollution of coastal waters.

Egyptian environmental policy can be summarised by the seven policy directives established in 1998:

- partnerships between the different segments of society at national level
- partnerships at the bilateral, regional and global levels
- the implementation of Law 4/1994 for the protection of the environment
- development and upgrading of natural protectorates
- institutional capacity development in EEAA and the 26 governorates
- sustainable environmental management systems
- the use of market-based financial instruments for environmental protection

A further promising step towards the realization of a stronger Government of Egypt (GOE) commitment at the highest levels materialized in 2002, when clear Presidential Directives for 2002-17 were issued. The most important of these are:

- Strong commitment towards the finalization of the fresh water improvement
- Development of a plan for air pollution abatement and air quality monitoring
- Stress on the importance of environmental impact assessment studies
- Developing the monitoring and follow-up bodies and units to ensure the rapid implementation of programs, environmental laws, regulations and international environmental protection protocols and conventions.

At the highest level, environmental matters come under the mandate of MSEA, whose executive arm is EEAA. EEAA has responsibility for setting national policy and co-ordinating environmental management activities, as well as for all aspects of the implementation and monitoring of environmental laws. At the regional level, EEAA is in the process of establishing Regional Branch Offices (RBOs), as part of its longer-term strategy of decentralisation. In the first instance, each RBO will support 3-4 governorates in their environmental management efforts. Environmental management responsibilities in the governorates are the mandate of the Environmental Management Units (EMU) situated in the governor's office and fully funded by the governorate.

EEAA is also responsible for co-ordinating the activities of as many as 15 line ministries that share or exercise environmental management responsibilities, and also for encouraging civil society to play an active role in the environmental field. Currently, some 70 Non Government Organisations (NGOs) have been involved in such activities as public awareness and education, environmental protection activities and provision of environmental services, such as solid waste collection and disposal.

The EEAA main role is not to implement the National Environment Plan (NEAP), but its role is to monitor the implementation done by other ministries (except protectorates) and to coordinate among the implementing ministries.

Strategy for the ESP

The overriding focus of this phase of the ESP is to strengthen i) decentralised environmental management and ii) private sector implementation of cleaner industrial production.

Environmental management at the decentralised level allows a focus on poverty reduction and encourages the direct involvement of a diverse range of partners in programme activities. Furthermore, decentralisation contributes to good governance, since it entails shifting decision-making closer to the people most directly affected, as well as raising awareness and capacity for self-help in those local communities that need it most. In order to create an impact, programme activities will be concentrated mainly within clearly defined geographic areas (especially the two governorates: Aswan and Beni Suef), on three Regional Branch Offices (RBOs) of the EEAA, and on priority industrial sectors. Support to the private sector mobilises the self-interest of the industrial sector to contribute and comply with environmental law, strengthening the governance framework and increasing industrial efficiency and thus economic performance.

Gender conditions will be improved through emphasis on training, education and recruitment of women, and via awareness activities concerning women's roles and constraints. ESP training should aim to include at least 50% of the participants as women and should cooperate with the gender units in the governorates. Indicators for gender activities need to be established within the SDEM and ACI components as part of the 2005 and subsequent work plans and integrated into the Egyptian institutional monitoring to the extent possible.

The overall objective of the programme 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 by providing frameworks for compliance with environmental regulations.

This will be achieved by a capacity development approach to environmental management and improvement activities at the local level; by support at the centre (of the EEAA's regional strategy); and, by supporting selected governorates in institution building, environmental remediation at "black spots", knowledge creation, awareness raising and technology transfer.

Assistance under the SPS will be provided through a component that supports decentralisation and a component that supports the private sector and where cooperation between the two components will enhance the impact of the assistance. In addition a number of other support activities will be carried out to consolidate previous cooperation. Each component and support activity targets a specific element of a clearly expressed GOE priority.

Components

Support to Decentralised Environmental Management (SDEM)

Achieving Compliance in Industry (ACI)

Support Activities

Programme Management Unit (PMU); incl. support to EEAA/EPF,
Budget Support to Communication in Environmental Management (CEM), and to
Environmental Information and Monitoring Programme (EIMP)

Demonstration projects are a key part of the components and in most cases are carried out by the authorities in participating governorates or civil society thus ensuring ownership.

Management

The SDEM component is anchored within EEAA and the concerned governorates. The ACI Component is anchored in the Federation of Egyptian Industries. The CEM, EIMP and PMU support activities of the ESP are anchored within EEAA. Capacity is thus being developed outside the central agency in line with the decentralisation approach of the entire ESP. The Programme Coordinator of the ESP will be a senior staff member of EEAA, supported by a Danida-recruited Chief Technical Advisor (CTA). The ESP will be coordinated and administered by a PMU that will be situated in EEAA. The management and organisation will be structured around an ESP Programme Steering Committee (PSC), chaired the Minister of State for Environmental Affairs, comprising members of EEAA Board of Directors and representatives of each partner organisation, including the Royal Danish Embassy (RDE); and the Chairmen of the two Component Steering Committees, which are composed of the institutions, organisations and stakeholders receiving support.

Budget

The total value of the SPS programme, including the on-going commitments, is DKK 282.74 million spread over the period 2001 to 2008. The following table shows the overall budget (excluding the cost of Danida-recruited advisers).

Overall Budget for SPS (DKK million)

Items	Adjusted SPS Budget	Total spent up till 2005	Budget 2005	Budget 2006	Budget 2007	Budget 2008	Budget 2005-2008
Components							
SDEM	132.75	49.45	23.60	22.00	21.90	15.80	83.30
ACI	99.71	23.91	17.70	20.80	20.90	16.40	75.80
Total support activities	50.28	30.38	6.7	5.20	5.20	2.8	19.90
Total Allocated	282.74	103.74	48.00	48.00	48.00	35.00	179.00
		-	-	-	-	-	-

Risks

Risks to the achievement of objectives include:

- Economic development slows and the process of social development, including transformation of institutions and the broadening and deepening of democracy does not progress as envisaged.
- Institutional cooperation declines, reducing the level of coordination, information sharing and joint initiatives.
- The government of Egypt slow down the process of decentralisation.
- Civil society is unable or unwilling to participate in environmental decision-making.
- Constant chance of managers with limited experience as civil servants and limited technical and environmental skills.

Monitoring and Indicators

Implementation of the ESP will be monitored and regulated by the use of verifiable indicators at the programme (sector) level and at the individual component level. The process orientation of the ESP components calls for a monitoring system where indicators are used as a management tool.

1 Introduction

Danish-Egyptian environmental cooperation dates back to 1991, when environment was identified as one of three priority sectors for development assistance from Danida. At present, Danida is the second largest contributor to grant funding.

The environmental development cooperation between the governments of Egypt and Denmark was initiated in 1991 with special emphasis on capacity building in the central environmental departments and institutions. This notably includes the EEAA Organisational Support Programme, 1993-2001, in environmental training and education as well as establishing the environmental monitoring and information system. In connection with the preparation of the country strategy for Egypt in 1996 it was agreed that the environmental sector should be included as one of the priority sectors in the Egyptian-Danish development cooperation. The Programme became fully operational from 1 January 2002. Later the High Level consultation in 2003 decided, that the Environmental Sector Programme should phase out by 2008; which resulted in a Sustainability Mission in first half of 2004.

The recommendations of the Second ESP Joint Sector Review ((JSR), (dated October 28, 2004), addressed the necessity for refocusing the ESP during the phasing out phase; recommendation no. (2): *"To refocus the programme and reallocate the budget within two major areas: (i) capacity building for decentralised environmental management, and (ii) Cleaner Production"*. The reshaping decision was also based on (i) the PCC decision in Aug 2003 to focus on decentralization, which resulted in a Decentralization Mission in 2004 and the formulation of the EMU Pilot Project in July 2004; (ii) that the RDE informed EEAA officially that as a consequence of High Level negotiation in 2003 funds allocated for ESP will be transferred to the Arab Initiative.

The Second ESP JSR further recommended: (i) To revise the programme management structure and to empower the PSU into a Programme Management Unit (PMU) with clear responsibilities; (ii) To strengthen performance based monitoring as a management tool and as a basis for allocation of resources; and (iii) To include Capacity Building at the Environmental Protection Fund and support the strategic management of the EEAA. These recommendations build on similar assessments of the JSR 2003, the ESP Sustainability Review, June 2004, and the draft ESP Strategic Management Plan, September 2004.

Accordingly a Reshaping Mission (RM) for detailing the options and develop recommendations was fielded during December-January 2004/5, working in tandem with four EEAA workgroups, coordinated by a Steering Group chaired by the Chief Executive Officer. The main findings were presented in a Debriefing Workshop in Cairo in January 2005, and two Feasibility Notes on PMU/EPF and DEM/CEM reshaping were subsequently issued in March 2005 incorporating comments from the PCC. The present SPSD builds directly on these Final Feasibility Notes and takes account of the findings and recommendations of technical review in April 2005.

The focus and emphasis of the Adjusted SPSD is on (a) Exit Strategies 2005-8 as the ESP is due to close in 2008, (b) appropriate phasing in of Egyptian responsibilities and phasing out of the Danida supports, and on (c) sustainability and impact.

Denmark supports “Arab Initiative” with important activities in Egypt (support to improved good governance and human rights) and Egypt’s national aim of creating 1 million employments per year, a financial support to the Environmental Sector would stimulate decentralised investment both at public and private level, and thus improve living conditions for the poor. The review in April 2005 recommended that Denmark should consider supporting Egypt through the Federation of Egyptian Industries (FEI) Revolving Fund for Cleaner Production and the EPF for decentralised development investments, also after 2008.

2 National Socio-economic and Policy Context¹

2.1 Background

Egypt covers an area of about 1 million square kilometres and supports a population of about 68 million in 2002, of which about 95% live in the Nile Valley and Delta. The annual rate of population growth was 2.3% during 1996-2002. About 45% of the population lived in urban areas in 1995 and the percentage is expected to rise to 62% in 2025. The population density in the urban areas is very high, reaching 33,000 per square kilometre in the Greater Cairo area.

According to the 1971 Constitution, Egypt is a socialist and democratic republic. However, State of Emergency Laws have been in force since 1981 due to political violence. Egypt is administratively divided into 27 governorates. Each governorate is, in turn, divided into a number of districts (*marakaz*) and towns, which are further divided into villages. A governorate is headed by a Governor, who is appointed by the President. The Governor wields considerable power over the local administrative system.

Egypt is an economically diversified middle-income country² with a private sector share of GDP estimated at 72% in 2002/03 (ADB 2004). After rapid growth in the 1970s, growth slowed in the mid 1980s. Since the early 1990s, Egypt has followed policies of structural adjustment and the economy has performed relatively well. Egypt is presently moving towards a more market-oriented economic system. During the period 1999/00-2003/04, the real GDP growth rate averaged 3.9% per annum. This rate is far below the 7% real GDP growth required for the attainment of the Millennium Development Goals (MDGs). Unemployment is also high, reaching 9.8% in 2003/04 (ADB 2004)

Table 2.1 Economic Indicators in Egypt, 1993 to 2002

	1993	1995	1997	2000	2002
GDP at market prices (LE bn)	157.3	205	255.8	326.6	378.9
Real GDP growth (%)	3.0	4.6	5.9	5.9	3.2
Consumer price inflation (%)	12	15.7	4.6	2.7	2.3 ³
Overall fiscal balance (% of GDP)	-3.5	-1.2	-1.2	-1.2	-2.5
Population (mn)	56.49	59.23	62.01	63.3	67.6

Source: Country Profile , Egypt, 2002, EIU and ADB 2004

¹ Source: (UNDP 2004) - “Egypt Human Development Report 2004”, UNDP

² This section is further updated under reference to the “2005-9 Country Strategy Report Paper” ADB

³ Real Growth and Inflation rates % are from 2001.

The economy is generally well diversified, with important contributions arising across agriculture, manufacturing, petroleum products, and trade and financial services.

Public expenditure and fiscal policies

Data on budgeted and actual public expenditure are not readily available in Egypt. Budgets for government expenditure are prepared on an annual basis for each financial year, which runs from July 1st to June 30th. The mechanism for preparing the governorate and municipal level budget follows a bottom up approach; from Village/district level, to Municipality, city and governorate level. Each level prepares a draft annual budget for submission to the next level up, until they are consolidated into the governorate budget; which in turn is consolidated by the MoF to produce the State budget.

The following table presents the public expenditure budget for 2001/02, showing the share allocated to local administration.

This is particularly pertinent as much expenditure on the environment is made at local level. Thus this data sets the macro-economic context for the environment sector. It should be noted, however, that only 7% of the financial flows to the local government budgets are subject to local government jurisdiction, the remaining 93% is subject to central government jurisdiction.

Future Prospects

The prospects for medium term growth are good but could be further enhanced by accelerating structural reforms. There are substantial natural resources, including oil and gas. There will be pressures on the government budget in the future. The government is trying to raise more revenue internally, not so much through new taxes, but by widening the tax base and improving collection rates. General taxation contributed 32% of current revenues, but this is low compared with other countries. Tax evasion in Egypt is high, and tax collection inconsistent, leaving considerable scope for improvement.

The main elements of the Development Agenda of the Government are: (i) export promotion; (ii) deepening and modernisation of the industrialization process focusing on capital goods and high value production; (iii) reducing unemployment through labour-intensive techniques and promotion of small- and medium-sized enterprises (SMEs); (iv) directing development towards desert land and correcting spatial imbalances; (v) poverty reduction and equity consideration; (vi) gender equality and women empowerment; and (vii) environmental protection (ADB 2004)

Table 2.2 Public Expenditure Budget for Egypt, 2001/02 (LE bn)

Item	National budget, 2001/02	% of total	local admin.	Local as % of National	% of total of local
*Bab 1 expenditure - wages and salaries	31.9	25%	14.8	46%	64%
*Bab 2 expenditure -	66.2	52%	4.4	7%	18%
Total current expenditure	98.1	77%	19.4	20%	82%
*Bab 3 - investments	15.3	12%	2.6	18%	12%
*Bab 4 - Capital transfers	13.5	11%	1.4	10%	6%
Total budget	126.9	100%	23.4	18%	100%

Source: EIU 2002 and UNDP 2004 - possibly preliminary estimates.
 * "Bab" is the term given to the various heads of expenditure

2.2 Overview of Poverty in Egypt

Poverty reduction remains Egypt's most compelling challenge. With an average income per person of \$1,490 in 2001, there is widespread agreement that poverty has fallen in the last decade. However, in the absence of a rigorous, systematic poverty assessment, the exact incidence of poverty has been hotly contested. This changed in 2002, when the government joined the World Bank in completing a Poverty Reduction Strategy, the most in-depth analysis ever of the country's poverty situation.

The results, which promise to establish a firm foundation for more targeted poverty alleviation efforts, show that poverty incidence in Egypt fell from 19.4 percent in 1995/96 to 16.7 percent in 1999/2000. Although poverty had decreased in Egypt's four metropolitan cities and Lower Egypt, it was on the rise in the Upper Egypt. However, the slowdown of the economy since 1999/2000 raises some concern about a possible increase in poverty incidence. Egypt's poverty, as measured in non-income indicators such as health and education, also pose a significant challenge. Despite a 2001 net primary enrolment rate of 88 percent, adult illiteracy is still high at almost 35 percent. Even with almost universal access to health care, the number of children dying before age five is 39 (per 1,000 live births), still higher than in comparator countries (WB Country Brief 2004).

Women and children are most exposed to poverty. In poor households, females generally carry a heavier workload than males, while the males are given priority with respect to meals, educational opportunities, essential health services, etc. Only about 20% of the women in Upper Egypt are literate. Households supported by women are estimated to constitute about 18-20% of all households. These households are considered the most impoverished. Women's work is a controversial issue. Government jobs are open to women. However, women's work outside the household is generally discouraged by tradition and habit, especially so in rural areas and in Upper Egypt. In some rural areas, women are not expected to participate in any activities at all in public places.

Poverty is more widespread in the governorates of Upper Egypt than in Lower Egypt. In general, the population of Upper Egypt is less well covered by health and education facilities as well as access to piped water and sanitation. Indicators of the health status of the population are all significantly worse for Upper Egypt than for Lower Egypt. Illiteracy rates are also higher, school enrolment rates lower, and drop-out rates higher than the national average.

In the beginning of the 1990s, the estimated average urban income was 40% higher than the average rural income. However, the income distribution is less equal in urban areas than in rural areas and there is a large group of very poor in urban areas.

The main causes of poverty in urban areas are unemployment, casual work and low paid jobs. The urban poor consists of poor jobless migrants from the rural areas, petty traders and casual workers and a large and rapidly increasing number of unemployed graduates.

It is estimated that about 5.8 million people in Greater Cairo live in marginal settlements (that is informal urban settlements) or slums. These areas are overcrowded with substandard houses and shelters, inadequate clean water supply and lack of sanitation and garbage collection. Some of the settlements have developed around large indus-

trial facilities because of access to jobs or low rents. In other settlements, small industrial activities have developed inside the residential areas themselves. In both cases, air, noise and water pollution further add to the unhealthy living conditions.

The health statistics from the marginal settlements reflect poverty in the form of higher infant mortality rates, malnutrition rates and incidence of infectious diseases. In the mixed residential and industrial settlements, the effects of the pollution adds to the above and, for example, include high lead content in blood, respiratory diseases, cancer, hepatitis and increasing numbers of tuberculosis.

Women are more at risk from environmental degradation than men. Given their position in the household they play a major role in domestic waste management, they are generally responsible for disposing of waste material, water collection, and household laundry. The health impact on communities relying on polluted sources for water affects all members but particularly women since it is they that both collect water for drinking purposes, and use it for a variety of household chores.

Furthermore, women's engagement in some industries increases their exposure to hazardous wastes. This can be particularly harmful to women of reproductive age and pregnant women, since the health of the children they are bearing is also threatened.

Poor children, boys as well as girls, constitute a significant vulnerable group who lack status and power to influence their own situation. Child labour within the family is not a new phenomenon in Egypt, but the rapid increase in urban poverty in the 1990s has brought into focus the large numbers of street children who contribute to family survival.

2.3 Gender Issues

Paid employment for women can be a controversial issue in Egypt. Government jobs are open to women, but in some communities, women's work outside the household is generally discouraged by tradition and habit. Indeed, in some rural areas, women are not expected to participate in any activities in public places. These cultural attitudes are most prevalent in rural areas and Upper Egypt. In addition, the gender gap in education has a great effect amongst poor women in urban areas, who have extremely limited access to wage labour largely due to their illiteracy and lack of social mobility.

One of the essential strengths of the national policy on gender issues is demonstrated by the almost equal primary and secondary enrolment ratios for girls and boys in 1994. This augurs well for the future but, at present, women lag behind at all educational levels. 2002 figures indicate that for every 100 literate men there were only 67 literate women, and participation rates differ for boys and girls, particularly in higher education.

2.4 Human Rights, Good Governance and Participation

Human rights

Assessment of the human rights situation in Egypt reveals that international conventions are formally ratified but have not always achieved the intended impact in full. Issues of concern include: various forms of violence against women; inequality between girls and boys, particularly in access to education and, children in the labour force.

Governance

Decision making power in Egypt is heavily centralised and this has implications for the quality of governance. All decisions have to be taken at a very high level. This impedes transparency and discourages staff from taking initiatives. Furthermore, it makes the decision making process slow, rather than dynamic, flexible and responsive to public needs and interests.

Democracy and Popular Participation

Egypt is a democratic country, although the present state of emergency does limit to some extent the degree of the democratic process and popular participation. However, parliamentary elections are taken very seriously in rural Egypt and voting levels are fairly high. This is in contrast to the cities, where voting levels are low.

It should be noted, however, that “the current administrative system in Egypt represents one of the most centralised systems in the world” (UNDP 2004), but also that the President has pointed to the need “to develop local administration in such a way as to cope with the spirit of the age, social issues and expanded decentralisation”⁴.

The Fifth National Five-Year Plan 2002-7 is thus committed to community participation and decentralisation in decision-making. In the Plan’s vision to 2022, administrative development is one of the main features in terms of state and community modernisation. The current legislative framework in this regard allows a considerable amount of movement towards decentralisation. Article 162 of the Constitution thus says that elected local councils are to be gradually formed, and Law 43/1979 has provisions for decentralisation of authorities. However, the majority of these powers are not yet transferred to local government levels

Changes in the law governing the establishment of NGOs were, in particular, needed to facilitate popular participation in many aspects of public life but particularly environmental affairs. In this respect, the new law of associations (Law 153/99) will allow individual registered NGOs more flexibility in their operations.

3 The Environment Sector in Egypt⁵

3.1 Environmental challenges

Water Resources

A major challenge facing Egypt is closing the rapidly increasing gap between the limited water resources and the escalating demand for water from the various sectors. The protection of the water resources is, therefore, the most critical environmental issue in Egypt. The main source of water is the Nile River, which supplies about 97% of all fresh water. Pollution of the Nile includes a large number of major industrial point sources as well as from municipal waste water and excessive application of fertilisers and pesticides.

⁴ In Address to the People’s Assembly and Shura Council, November 2003.

⁵ The main source for updating this chapter is the “Egypt Country Environmental Analysis”, (WB 2003) by Dr. Tarik Genena. The source of adjusted figures is (UNDP 2004) - “Egypt Human development Report 2004”, UNDP and the Institute of National Planning, Egypt, Cairo 2004 – unless quoted otherwise.

About 99% (1999) of the urban population have access to piped water, but its quality varies and WHO drinking water standards are not always met. In rural areas 82% (2001) of the population have access to water monthly from standpipes. Many of these standpipes are not adequately maintained.

About 99% (2001) of the urban settlements have adequate sewerage. However, wastewater treatment plants have inadequate capacity, are in need of maintenance, or are entirely absent. In general, villages have no domestic wastewater collection systems or treatment plants.

Egypt's wetlands have been receiving increasing amounts of drainage water, untreated or partially treated municipal wastewater and industrial effluent. In spite of their deteriorating condition, the lakes along the Mediterranean coastal plain provided 38% of the total fish production in Egypt in 1995. Their continued pollution, together with development on the littoral areas, is gradually destroying the wildlife habitat and the fisheries resource.

Air Quality

Air pollution from major industries and vehicle exhaust is a serious problem in the major cities, with damage to public health and Egypt's cultural heritage. The concentrations of particulates, carbon monoxide, sulphur dioxide and lead are generally much higher than the WHO guideline values. Health effects are indicated by unusually high incidence of Asthma and elevated concentrations of blood lead.

Urban Environment

The rapid urbanisation in Egypt has created many economic, social and environmental problems. As cities increase in size, slums and squatter settlements multiply. About 5.8 million people, out of an estimated 13 million in the Greater Cairo Area, (i.e. about 45% of its population) live in marginal settlements and slums. In other governorates, up to 16% of the people in urban areas live in such substandard settlements.

Municipal Solid Waste

Nationwide, the quantity of solid waste generated is estimated to be around 60 million tons a year. Municipal Solid Waste (MSW) generated from urban and rural areas amounts to about 15 million tons/year, while the remaining quantities include agriculture waste, construction and demolition wastes, industrial waste, sludge from wastewater treatment plants, waste from cleaning of waterways, and health care waste. MSW collection is considered the most significant solid waste management problem in Egypt.

The collection rate of domestic solid waste is around 70% in the high-income parts of major cities, but only around 15% generally. Annually, a total of about 10 million tones of solid waste are generated by households, and an additional 5 million tones by industry. At a conservative estimate, about 50 thousand tons of this will be hazardous waste which will pose a severe health risk for garbage collectors and sorters, and may constitute a long term threat to the environment surrounding the disposal sites. Recently, dumping of garbage and solid wastes in waterways has become a serious and widespread phenomenon and waste in poorer localities are often spread over streets, roadsides, empty lots and public areas.

Marine Pollution and Coastal Zone Management

The coastal waters of Egypt are becoming increasingly polluted. Pollution from maritime transport, especially from oil tankers, and from oilrigs has been rising. However, most pollution comes from land-based sources. A coming challenge is the high utilisation of the coastal zone as resorts for tourists which can have a highly negative impact

Loss of Biodiversity

Egypt's biodiversity is being lost at an alarming rate. This is mainly due mainly to the destruction of natural habitats by, for example, the continued drainage of wetlands of the Nile Delta and the increase of pollution loads in these wetlands.

Economic Importance of the Sector

According to a World Bank/ METAP study (WB 2002), the estimated damage cost of environmental degradation in Egypt in 1999 is US\$4.37 billion per year, or 4.9 percent of GDP, and the cost of inefficient resource use (water, energy, etc.) is estimated at an additional almost US\$1 billion per year, or 1.07 percent of GDP. In total, cost of degradation and resource inefficiencies is estimated at US\$5.32 billion per year, or about 6 percent of GDP in 1999.

The most significant impacts on health and quality of life are diarrhoeal diseases and mortality (1.2% of GDP) primarily affecting children, and caused by lack of access to safe water and sanitation, and adequate domestic, personal and food hygiene. This is followed by health impacts of urban and indoor air pollution (almost 1.1% of GDP), caused by very high concentration levels of particulates (e.g. lead) especially in Greater Cairo, and indoor pollution from biomass use in rural areas. The last major category is waste management with potential impacts on health from uncollected municipal waste, industrial, hazardous, and health sector waste.

The remediation cost to reduce environmental degradation and resource inefficiencies in Egypt in 1999 is estimated at US\$ 3.23 billion per year, or 3.6 percent of GDP.

3.2 Environmental Sector Policy and Planning

In 1992, Egypt issued her first “National Environmental Action Plan”. During the following decade major developments in the field of environmental management have taken place in Egypt including:

- The issuance of the Environmental Protection Law No. 4 in 1994 (EL 4/94), and its executive regulations in 1995.
- The restructuring and strengthening of the Egyptian Environmental Affairs Agency (EEAA) and the establishment of regional branch offices (RBO's).
- The re-activation and relative strengthening of environmental management units (EMU's) within the governorates.
- The implementation of a relatively large number of donor supported projects and programs, with an overall value of about L.E. 2.4 billion (the figure relates to projects connected to EEAA only).
- The increasing environmental awareness among citizens, decision makers and governmental and non-governmental organizations.

An updated Environmental Profile and National Environmental Action Plan (NEAP) have been produced for 2002-2017, and in 2001, Ministry of Water Resources and Irrigation prepared the “National Plan for the Protection of Water Re-

sources from Pollution (2001-2012). The Executive Regulations for EL4/94 are currently (2005) under revision.

Recent policy statements confirm the Government's commitment to environmental improvement and the implementation of Law 4/94 for the protection of the environment by providing institutional and legislative frameworks at national and local level. Key challenges are identified as addressing the cumulative impacts of environmental problems extending over the past 40 years; setting up an information infrastructure that is based on monitoring networks; mobilising substantial environmental investments; rehabilitating existing industries in compliance with environmental legislation; establishing a skilled and trained human resource base in the field of environmental management; and changing public behaviour and attitudes towards the environment (WB 2003)

To address these challenges, GOE issued seven policy directives in 1998 regarding (I) Fostering partnerships, coordination and collaborative work between the different segments of the society at the national level. (II) Fostering partnerships at the bilateral, regional and global levels. (III) Implementation of Law 4/94 for the protection of the environment. (IV) Development and upgrading of natural protectorates and protection of biodiversity. (V) Support to institutional capacity development in the Egyptian Environmental Affairs Agency, its regional branch offices and environmental management units in 26 governorates. (VI) Support to sustainable environmental management systems. (VII) Operationalisation of market-based instruments in the field of environmental protection.

The SPS was designed to support GOE in the implementation of these seven directives and specifically to support the implementation of Directive V, which demands establishment of capacity in regions and governorates; and Directives III and VI, which depend almost entirely on effective action at the local level.

The extent to which these policy directives represent a common and coordinated GOE approach to environmental management is questioned by (WB 2003). A more promising step towards the realization of a stronger GOE commitment at the highest levels materialized in 2002, when clear Presidential Directives for 2002-17 were issued. The most important of these are:

- Strong commitment towards the finalization of the fresh water improvement Program through controlling industrial discharges according to a set phased plan presented, and stricter monitoring of all what may influence the quality of drinking water
- Development of a plan for air pollution abatement and consistent monitoring of air pollution levels in big cities
- Stress on the importance of environmental impact assessment studies for all projects, and prohibiting the establishment of any project that may negatively impact the environment, especially near tourism development areas and coastal zones.
- Developing the monitoring and follow-up bodies and units to ensure the rapid implementation of programs, environmental laws, regulations and international environmental protection protocols and conventions.

The overriding focus of the ESP on strengthening decentralised environmental management and the cleaner industrial production is still highly relevant in this context.

Poverty Alleviation

EEAA policies make no specific mention of poverty alleviation, but several of the policies detailed in the MSEA Policy Directives (*see Section 3.1.2*) encompass activities whose affects will benefit mainly people living in the poorest areas or people in low income employment. In particular, these include policy objectives concerned with improving local environmental management. Danida's support to decentralisation will reinforce these elements.

Governance and Decentralisation⁶

“The case for decentralized environmental management in Egypt is very strong and supported, at least in words, by the vast majority of officials at all levels. The main rationale is, as recognized by the Environmental Law 4/94, that in a country as large and complex as Egypt, responsibility at a local level is essential. Environmental management is more devolved than most government functions as the EMUs are under the governorates and not the line ministry. The environmental law clearly stipulates that the role of EEAA is policy setting and coordination whereas implementation of regulations is done at the local level. Decentralised environmental management is thus dependent on the priorities attached to environment within each governorate and the volume of resources transferred to governorates as a whole.

True and meaningful decentralized environmental function will ultimately depend on progress on fiscal decentralization. Fiscal decentralization is judged by most observers as being far away and there does not appear to be strong political incentives to change this – rather the opposite since fiscal decentralization would require a voluntary relinquishing of power by those in the centre.

The best examples of decentralization of environmental management come from Qena and Alexandria governorates. Qena being one of the poorest governorates is a remarkable testimony to what can be achieved using relatively few resources provided the political will is present at the local level. The lesson of Qena and Alexandria is that Egypt is capable of managing the environment at a decentralized level if the initiative is taken and sustained at the governorate level”.

Gender-Specific Elements

Egypt has made progress in addressing some aspects of gender disparity, for instance in terms of lowering illiteracy; reducing fertility rate; and reducing maternal mortality ratio. The 2004 Human Development Report ranks Egypt 99 among 175 countries, with a gender-related development index (GDI) of 0.634. There are still, however, gender gaps with access to social and economic opportunities, especially gainful employment (ADB 2004).

EEAA has given some attention to gender and environment, and the institutionalisation of gender issues in EEAA. EEAA's approach is that the importance of gender and environment is recognised by integrating them in EEAA protocols with other ministries and agencies, into the NEAP and GEAP processes, and into project activities.

⁶ Quoted from the ESP Sustainability Review, June 2004.

Rather than setting up a Gender Unit, the approach is to treat gender as a cross-cutting issue, and to promote gender analysis as a guiding principle in the work of EEAA. The *ESP* further conducted a gender studying 2004-5 and developed a toolkit for gender implementation

The Egyptian Environment Information System (EEIS) programme (financed by CIDA) has served as a spearhead for the promotion of gender analysis. The programme has a specific gender dimension that is being implemented through the collection and analysis of gender disaggregated data in the information system, sensitisation and training in gender analysis, and promoting the integration of gender concerns in environmental policy and decision-making. In support of this EEAA has established a Working Group on Gender.

The results of an internal survey on the need for gender sensitisation and training in EEAA (1999) as well as the *ESP* study (2005) concluded that:

- the understanding of the social concept of gender as applied to development is generally low;
- the lack of appropriate data and information on social and gender issues is an underlying reason for this; and
- there is a need for training to orient EEAA staff on social gender issues and their relationship to environmental management

The Central Department of Environmental Communication and Awareness has conducted some training with EEAA staff. Gender analysis has also been integrated into the GEAP process through the SEAM project.

3.3 Sector Set-up and Stakeholders

3.3.1 Stakeholders

Central Government

Under the current institutional framework, environmental management responsibilities are shared by a wide array of government institutions at the national, regional and local levels. The most important among these are the Ministry of Health and Population (MOHP), Ministry of Agricultural and Land Reclamation (MALR), Ministry of Housing and Urban Communities (MOHUUC), Ministry of Water Resources and Irrigation (MWRI), Ministry of Interior⁷ (MOI), and the Ministry of State for Environmental Affairs (MSEA). Many of these responsibilities and activities such as monitoring environmental health, management and protection of water resources...etc., were being performed long before the establishment of EEAA or the promulgation of law 4/1994. It is clear that the priority environmental pressures facing Egypt requires multi-sectoral interventions and coordinated policies and efforts.

At the highest policy level, environmental matters come under the purview of the Ministry of State for Environmental Affairs (MSEA), whose State Minister is a member of the GOE Cabinet of Ministers. The Minister is also the Chairperson of EEAA.

EEAA is the highest authority in Egypt responsible for promoting and protecting the environment. It was established in 1982, although its current remit was not fully de-

⁷ The MOI has a special police force for enforcement of law 48/1982 and law 4/1994

scribed until the enactment of *Law 4/94, The Environmental Protection Law* and the *Law for Natural Protectorates (Law 102/1983)*. The head of the Agency is the Chief Executive Officer (CEO), who reports to the Minister.

At the regional level, nine Regional Branch Offices (RBOs) will represent EEAA, namely, Greater Cairo, Alexandria, Middle Delta, Eastern Delta, Canal Zone, Red Sea area, Assiut, Upper Egypt-North Zone and Upper Egypt-South Zone. All except Assiut (new 2003) of these RBOs have been established and equipped with mini-labs – the Red Sea and Aswan (S. upper Egypt) RBOs are short on staff, Assiut (central upper-Egypt) RBO is partially staffed, and effectively started operation during the second half of 2004.

RBOs are responsible for collecting and analysing environmental information, preparing local environmental action plans, supervision of local monitoring stations, launching pilot projects, disseminating EEAA guidelines for environmental protection, and receiving and responding to complaints and screening EAs.

The Governorates

Each governorate has environmental management responsibilities, including local enforcement of environmental laws and policies, identification and analysis of local environmental problems and development of plans for remediation, and promotion of public awareness and grass-roots initiatives on environmental protection. These tasks should be carried out by an Environmental Management Unit (EMU) which is part of the governor's office and fully funded by the governorate.

In contrast to the situation with most line ministries that operate at governorate level, there is no direct or formal linkage between Governorate EMUs and the EEAA. The exception is the Department of Natural Protection of EEAA, which has direct responsibility for the management of nature reserves and employs staff in those governorates which contain designated Nature Protectorates.

There have been a number of decrees and laws regarding environmental management at the Governorate level that have resulted in some degree of confusion regarding the division of responsibilities and resources between EMUs and, in particular, the EEAA at central and regional levels. A proposal to resolve this confusion, strongly supported by Danida and other donors, is that the Governorate EMUs (most of which do not have operating budgets) should be transformed into General Offices for Environmental Affairs (GOEA), with approved established annual operating budgets. The EEAA has issued Technical Instructions regarding these modalities in 2004.

“There have been significant achievements in the last 10 years in decentralized environmental management e.g. setting up of Regional Branch Offices (RBOs) and improved management of protected areas (South Sinai). These achievements show that there is the basis for worthwhile results being achieved within decentralized management of the environment. But there is also a lot of room for improvement in the Egyptian efforts and the external support to those efforts. Decentralized environmental management has been more difficult and time consuming than at first envisaged. The persistent problems of the public sector such as low salaries, political interference and an overly bureaucratic approach have delayed many of the support efforts and in some cases rendered them ineffective. Support efforts have not been well coordinated and the many different approaches and manuals are difficult to sustain. There is a strong

consensus that the increased focus on the private sector and decentralized environmental management is well conceived. It responds to a more direct and localized self-interest to improve the environment and maintain those improvements” (The ESP Sustainability Note, June 2004, page (i)).

Line Ministries

Besides MSEA and EEAA, as many as 15 line ministries share and exercise environmental management responsibilities. At governorate level, these line ministries generally operate through locally based directorates. *Except for air pollution and national protectorates MSEA is not the implementing ministry. It is the responsibility of line ministries and the governorates. However, the coordination role is the responsibility of MSEA. The National Environmental Action Plan (NEAP) is a very important tool for this coordination and a major task for MSEA is to convince other ministries and governorates that they should support the NEAP.* The most important include the following.

Ministry of Industry and Mineral Wealth (MIMW): Responsible for overseeing the licensing and operation of private sector industries. It has two important operational units: the General Organisation for Industrialisation (GOFI). This is the licensing authority for private sector industry. Compliance with applicable environmental legislation is a condition for granting industrial licenses and, the General Department for Environmental Protection carries out research on cleaner production and ensures that new plants include industrial waste treatment units.

In addition the Federation of Egyptian Industries is affiliated to the Ministry of Industry and Mineral Wealth. It is, however, the intention to make it an independent, self-financing organisation (*see Section 5.9*)

Ministry of Agriculture and Land Reclamation (MALR): responsible for the regulation of agrochemicals and management and conservation of agricultural land, wildlife and biological resources. It has five important agencies: the Central Laboratory for Agricultural Pesticides conducts pesticide research and control; the Desert Research Centre performs research on the geological and geophysical, water, plant and natural resources of the desert areas; the Land Conservation Agency prevents topsoil stripping and protects the land from degradation; the Fisheries and Water Resources Agency manages and conserves the nation's fisheries resources and, the Wildlife Service manages the country's biological conservation program and co-ordinates closely with the EEAs National Biodiversity Unit in the protection of these resources within natural protectorates.

Ministry of Public Works and Water Resources (MPWWR): is responsible for maintaining, monitoring and protecting all public water resources in Egypt, including the Nile River and its waterways, lakes, springs, and ground water. It has wide authority to set and enforce standards from central, regional and governorate-based offices including the Shore Protection Authority (SPA) which controls erosion in the coastal areas and supervises remediation activity as well as other relevant institutions.

Ministry of Health and Population (MOHP) is responsible for public health, including the prevention and control of environmentally related diseases, for setting environmental health policy, and for monitoring air pollution and water quality for

drinking and domestic purposes. Important agencies include: the sector for Preventive Affairs, which includes departments for environmental health, occupational health and food control; the Centre for Occupational and Environmental Health, which sets environmental health policy, monitors pollution through a network of sampling stations (37 for water-pollution monitoring and ten for air pollution), trains occupational health workers and undertakes research and, Health Directorates in each of the governorates, to monitor and implement its policies and programmes.

Ministry of Housing, Utilities and New Urban Communities (MHUCC): is responsible for the provision of Environmental services (water supply, sewage collection and treatment, and solid waste management), and for the planning and construction of the new industrial cities. Its main agencies for fulfilling these responsibilities include: the National Organisation for Potable Water and Sanitary Drainage, charged with the design and construction of water supply and sanitation systems for cities and towns; the General Organisations for Sewage and Sanitary Drainage in Cairo and Alexandria, which undertake the design and construction of sewerage systems and wastewater treatment facilities for those cities and, Housing Directorates in each of the governorates and Environmental Divisions in each of the new industrial cities.

The Ministry of the Interior (MOI): Egypt's national police force has, for some time, maintained an Inland Water Police, for the enforcement of Law 48/1982 and for protection of the environment in general. In response to Law 4/94, a new Environment and Water Police Force has been formed, which now has 78 enforcement officers in the central MOI and an additional 90 officers in the governorates.

Non-Governmental Organisations and Civil Society

Non-governmental organisations (NGOs) are beginning to play an active role in the environmental field. Currently, some 70 groups have been defined as environmental NGOs, undertaking public awareness and education, advocacy, and environmental protection activities and services, such as solid waste management. At the national level, they participated in the drafting of Law 4/94. The Association of Garbage Collectors for Community Development and the Association for the Protection of the Environment have been supported by Danida in the past. Both are well known for their contribution towards improving the living conditions of the Zabbaleen community in Cairo.

An Environmental NGO Steering Committee, comprising members from the environmental NGOs, as well as representatives from EEAA, has recently been established by the Agency. Three NGO representatives from the Steering Committee are also appointed to sit on the Board of EEAA, in accordance with Law 4/94.

At present, the environmental NGOs tend to be urban-based, with a well-educated middle and upper class membership. NGOs based in the rural and urban poor areas, which specifically focus on environmental issues, are virtually non-existent. Various initiatives, such as Danida support to the CARE-CAFE project in Upper Egypt encourage the involvement of the community in environmental concerns through their community development associations (CDAs).

Scientific Institutions

Egypt has universities, scientific institutes and research centres specialising in almost all environmental activities. Many of these have highly qualified and internationally

experienced staff. Basic scientific and applied research activities are carried out in all major areas of environmental science.

A significant number of these institutes have on-going cooperation programmes and research projects with EEAA, particularly in biodiversity programmes, and increasingly wish to play an important role in implementation of environmental protection.

The Private Sector Generally

“The private sector business climate has improved continually overtime, thus permitting the sector to grow into a position of dominance during the past quarter century. In tandem with CBE’s monetary and banking policies, a number of economic legislations were also introduced to increase the interaction between the Egyptian and global economy, to enhance foreign direct investments (FDI) and increase Egyptian exports. In addition to improving macro-economic environment and legal infrastructure, several amendments were made to existing laws governing foreign investment, listing of securities, mergers and acquisitions, banking and insurance, investments in telecommunications and power. Also, the Government launched a privatisation programme with the issuance of law 203 of 1991, establishing legal foundation for the divestiture from 314 state-owned companies before the end of 2002. Similarly, Investment Law Number 8, the enabling legislation for the General Authority for Investment (GAFI), which regulates and administers investments in Egypt, offers several guarantees, privileges and exemptions that are beneficial to private sector investors”. (ADB 2004).

The Industrial Sector

The industrial sector contributes approximately 21% of Egyptian gross domestic product. Most large-scale enterprises are publicly owned, while private industries tend to be SMEs established during the last fifteen years. As part of an ambitious program of public sector restructuring, it is expected that many large industrial enterprises will be privatised during the next 5-10 years. However, in order to make these enterprises attractive to investors, environmental liabilities have to be brought under control. An important step towards this will be to achieve compliance with environmental regulations, but it will be essential to ensure that the private sector also complies, so that:

- a level playing field is maintained;
- the SME sectors are in compliance with current regulations;
- the potential environmental benefits of industrial compliance are realised.

Egypt has the environmental laws and executive regulations to limit industrial pollution, but compliance is infrequent and enforcement sporadic and inconsistent. Strict enforcement alone can only remedy the situation at large and intolerable social costs. Therefore, the best policy is to raise industry’s awareness of their environmental responsibilities and obligations, increase their access to cost-effective cleaner production options, and create market based incentives for compliance with regulations.

The pressure on the Egyptian economy in general has had a direct effect on the Egyptian industry’s situation. The Egyptian Industry is now under pressure to improve both the environmental and economic performance, due to the enforcement of the environmental law and the competition on the export market. During the three years of implementation of the ACI component the prices on energy and raw materials have

increased, the competition on both the national and international market is strengthened and the economic situation of small and medium sized enterprises has worsened.

Annex F provides details on the Institutional and Legal Context of the environmental sector including the sectoral budget provisions.

3.4 Donor Support and Assistance Coordination

3.4.1 *Donor Support in the Environment Sector*

The environment sector has attracted considerable donor support over the past decade, amounting to about USD 400 million during 1991-2001. The three largest donors have been USAID, Danida and the World Bank.

Policy support and institutional strengthening attracts about half of the total donor funds, and within this Danida contributes a major share. Direct activities in pollution control are dominated by the KfW and World Bank projects; and by the USAID EEPP programme. The now closed EEPP programme amounted to about USD 170 million, of which USD 60 million was earmarked for institutional strengthening.

It seems that the capacity for disbursement and effective utilisation of these resources has developed steadily. The development in capacity suggests that, even with the large USAID programme, there is financial and institutional capacity to implement the planned donor support. Annex F1 provides an overview of major donor supported programmes (EMU Component Document, April 2004).

The EU and GOE further entered into an Association Agreement from June 2004, which includes cooperation on environmental issues (Article 44). The cooperation aims at preventing deterioration of the environment, controlling pollution and ensuring the rational use of natural resources, with a view to ensuring sustainable development. The cooperation will, in particular, focus on: desertification; quality of Mediterranean water and the control and prevention of marine pollution; water resources management; energy management; waste management, salinisation; environmental management of sensitive coastal areas, the impact of industrial development and the safety of industrial plants in particular; the impact of agriculture on soil and water quality, and on environmental education and awareness.

3.4.2 *Coordination of Donor Assistance*

Donor co-ordination within the Environment Sector is relatively well developed. Since 1998 Danida has chaired the donor co-ordination group for environment, as it did from 1993-97. An informal division of work has been established between the various donors on their support to environmental sub-sectors. The EEAA is now co-ordinating the donors by chairing a bi-monthly donor coordination meeting as well as a bi-monthly meeting of project managers.

Several other donor agencies have also shown increasing interest in the field of environment, and at present more than one hundred projects are under preparation. This calls for close donor coordination to avoid overlaps and to avoid exceeding the absorption capacity in this new sector, which is only gradually being built up.

A Donor Assistance Sub-group on Energy and Environment has been established, consisting of some 15 bilateral donors and 10 multilateral organisations. Meetings are held every 6-8 weeks to exchange information, co-ordinate developments of the various donor programmes and acquire insight into the environmental issues of Egypt through thematic presentations by experts. The sub-group may establish ad hoc task forces or informal groups to address selected issues, for example regarding support to the environmental improvement of Egyptian industries.

4 Strategic considerations and alternatives considered

4.1 Main Criteria for the Cooperation Programme

Danida's Strategy for Danish-Egyptian Development Cooperation (1996) outlines the overall objectives of Denmark's cooperation with Egypt:

- promotion of economically and ecologically sustainable development;
- improvement of the living conditions for the poorest sections of the society;
- support to the development of democratic institutions in the country.

During the annual consultations between Danida and the Government of Egypt in October 1998, it was agreed that the future environmental support would be developed in accordance with the following guiding principles:

- The SPS should be composed to reflect the objectives, policy directives and priorities of the State Minister for Environmental Affairs and the EEAA.
- The programme should be focused. Priority should be given to solution of a few environmental problems rather than dispersed over a range of issues.
- The programme should consist of integrated components rather than a mixture of individual activities and projects, and the programme should include a mix of activities related to capacity development and concrete activities in the field.
- The institutional support given so far would be concentrated, consolidated and further developed. The decentralisation process for environmental management in Egypt would be supported and priority should be given to the full implementation of a few of EEAA responsibilities as defined in Law 4/94.
- The programme should have a geographic focus. Priority should be given to areas where Danida is already active either within the environmental sector or in other sectors. Sector oriented components could also be considered, in their own right. However, if feasible, the concrete activities should be carried out in the geographic focus areas.

These principles resulted in a programme with 7 components. Following experience during implementation and the decision of the Higher Level Consultations of 2003 to withdraw from environmental cooperation in 2008, a sustainability analysis promoted the introduction of new criteria:

- Increased focus on the sustainability of the achievements so far since such sustainability was needed within a single sector programme as opposed to the original assumption of a series of sector programmes over a 15 to 20 year horizon.
- Increased focus on physical implementation of environmental improvements especially at decentralised levels (both investments and improved regulation).
- Simplification in the cooperation programme and reduction in the number of components

- A stronger focus on decentralisation and support to the private sector which would be less liable to risks of poor public sector performance as it mobilised the self interest of the private sector and the direct beneficiaries.

5 Description of Support

5.1 Development Objectives

The development objective of the ESP 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 by providing frameworks for compliance with environmental regulations.”*

The development objective is in direct support of Millennium Development Goal 7: Ensure Environmental Sustainability.

The development objectives at component level are:

Component 1: Support to Decentralisation of Environmental management:

The Regional Branch Offices (RBOs) and Environmental Management Units (EMUs) function at the local level and effectively implement the Environmental Law 4/94 with a consequent improvement in the environment in the respective Governorates leading to an improved quality of life especially for the poor and disadvantaged groups.

Component 2: Achieving Compliance in Industry:

“To assist the industry to improve compliance with the environmental legislation through Cleaner Production.”

The support activities within the PMU and the consolidation of the CEM activities have the following development objectives:

For CEM:

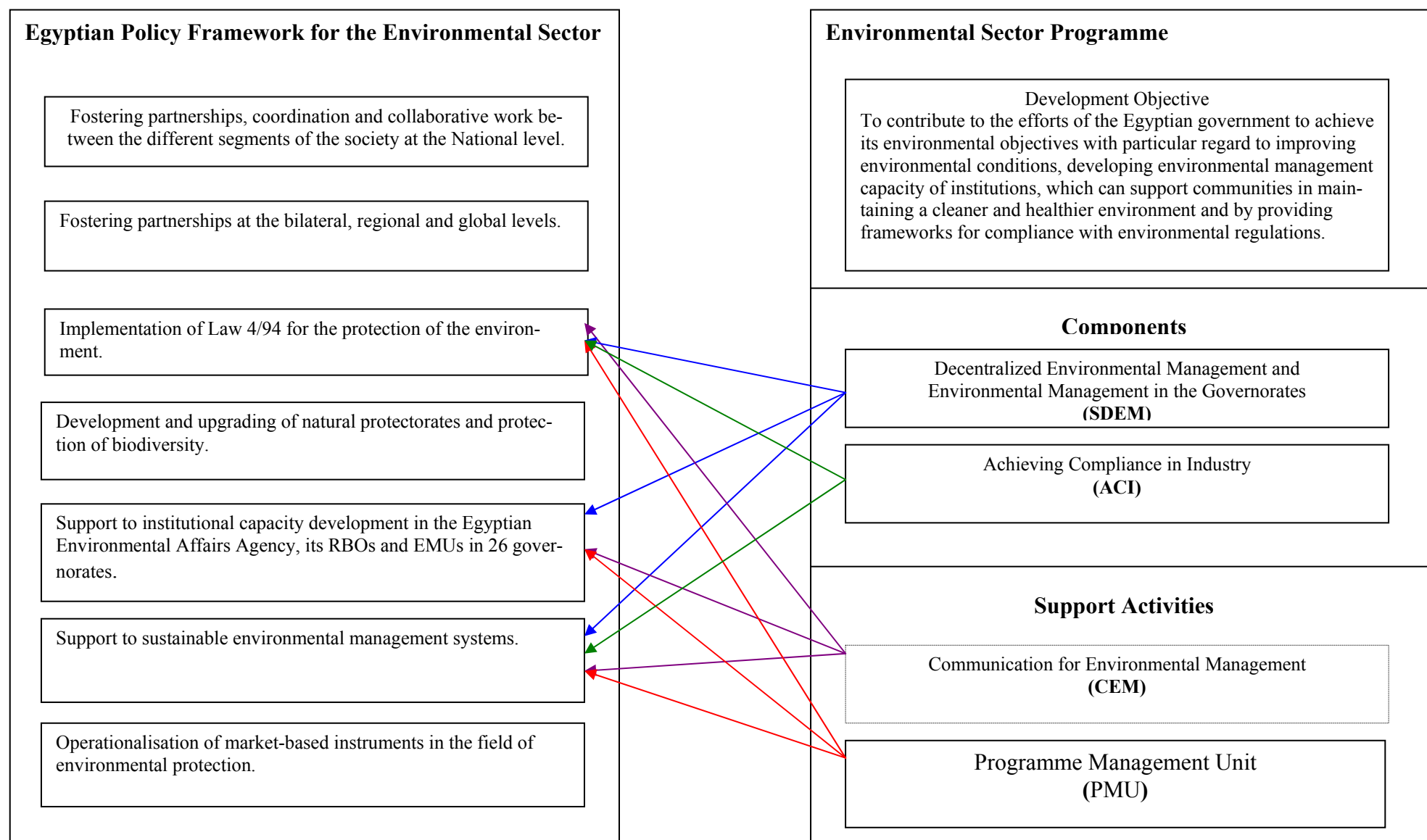
“Environmental awareness among the public and decision-makers strengthened towards compliance with EL 4/94 and mainstreaming of environmental concerns .”

For PMU:

“Management of the ESP in accordance with its objectives and approaches, strategically improved organisational performance of EEAA, and the EPF enabled to have a major and strategic impact on environmental investments”

Figure 5.1 shows the linkages between the components and support activities with the Egyptian policy framework.

Figure 5.1 Egyptian Policy Framework for the Environmental Sector - Danida-Supported Environmental Sector



5.2 Support to Decentralised Environmental Management (SDEM)

The reshaped component will bring together the different activities under a common planning, budgeting and work-planning framework to enhance coordination and effective use of the available Danida funding. The SDEM will be established with a Component Steering Committee responsible for the management of SDEM. A Secretary of the SDEM will, assisted by a Senior Danida Adviser, be in charge of daily SDEM coordination. The Secretary will report to and act as secretariat for the component steering committee in accordance with the Danida Aid Management Guidelines.

The main environmental problems to be addressed by the SDEM are the continuing lack of capacity at the Governorate and local levels to implement the environmental law and promote sustainable environmental investment.

Objectives, Outputs and Implementation Strategy

The immediate objectives of the SDEM component are:

- 1 'EEAA capacity for decentralised environmental management strengthened' (DEM sub-component 1 and 2)
- 2 'Three RBOs strengthened to be better able to fulfil their mandates according to Law No. 4/94' (DEM sub-component 3-5)
- 3 'The EMUs in Aswan and Beni Suef enabled to carry out their mandated environmental management functions.' (EMG Component)
- 4 'Participatory GEAP process functioning in Beni Suef and Aswan that involves people at the community level in identifying and rectifying local environmental problems through community based and replicable projects.' (EMG Component)
- 5 'EMUs function according to their mandate, including effective collaboration with other sector agencies and stakeholders at local level.' (proposed EMU Component)

These objectives are the immediate objectives of the former DEM, EMG components and the EMU pilot project/ proposed component. The activities in the ongoing components complement each other by providing capacity building at central, RBO and EMU level as well as providing funding to demonstration projects that complement the capacity building by providing solutions to environmental problems and can test the regulatory framework and institutional roles in practice. The outputs as defined in the existing components remain un-changed.

The documentation on the existing components (DEM Component and Sub-component descriptions, EMG component description and Phase II work plan and the project document for the pilot project and the draft component description for the EMU component) describes in detail the activities that are planned to achieve these outputs.

Implementation Strategy

The implementation strategies to achieve the objectives within the existing components are well described in the existing component and sub-component descriptions. The overall strategy for the refocused support to decentralised environmental management is:

- Improved coordination of capacity building activities by closer involvement of CDECA in the planning of the training activities and by using common technical assistance resources.
- Increasing integration of management and planning of activities in the national institutions.
- Progressive co-financing of the long-term activities, defined as activities that will be continued after the completion of the Danida support.
- Gradual phasing in of Egyptian resources e.g. counterpart staff and national consultants and phasing out of the international.

Inputs

Danida will provide inputs for operational expenditures, equipment, national and international long- and short-term technical assistance and for the implementation of demonstration projects. Input will be provided by national organisations (EEAA departments, RBOs and EMUs/ Governorates) according to a general cost sharing arrangement for long-term activities. The proposed cost-sharing is based on the national contributions for the long term activities that have to be sustained on an increasing basis from 25% in 2006 to 50% in 2007 and 75% in 2008. Co-funding for the project implementation will be included on a project-by-project basis according to detailed criteria to be developed for the use of the Danida funds for demonstration projects. The planned budget contribution from Danida is DKK 83.3 mill. *In the originally proposed EMU component description, April 2004, the national cofunding was 20 mills corresponding to app 40%. The amount and the type of contribution will be agreed during the sustainability discussions in 2005*

The *Egyptian Government inputs* will include: adequate staff at the Central Department for Branches Affairs; operational costs for the RBOs, EMUs and maintenance of equipment and, office space and facilities in CDBA and RBOs, EMUs

Sustainability Issues

The SDEM component will continue the efforts made during the first two phases of the OSP project, the DEM component, the EMG Component and the EMU Pilot Project. The institutional sustainability will be ensured by provision of adequate numbers of staff and sufficient future budget allocations for the CDBA, the RBOs and the EMUs at Governorate level. SDEM is designed with an increasing co-funding (75% in the last year) by national budgets of operational, equipment and national TA cost for long-term activities to ensure that the Danida supported activities are aligned with the national priorities and available resources.

The institutional sustainability of the EEAA, the RBOs and the EMUs depends on these institutions' ability to attract qualified staff and to keep the trained staff. This is a general issue for the public sector and should be addressed continuously during the programme as part of the strategic support to EEAA.

The sustainability of the Danida funded activities is expected to be enhanced by: a) integrating the implementation and management procedures closely with the national institutions; b) by providing a framework for coordination by EEAA of DEM activities; c) by coordinating with other donor inputs and, d) by increasing co-funding of the long-term activities between Danida and National budgets.

The SDEM contains activities to identify financing mechanisms for the decentralised environmental management activities at CDBA and RBO level to complement the budgets for salaries and operating costs. The EEAA has progressed on the establishment of office buildings for the RBOs, including the laboratories, and many of the RBOs are well equipped through national efforts supplemented by donor funding from different sources. However, it is necessary to find ways and means to supplement the financial resources of the RBOs in the future. The RBOs will function as service providers, not only to the local authorities, but also to the local communities in general, industries etc, therefore cost recovery mechanisms, where appropriate, will be developed as part of the capacity development of the RBOs.

The sustainability of the EMUs at Governorate level will be enhanced by the ongoing efforts to get the EMUs established as departments in order to receive recurrent funding. The support to the Governorates under the SDEM EMU activities will be targeting the Governorates where performance (implementation of certain activities in the pilot phase) shows that there is commitment to environmental management and where the financial and manpower resources are available to make sustainable use of the assistance provided. In effect only those Governorates that respond to the initiative to improve environmental management will receive support. Governorates that do not respond by allocating resources and demonstrating political willingness to apply the environmental will not be supported.

Poverty Alleviation and Cross-Cutting Issues

The SDEM activities will improve the quality of life of the poorer segments of society through environmental regulation and the enforcement of the 1994/4 environmental law, which will lead to physical improvements in the environment, especially in terms of waste management, sanitation and the protection of fragile natural resources including water. The Component will support a task force to develop a strategy for decentralization of environmental management that should lead to a pro-poor strategy for environmental projects and environmental regulation and a number of concrete actions to ensure that environmental initiatives are pro-poor.

The focus on co-financing and only supporting the Governorates that show commitment to environmental management could mean that it is only the better off Governorates that will be able to respond to offers of support. This strategy is chosen, none the less, as it is important that the support is sustainable and provided in a favourable political and institutional context if it is to have the intended impact. To the extent that the component leads to effective decentralization of environmental management it will contribute to a process that will promote the creation of the necessary conditions for long-term poverty eradication.

Good Governance, Democracy and Human Rights are at the core of this cooperation. Through the GEAP process, democratic structures will be encouraged and supported; e.g. NGOs and other community based organizations will be assisted in creating genuine democratic and power sharing systems and structures that will impact not only by leading to more equitable and efficient water, sanitation and solid waste management services but will also trigger wider understanding, demand and capacity for implementing participative approaches.

Gender empowerment, although implicit, is central to the Component, as the law aims to ensure that power and responsibility is in the hands of those with the greatest self

interest: in other words the consumers of environmental services and the communities and citizens affected by the environment, which at least for water and sanitation (the two greatest environmental priorities in Egypt) in most cases means women. Women are often more at risk from environmental degradation than men given their position in the household they play a major role in domestic waste management, water collection, and household hygiene. The programme will in partnership with the Gender Unit in EEAA, maintain a focus on mainstreaming gender concerns in the sector by developing replicable strategies for enhancing gender sensitive approaches and empowering women.

HIV/AIDS will be integrated into the cooperation where relevant in accordance with national HIV/AIDS initiatives and strategies which at the present time do not explicitly promote a mainstreaming approach. The main opportunities will arise from participatory efforts to improve sanitation services in rural, urban and peri-urban communities.

Children will be a major beneficiary of the cooperation – not only because they represent the generation which will gain mostly from the long term efforts of improving sector governance but also because of direct health improving interventions within air quality improvement, environmental sanitation, improved water services and improved management of waste and scarce natural resources.

Environmental Issues

The activities are designed to secure environmental improvements through promoting better management at national, regional and Governorate levels and through implementation of environmental demonstration projects. Direct benefits may include:

- reduced air and water pollution;
- improved water and sanitation services
- improved waste management;
- more effective protection of natural resources.

To increase the potential for direct benefits, the component implementation strategy will include consideration of how to maximise the environmental benefits of capacity development by, for example, linking training to ongoing industrial activities, ensuring wide dissemination of lessons learned and sharing experiences with other sectors.

Risks and Assumptions

The assumptions and risks are described in detail in the documentation for the existing components. The quarterly progress reporting shall comment on the status of the assumptions and development related to the risk factors.

5.3 Achieving Cost-Effective Compliance with Environmental Regulations within Industry (ACI)⁸

Institutional and Organisational Framework

Following careful review of other possible organisations, and intensive consultation with a wide range of stakeholders, it was agreed to anchor the component within the

⁸ Section 5.9 is adjusted based on the Final ACI Component Description for phase II, 2004-8.

Federation of Egyptian Industries (FEI). By law, all industrial companies that have more than 10 employees or capital of more than LE 10,000 must become members of FEI. Consequently, FEI has nearly 19,000 members, the majority of which are small and medium enterprises (SMEs) organised in 14 industrial chambers, closely reflecting the structure of the industrial sector in Egypt.

FEI is in a transition to become a private NGO. Support from USAID to the FEI ceased by the end 1999. FEI is now an independent, self-financing organisation, with an elected Chief Executive and a voluntary membership. According to plans, by spring 2000 more than 150 large industries are to become direct members, in addition to the industrial chambers.

The ACI component started its work in February 2002 by supporting the establishment of the Environmental Compliance Office (ECO). The ECO is now an operational entity within the FEI, an achievement that is leading to an increasing number of enquiries from the business community. The future focus of the assistance will further strengthen ECO management and staff to enable its sustainability as a fully commercial unit.

Problem Analysis

The ACI component addresses the specific needs of the Industry to meet environmental compliance and export competition. The ACI component responds to the problems of a) lack of national capacity in cleaner production and b) lack of finance to implement cleaner production.

The preventive cleaner production strategy has moved from being the focus of the governmental institutions, to become the main strategy of industrial innovation and the vehicle for the modernisation of the Egyptian industry. This is documented in the high interest from industry to participate in the component activities as well in the Cleaner Production policy developed by EEAA.

An important issue for the ECO management has been to ensure economic sustainability of the ECO future activities. The strategy is that all enterprises are paying for the services provided by ECO and the Egyptian Technical Consultants (ETCs). In the future, all projects initiated by enterprises will be financed by the enterprises themselves, either through their own finances or by utilising the new Cleaner Production Fund to get access to the necessary funding at reasonable costs and payback terms.

As a part of the establishment of the new Cleaner Production Fund, local experts in the fields of law and business accounting have been actively involved. Based on their work a revolving fund has now been established in Egypt. The purpose of the fund is to provide loans to Egyptian small and medium sized enterprises, in order to meet the environmental requirements of the Egyptian authorities through investments in cleaner production technologies and necessary modifications of existing environmental treatment equipment.

Objectives, Outputs and Implementation Strategy

At the end of component activities, the FEI will be supporting at least three sectors of industry to be identified during the implementation of the component. Services include advice, training, and assistance with access to funds for environmental improvements and sector models demonstrating cost-effective good practice. Production

methods in these sectors will have improved and EEAA will be encountering improved levels of compliance. FEI will gradually take over the financing of the ECO staff, as Danida funds for ECO staff will be phased out. After six years, the office is self-sustained with regard to salaries, office space, and secretariat, i.e. ECO will be funded through FEI. The long-term perspective is that each of the major industrial chambers has their own liaison officer at ECO, which will be a focal point for cleaner production information for industry, EEAA and other stakeholders. ETC has worked with international consultants during the implementation of the component, and at the end, they promote and implement cleaner production (CP) in the industry on their own.

The Development Objective is:

To assist the industry to improve compliance with the environmental legislation through Cleaner Production (ref ACI Component Document, phase II 2004-8, Nov. 2004).

The three immediate objectives needed to achieve the development objective are:

- 1 Environmental Compliance Office (ECO) at FEI serves as a link between the industry, the Egyptian technical consultants, EEAA, and financing facilities.
- 2 Awareness and usage of Cleaner Production (CP) and Energy Efficiency (EE) in at least three sectors (Chambers) of the Egyptian industry.
- 3 Egyptian Technical Consultants (ETC) promote and implement cleaner production in the industry.

Major outputs

The modified outputs for phase II are the following:

- 1.1 ECO consolidated and expanded with energy trained staff
- 1.2 CP promoted to Egyptian industry (sector and regional promotion) and loans from the revolving fund and from other sources facilitated by ECO
- 2.1 Selected sectors maintained as focus sectors, and new focus to be added according to the needs from the clients and stakeholders
- 2.2 Knowledge of EMS disseminated and implemented (EMS=environment as well as energy management systems)
- 2.3 EMS implemented in approximately 120 enterprises
- 2.4 The revolving fund managed and operated efficiently (part of fund earmarked for EE support)
- 2.5 CP technologies, including EE technologies as well as end-of-pipe solutions demonstrated
- 3.1 The capacity among the ETC as industry consultants in integrated CP and EE solutions strengthened
- 3.2 The implementation of CP and EE in Egyptian industry supported by ETC

Implementation Strategy for Phase II

Activities initiated in Phase I of the ACI component will be sustained during Phase II. The ECO set-up is established during Phase I and procedures for industry contacts and work are well established and successful. The main objectives of Phase II will be to ensure commercial viability and sustainability of ECO beyond the Danish support.

In order to reach the objectives for Phase II, the CP Revolving Fund will start activities that will strongly increase the business opportunities for ECO and ETCs, and contribute to the ECO financial sustainability. Danida input to ECO will gradually be diminished and FEI and industry input (through payment for provided services) will increase.

Broadening the business foundation, ECO will include additional branches industrial sectors and areas to its service portfolio. The first additional area to be included will be Energy Efficiency as this will enable the industry to meet environmental compliance of the law and regulations. The specific support from the component requested by the ECO management is described in the Component Document.

Among the identified enterprise interventions energy efficiency activities are prioritised as very important activities for the enterprises to meet the environmental requirements from the environmental authorities. Experience shows that direct focus on cost savings through improved energy efficiency is a strong tool to engage industries in improving their environmental performance.

An increased focus on the use of energy efficient and renewable energy technologies will, therefore, be a strong and natural expansion of the ACI-project. A broader scope of activities will further strengthen the future profile of the ECO-office and can easily be implemented using the present technical and administrative platform as well as the network developed through the ongoing activities.

Inputs

The inputs for the second phase of the originally planned activities (without EE activities) follow the inputs outlined in the CD with few modifications:

Danida input

- Long term CTA - 32 months/full time.
- Short term international TA – 23 months. The use of this resource is justified and specified in ACI Component Description but regulated to 23 mm by the actual consultancy agreement
- Local consultants short/long term – 100 months.
- ECO co-ordinators- 108 month (Danida contribution to salary reduced by 25%, 50% and 75% over the three years).
- ECO junior co-ordinators – 108 months
- Support staff- Secretary, bookkeeper, office worker, 2 drivers (all 3 years). Financial manager (2 years)
- Equipment – DKK 300.000 (IT and monitoring equipment)
- Other operational costs- according to budget
- Investment support- DKK 69 mill. for all 6 years⁹

The following Danida inputs are planned for the Energy Efficiency activities:

- Long term TA – 0 months/full time-part time¹⁰

⁹ The use of this resource is suggested as DKK 69 million in ACI Component Description but will be regulated according to the financial means available in the overall ESP budgets 2005-8

¹⁰ The use of this resource is specified as 16 mm in ACI Component Description but regulated to 0 mm by the actual consultancy agreement

- Short term international consultants – 10 months¹¹
- Local consultants short/long term – 18 months
- ECO EE co-ordinator – 36 months
- Training and operational costs according to budget
- Investment support- DKK 8 mill. – if ESP funds available as recommended by the second annual programme review.¹²

FEI input:

- Director of ECO –full time
- Office facilities
- Salary for ECO- coordinators (25% in 2005 going to 75% in 2007)

Sustainability Issues

The technical standard of Egyptian industry is very varied, ranging from enterprises using state-of-the-art technology, to enterprises with semi-obsolete equipment housed in primitive premises. However, good environmental management does not necessarily require a high degree of technological sophistication. There is potential for the application of simple solutions that can have a great effect on environmental performance. Therefore, no major technical obstacles to the implementation of the component are anticipated. Furthermore, due to EEAs increased attention to pollution prevention and enforcement of environmental regulations, awareness of the need for cleaner technology is increasing and demands for these services are likely to continue to grow.

Over the last couple of years a large effort has been done to develop a CP policy for Egypt. This has been done under the leadership of EEAA in a participatory process with relevant governmental and non-governmental stakeholders. The policy is now ready to be implemented. If the implementation process is successful, it will be an important step in the direction of assuring a continued interest for CP in Egypt.

However, even if the CP policy implementation is ineffective the experience from the first 3 years of work in ECO demonstrates that a good part of the industry is motivated for CP and a continued effort will have a solid basis alone in the large number of SMEs in Egypt that need assistance to improve their environmental performance and their productivity.

Since ECO is anchored at FEI it is important that FEI is in a position to further develop activities for its members. At the same time the national framework for promotion of CP should be improved in order to provide incentives for industry and regulators to work with CP. The conclusion from the ACI Technical Review, December 3003, was that FEI, due to its establishment by legal decree and due to fact that membership is compulsory for industrial enterprises, as such is sustainable.

The sustainability of ECO has been on the agenda since the start of the programme. For this reason ECO has developed a business plan to account for and plan the devel-

¹¹ The use of this resource is specified as 8 mm in ACI Component Description but regulated to 10 mm by the actual consultancy agreement

¹² The use of this resource is suggested as DKK 8 million in ACI Component Description but will be regulated according to the financial means available in the overall ESP budgets 2005-8.

opment after the termination of Danida support. The latest revision of the business plan is incorporated at the ACI Component Document.

The overall sustainability of the Clean Production and energy efficiency measures are very dependent on the financial savings (including subsidies) associated with these measures. The major impact indicator for the ACI component in the longer term is therefore the financial savings from these measures. The calculation of this indicator will necessarily include the incorporation of reduced emissions, and thus also be an impact indicator for the direct influence on the environment.

Poverty Alleviation and Cross-Cutting Issues

Poverty alleviation, gender, and governance issues are not the direct targets of this component, but there is a potential for profound indirect effects. Polluting industries are often placed in areas where disadvantaged and poor people live. Reducing the emissions from the production and cleaning up the vicinity of a factory will benefit these groups. Improved working conditions for poor workers, including children and women at a factory applying an effective Environmental Management System (EMS) can be an indirect effect of the programme as well.

ACI will improve the conditions for women through its continued focus on women worker in intensive industrial sectors (e.g. textile and food industry), its increased focus on workers educational programmes as well as the higher attention to working environment issues.

These issues are important priorities when selecting among industries to enter the component. To maximise the potential benefit to poor and women, sectors should be targeted that:

- are highly polluting and poorly regulated;
- tend to be located within poor communities;
- employ many women or make use of child labour;
- have occupational health and safety problems.

The component contributes to the creation of a non-governmental body that will disseminate information, create networks for disseminating good practice, and enable investment in cleaner production. This is a significant contribution to environmental capacity and the improvement of governance in the environment sector.

Environmental Issues

The component focuses on institutional development and cleaner production in industry. This should not involve constructions or disturbances to the environment that might merit a “B” or “C” classification for environmental assessment¹³. However, there will be significant opportunities for environmental improvement. These can be maximised by:

- selecting industries to be models that are presently giving rise to significant environmental pollution;
- working closely with governorates to ensure that the installations targeted are priorities in the GEAP.

¹³ According to Egyptian Environmental Assessment schemes category “A”-projects will not require EA’s, whereas “B”-projects will need partial and “C”-projects full EA’s.

Sector models may prompt an EA classification “B” or “C”. If so, an EA will be commissioned by the component managers and undertaken by competent local consultants. The potential for training afforded by any such EA will be fully exploited and followed up. All CP projects are to be based on full environmental assessments.

Risks and Assumptions

The main risks arise from uncertainties regarding industry, FEI and policy issues of the central government and the governorates. The situation concerning the assumptions and risk has not changed significantly during the last three years:

Assumption 1: FEI will develop into a sustainable organization that represents Egyptian private enterprises and management supports ECO.

The sustainability for FEI has been subject to Technical Review examination and the conclusion was a valid assumption.

Assumption 2: Increased attention, pressure and incentives on Egyptian enterprises to comply with environmental legislation.

During the first three years of implementation of the ACI component, the Egyptian Government has introduced new programmes on Industry Sector Reforms, Tax reforms and a national export policy. These initiatives have all increased the attention, the pressure and the incentives on Egyptian enterprises to develop their production facilities, their management systems as well as their impact on the environment.

Assumption 3: Enterprises are interested in the activities and services provided through the component.

Almost 100 enterprises have been received assistance from ECO during the first three years of operation. A total of 45 potential investments projects have been identified and 12 projects have been approved to receive loans from the funding facility. During Phase 2, the activities with enterprises will be intensified and the total number of investment projects to be approved to receive loans from the revolving fund will increase to more than 100.

Assumption 4: Egyptian resource base has available experts and staff and will participate in component.

6 consulting companies and 15 individual consultants have been delivering consulting services to the component during the three years. The relevant expertise is present in Egypt and the experts are actively cooperating with ECO to implement CP at the enterprise level. During Phase 2, the involvement of Egyptian consultants will be increased and the need for international assistance is phased out.

5.4 Support Activities

Support will be provided for i) consolidation of the Communication for Environmental Management component , ii) strategic assistance to EEAA and, iii) the EPF in addition a small budget will be provided to consolidate the EIMP component (see chapter 6).

5.4.1 Communication for Environmental Management

The Communication for Environmental Management (CEM) Component has been anchored in the Central Department of Environmental Communication and Awareness

(CDECA). Other important partners are the EEAA Information and Computer Centre in terms of the collection and dissemination of environmental data, other EEAA Departments that prepare and implement communication and awareness activities as part of their scope and the RBOs and EMUs. The Component structure will gradually be dissolved and the component activities and resources will be integrated into CDECA. The financial management will continue to be done through a separate account and reported to the PMU. The Head of CDECA will be supported by the present Component Manager. The CEM staff will gradually be integrated into the relevant units in CDECA both in terms of office space and in terms of employment contracts.

The Joint Sector Review in October 2004 recommended that the CEM activities should focus on a simplified approach in order to achieve the original objectives of the Component, and should provide support to the communication needs of EEAA to make the results in the Agency more transparent and available to the public. Another important responsibility of the CEM would also be to continue to disseminate data into formats that can be used by the staff of the Agency and other relevant stakeholders.

There will only be limited inputs in the remaining period consisting of DKK 2.0 million for 2005, 2006 and 2007 and DKK 1.0 million for 2008. The funds will be used primarily for hiring specialists and for production of media packages, holding of workshops and support to NGOs.

Further details are given in Annex C3 and in the component descriptions and technical reviews carried out in 2004.

5.4.2 Strategic Support to EEAA

Following the completion of a feasibility note on the potential for Strategic Support to EEAA a review mission of April 2005 concluded that:

- A provision should be included in the ESP for technical and financial assistance to the development of a vision and an overall strategy for the EEAA, if requests are received from the Minister of MSEA once he has reviewed the EEAA organisation.
- All strategic support to EEAA should be institutionally anchored in the EEAA section responsible for strategic development.
- Once the organisational structure of EEAA is considered by the Minister, the ESP may give technical assistance to organisational development according to needs identified.
- The position of ESP Technical Management Coordinator (see Annex B, job title 3) should be extended up to the end of the programme period and the title and job description adjusted to clearly reflect the responsibility of strategic support to EEAA and he/she should be attached to an EEAA section responsible for strategic development.

A provision is made for a total of DKK 3.3 million (DKK 1.2 million in 2005, DKK 0.9 million in 2006, DKK 0.9 in 2007 and DKK 0.3 million in 2008).

The overall objective will be to enable the EEAA to better carry its appointed task: *the Implementation of Law 4/94 for the protection of the environment.*

Annex C3 and the feasibility note dated February 2005 provide more details for how this provision could potentially be used.

5.4.3 Support to the Environmental Protection Fund

The EPF was set up in 1995 to support private, public and non-governmental organisations that engage and invest in projects that benefit the environment in Egypt. It functions under EEAA, and is physically and organisationally placed within EEAA. EPF's role is to assist and provide innovative and practical solutions that will effectively and operationally help the environment. EPF's financial tools are: grants, loan interest subsidies, equity participation, loan guarantees and soft loans. Revenues are currently generated through allocations from the Egyptian state budget, the Nature Reserves Fund, grants from donors, fines for environmental damages, tax on air tickets, EPF financial returns and service charges. Revenue from natural protectorate's entrance fees is by far the largest income earner amounting to LE 13.5m out of LE 16.2m in 2003/04. Another large income earner is fines for environmental damages (e.g. oil spills in the Red Sea), but the revenue stream from this source is highly variable.

A review in April 2005 concluded on the basis of a completed feasibility note that:

- The ESP should support the institutional analysis of the EPF and the legal context in which it operates. The aim should be to make its legal status more responsive to the needs of the environmental sector including making its financial management independent of EEAA.
- The ESP should support EPF in developing a business plan. The aim should be to modernise the Fund with a clear focus on strengthening the financial management, communication and project cycle management functions. The EPF should be a lean organisation with core competence in financial analysis and management. Other competences, such as technical appraisal of project proposals, monitoring and evaluations, should be carried out by EEAA technical departments, regional branch offices, environmental management units and consultants.
- Based on the needs established in the EPF business plan for financial management systems and related capacity building, it should be decided whether, or not, it is appropriate to transfer the ESP financial management function – or parts thereof - to EPF.

The immediate objective for the EPF support is:

The EPF enabled to have a major and strategic impact on environmental investments by 2008 through total project investments in excess of LE 100m annually and an improved image as measured by a higher number of investment partnerships.

The meaning of the goal (over LE 100 million)¹⁴ is to indicate the size of the business volume, which must be in mind – much less volume is assessed as unrewarding, if EPF is to attain a strategic role in the sector. This overall goal would eventually find expression in the intended EPF Business Plan as a certain market share.

The major outputs are as follows:

¹⁴ Annual EPF revenue 2001-4 range between LE 10-20 million.

- Initial Output: Adjustment of EPF institutional status
- Output 1: Development and approval of the Business Plan for EPF
- Output 2: Financial accounting of international standard operationalised
- Output 3: Effective budgeting and results based management performing
- Output 4. Financial / technical project appraisal monitoring operationalised
- Output 5 : Standard reporting formats developed and training in use performed
- Output 6: Marketing of EPF and Partnerships established with relevant entities
- Output 7: Increase of revenues and annual investments exceeding EL 100 million per year by 2008.

The Danida inputs will include:

- Short term international and local technical assistance in the following areas:
 - Institutional and organisational development
 - Business strategy and plan development and fund management
 - Fund management and finance
 - Result Based Management and project finance
 - Environmental project appraisal
 - Accounting, accounting systems and financial controls

The *Egyptian Government inputs* will include:

- Adequate officers and staff to support the planned institutional developments
- Operational costs for the expected workgroups and development processes
- Office space and facilities for adviser, consultants and other participants.
- Funds for IT, Database and other equipment necessary for the implementation of measures as developed and agreed.

Further information and details are provided in Annex C4.

6 Budget

6.1 Overview of Programme

The following table shows the overall budget for the Adjusted ESP (Danida funds only).

Table 6.1.1 Overall Budget for ESP (DKK million) 2005-8

Overall Budget for SPS (DKK million)

Items	Adjusted SPS Budget	Total spent up till 2005	Budget 2005	Budget 2006	Budget 2007	Budget 2008	Budget 2005-2008
Components							
SDEM	132.75	49.45	23.60	22.00	21.90	15.80	83.30
ACI	99.71	25.31	17.70	20.80	20.90	16.40	75.80
Support Activities	50.28	28.98	6.7	5.20	5.20	2.8	19.90
Total Allocated	282.74	103.74	48.00	48.00	48.00	35.00	179.00

In the SDEM component all funds for the previous components DEM, EMG, EMU have been pooled. The more detailed allocations into main budget lines and funds already spend up to December 2004 are in Table 6.1.2.

The cost of the two Danida Advisers stationed is born by Danida outside the country frame for Egypt and outside the allocated budget for ESP as such. There is nevertheless a certain allocation of person-months available. The balance unallocated is 8.2 person-years (= 98.4 person-months) upon expiry of the current three contracts. This balance is proposed allocated as shown in Table 6.1.3

The detailed component budgets are given in the component descriptions (SDEM and ACI). Details on the support activities to EEAA, EPF are given in Annex D. The PMU budget details for the remaining period until 2008 will be detailed in the 2005 work plan and budget.

In the originally programme document funds for ACI projects were split into pilot sector model projects (9 mill.) and sector model project (60 mill.) This split between smaller and larger projects may continue. EMG has in Phase II further described an option for supporting minor NGO projects.

The JSR 2004 further mentions that “a completion report for the EIMP is under preparation. The exit strategy for the EIMP implies a complete phasing in of GOE coverage of recurrent costs during the Project period. The Review Team finds that this has been successful and could serve as a model”. The ESP budget continues budget support to the EIMP of DKK 1.5 million for 2005.

Table 6.1.2 Budget and Budget Control for ESP (DKK million) 2001-8

Items	Adjusted SPS Budget	Total spent up till 2005	Budget 2005	Budget 2006	Budget 2007	Budget 2008	Budget 2005-2008
DEM	21.59	12.63	4.44	2.270	1.29	0.96	8.96
EMG	41.71	22.98	7.10	8.33	2.79	0.50	18.73
EMG Projects	39.49	12.10	5.78	6.62	10.40	4.59	27.39
EMU	15.95	1.74	5.27	4.39	2.86	1.69	14.21
EMU Projects	9.75	0	0.0	0.0	2.59	7.17	9.75
Contingencies	4.26		1.01	0.39	1.96	0.89	4.26
Sub-total SDEM	132.75	49.45	23.60	22.00	21.90	15.80	83.30
ACI	30.71	17.41	6.10	3.60	3.60	0.0	13.30
ACI Projects	69.00	7.90	11.60	17.20	17.30	16.40	62.50
Sub-total ACI	99.71	23.91	17.70	20.80	20.90	16.40	75.80
PMU	24.80	18.80	1.50	1.50	1.50	1.50	6.00
EEAA Support	3.30	0	1.20	0.90	0.90	0.30	3.30
EPF Support	3.50		0.50	0.80	0.80	0	2.10
Sub-total PMU	31.60	18.80	3.20	3.20	3.20	1.80	11.40
EIMP	6.20	4.7	1.50	0	0	0	1.50
CEM	12.48	5.48	2.00	2.00	2.00	1.00	7.00
Sub-total Budget Support	18.68	10.18	3.50	2.00	2.00	1.00	8.50
Total Allocated	282.74	103.74	48.00	48.00	48.00	35.00	179.00

SPSD = the Program Document for ESP Program

Table 6.1.3 Allocation of Danida Advisers

Position	Date of current contract expiry	Proposed allocation periods 2005-8	Person-months used
ESP Coordinator at Danish Embassy	14 August 2005	08/2005 – 04/2009	44
ESP Chief Technical Adviser	14 Nov. 2005	11/ 2005 – 12/2008	38
SDEM Senior Adviser	08 August 2006	8/2006 – 12/2007	16
Total			98

7 Assumptions, Risks and Preconditions

7.1 Assumptions and Risks

The ESP is based on a detailed analysis of the policy, institutional, social and economic context of Egypt as a whole, the target governorates and, in particular, the environment sector.

The assumptions at the programme level are:

1) Economic development will continue, and with it, the process of social development, including transformation of institutions and the broadening and deepening of democracy.

This assumption is critical to the attainment of objectives because without these developments the priority attached to the environment will decline and it will become increasingly difficult for the Egyptian authorities to implement the environmental law. The risk factors that could lead to failure of this assumption include: macro-economic

decline and increasing political instability. The mitigating action that can be taken to reduce the risks are mostly outside of the sector, although it should be noted that the ESP itself will contribute to transformation of institutions, particularly at the governorate level which will tend to strengthen the commitment to and perceived value of environmental protection. In the longer term, sustainable environmental development is the key to continuing economic prosperity and the ESP will thus be contributing to mitigation of these risk factors by providing examples of cost effective environmental regulation and investment. The assumption can be monitored through changes in the budgetary provision for environmental (particularly at governorate level) and through the range of component level indicators.

2) Institutional cooperation will improve, increasing the level of coordination, information sharing and joint initiatives.

This assumption is critical to the attainment of objectives because the cross cutting nature of environment is crucially dependent on a high level of cooperation between line ministries, between local and national levels of government and between the public sector, the private sector and civil society. The risk factors that could lead to failure of this assumption include: delays in clarifying the division of responsibilities between EEAA, RBOs and EMUs and reducing stakeholder involvement due to expectations not being met quickly enough. Mitigating action that is planned includes: workshops and shared training events, the involvement of line ministries and a conscious effort to mainstream environmental concerns into line ministry agendas. The assumption can be monitored by periodic survey and by the degree to which EMUs are able to assume their role, a role that will only be possible if other agencies and parties cooperate nationally and at governorate level.

3) The government of Egypt continues to decentralise.

This assumption is critical to the attainment of objectives because one of the main thrusts of the ESP is to improve decentralisation of environmental management. This is not an isolated process and is thus dependent on a general positive context for decentralisation throughout the public sector. The risk factors that could lead to failure of this assumption are mostly outside the sector and relate to political instability and economic performance. Mitigating action is mostly outside the sector but it should be noted that the ESP will contribute by providing examples of how decentralisation can work well in practice if adequately supported. The assumption can be monitored by examining the transfer of funds to local levels and the readiness to agree to the up-grading EMUs to general departments at governorate level.

4) Civil society continues to participate in environmental decision-making.

This assumption is critical to the attainment of objectives because the participation of civil society is crucial to the sustainability of any environmental improvement, either in terms of regulation or investment. The risk factors include: lack of familiarity or appreciation of the role and importance of civil society (technical bias) and local political instability. Mitigating action is planned in so far as the ESP will build awareness, train and provide examples of the value of civil society participation. The more the environmental authorities are convinced that civil society participation is a cost effective approach the more they will be inclined to integrate participatory processes

into their decision making. The assumption can be monitored through examining the participatory content of the investment proposals being forwarded to the EPF

These assumptions are based on a more detailed risk analysis (Annex E) that separates internal and external factors as well as analysing the implications for the ESP, the danger of unintended impacts and the extent to which the risks can be managed and made acceptable.

7.2 Preconditions

Prior to the implementation of the Adjusted ESP, legal requirements must be met including the following:

- Danida and the Egyptian government partner, EEAA, must sign the Adjusted SPSD;
- Memoranda of understanding must be signed between the EEAA, Danida and the implementing agency
- The High Consultations between the Governments of Egypt and Denmark would ratify the Adjusted SPSD

It is assumed that the above mentioned procedures will be sufficient to officially approve the Adjusted SPSD – because these adjustments are contained within the previously agreed overall objectives as per the original SPSD of March 2000.

For implementation of the individual components institutions must be prepared to receive the assistance and make their contributions, as detailed in the Component Descriptions. It is a precondition for the implementation of any component that the partner organisation demonstrates that counterpart staff and funds are available before Danida disbursement of funds.

8 Indicators

8.1 Use of Indicators

Implementation of the SPS will be monitored and regulated by the use of verifiable indicators at the programme (sector) level, and at the individual component level. Indicators will be a key management tool, allowing periodic adjustments of the strategy and inputs in order to maximise the predicted benefits.

At the sector level indicators are needed to monitor:

- 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;
- the overall rate and completeness of supply of both Danida and partner inputs;
- the overall impact of the SPS on the development objective, including decentralisation of environmental decision-making and specific impacts on poverty and cross-cutting issues.

At component level, indicators to monitor inputs and outputs have been incorporated into the logical frameworks. These are fully elaborated in each of the component descriptions.

8.2 Development of Sector Level Indicators¹⁵

There is a need for a few key strategic level indicators and not the more numerous progress or management level indicators. A **Strategic Impact Indicator** is a particularly important indicator that signals attainment of crucially important outcomes, effects or impacts. From the perspective of the ESP programme level, and with reference to the developed programme logical framework, the most significant of the identified indicators are the following:

1. **No. of critical compliance and enforcement measures** in active operation by year (2004, 2005, 2006, 2007, and 2008) including effective attendance to the so-called “hot-spots”, the number and character of which differ among regions and governorates. The concrete effect of these measures in direct improvement of environmental quality can be monitored and reported. The critical measures and ‘hot-spots’ need to be further defined by each Regional Branch Office (RBO) and by each Environmental Management Unit (EMU); e.g. in their mandatory emergency, contingency and other plans, which are already required by Decrees. If these critical measures and ‘hot-spots’ are not already identified, a beginning can be made by selecting and profiling the 3-5 most important issues in each Governorate (the GEAP will be a key document for recording the hot spots). The indicator signals achievement of the main contribution of the reshaped DEM component towards the ESP Development Objective.

The Main Reason for its significance: The ability of the Egyptian Environmental Affairs Agency (EEAA)/RBOs and EMUs to address critical environmental problems and ‘hot-spots’ signals their performance and contribution towards compliance with Environmental Law 4/94. The indicator measures a core area of the mandate only, but a very crucial one, which signals that the EEAA/RBO/EMU are using the achieved higher capacity towards improved performance in a number of functional areas. The indicator is thus very relevant, effective and efficient as an expression of the impact being achieved.

2. **Public environmental awareness** measured via a combination of survey and mass media content analysis (already performed in CDECA). The indicator signals the degree of the general public’s awareness of critical environmental concerns and issues. It may be segmented by urban/rural, gender, age, education, occupation etc. The influence of that awareness on daily environmental behaviour may be polled at the same time.

The Main Reason for its significance: The ability of the EEAA/CDECA/RBOs and EMU to address their mandate areas is highly dependent on public awareness of the environmental concerns. The indicator measures awareness as a result of the CDECA and CEM outputs and activities. This is not the only indicator for their performance, but a core one in terms of the ESP development objective.

¹⁵ Section 8.2 is adapted from the “Review and Adjustment of (ESP) Programme Indicators”, September 2004

3. **The Quantity and Quality of Governorate Environmental Action Plan (GEAP) community-based environmental management projects** by year (2004, 2005, 2006, 2007, and 2008) – including measures for their impact on better quality of life, poverty reduction and good governance. The indicator signals the second main contribution of the reshaped DEM component towards the ESP Development Objective.

The Main Reason for its significance: The ability of the EMU to promote and facilitate the GEAP processes and community-based environmental management projects with real benefits to the project participants signals a basis for sustainability and fulfilment of Environmental Law (EL) 4/ 94. The indicator measures a core area of the mandate only, but a very crucial one, which the EMUs would be unlikely to perform well unless they were capable in a number of fields, thereby demonstrating the use of the increased capacity. The indicator is thus very relevant, effective and efficient as an expression of the impact to be achieved.

4. **The Saving of x Million Pounds via Cleaner Production Schemes in selected Egyptian Industries by 2004, 2005, 2006, 2007, 2008**¹⁶. The indicator expresses the total annual savings of the involved enterprises via reduced input use, reduced waste, energy and water, etc. caused by the Clean Production (CP) measures. It is the main indicator of the ACI component's contribution to the ESP development objective.

The Main Reason for its significance: The cost savings of the industrial enterprises from entering clean production schemes provides the basic incentives for lower emissions, etc., and will ensure the sustainability¹⁶ of the cleaner production measures.

In addition, a summary estimate of affected people or households benefiting from the indicated achievements should be reported.

These four strategic indicators are the most significant monitoring points for the impact of the ESP and for the achievement of its objectives. They must therefore be reported on in each ESP half-yearly Progress Report. Target values still need to be agreed for the indicators.

Two general milestones applicable to all components are identified. They are (1) 'Annual Budget Allocated & Expended (%)', and (2) 'Degree (%) of Strategic and Annual Work Plans implemented'. The content of these general milestones are different from component to component, and it is important that they be applied as specified under each component. The two milestones do not principally relate to the components' own budgets and plans, but to those of the counterpart Egyptian institutions and entities in the national framework, which is being supported by the ESP components. (The normal ESP progress reporting already monitors budget and plan implementation for the components as such (Chapter 9).

¹⁶ The JSR 2004 agreed that reductions of emissions rather than financial savings should be used as an overall indicator. It is, however, the financial savings, which will guarantee the sustainability of the cleaner production measures. The 'savings' are therefore strategically the more relevant as an impact indicator. The reduction of emissions is, however, also part of the savings calculation and thus organically incorporated in that 'savings' indicator.

In addition, a further 2-4 supplementary strategic indicators and further milestones are identified for each ESP component in the Indicator Report. Especially important among these milestones are the steps for implementation of the Decentralisation Decree of 2001 and the Organisational Development Decree for the Environmental Management Units (EMUs) at the Governorate level. A separate or new monitoring system will not be designed and put into operation for the data collection, monitoring and reporting for the defined strategic impact indicators. This would just add another, unnecessary, burden on to management and staff. The reporting on these indicators and their associated milestones will instead enter into the normal progress reporting - in the first instance in the normal ESP six-monthly progress reporting, which will follow the standard Danida Sector Programme Management Guideline.

There is some further work involved in specifying and agreeing target values for the impact indicators and milestones at the component, regional and governorate levels. A Process Action Plan for this is available in the mentioned indicator report. Additionally, the initially defined indicators for the programme as a whole, and their means of verification, are listed in *Table 8.1*.

Table 8.1 ESP Level Indicators and Verification

Type	Indicator	Means of verification
Input	Identified component and ESP management inputs from Egypt and Denmark provided	Progress reports by the PMU
	Staff appointed on merit and qualifications	Verification by Annual reviews
	Timely disbursement and expenditures	Personnel performance assessment by PMU
Process	Timely transfers of funds to the components' implementing agencies	Financial reports by the EPF management
		Financial reports by the EPF management
	Timely and adequate inception and progress reports	Financial reports by the component management
		Component steering committee
		PMU Quarterly Reports, Inception review and Annual reviews
Impact on Development Objective	Increased efficiency of enforcement of Law 4/94	Analysis of EEAA Annual Reports
	Increased access of the poor to environmental services	
	Environmental improvement achieved in target areas	Special study to be commissioned by RDE/PMU
Impact on Cross-Cutting issues	Increased participation of women in environmental decision making	Special study to be commissioned by RDE/PMU
	Explicit attention to gender issues in policy formulation	Analysis of EEAA Annual Reports and Component Reports
	Environmental Quality improved	Analysis of EEAA Annual Reports and MSEA State of the Environment report

Indicators may draw upon the set of indicators in UNDP's Human Development Report for Egypt, which is updated every 3-4 years. Danida will be represented by the Embassy Co-ordinator during the development process and in the final determination of indicators.

8.3 Verification

The CTA and Embassy Coordinator should determine whether field studies, specially commissioned through PMU resources, would be a cost-effective enhancement of the verification effort.

Verification may also involve other donors through the donor coordination meetings and UNDP, utilising their Human Development Report for Egypt.

9 ESP Management

9.1 Overall ESP Management and Organisation

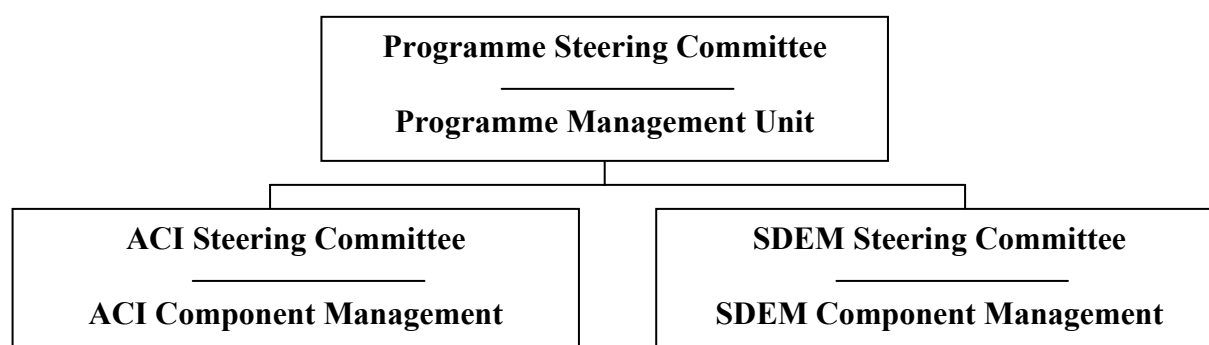
The management and organisation at programme level will be structured around:

- The Programme Steering Committee (PSC);
- Two Component Steering Committees, for the SDEM¹⁷ and ACI components respectively, composed of the institutions and organisations receiving support, and other stakeholders where appropriate.
- The Programme Management Unit (PMU) to support the PSC and provide strategic support to EEAA and EPF.

The management and organisation follows Egyptian systems and conventions to the maximum extent possible. Therefore, the PSC should mirror the composition of the Board of Directors of EEAA, where other stakeholders, line ministries and NGOs are represented.

The ESP structure 2005-8 envisages just two components, and additional support activities to EEAA and EPF as well as consolidation of the activities to CEM and EIMP under the PMU. The revised set-up for the management of the EPS is illustrated in Figure 9.1:

FIGURE 9.1: The New Programme Management Structure



The Programme Steering Committee (PSC) is chaired by H. E. the State Minister for Environmental Affairs. Its mandate is to act as the forum of joint decision-making between the partners. The PSC terms of reference will be updated on the basis of the new Danida Programme Management Guidelines, and the PSC membership will be reconstituted based on the representation needed in the reshaped ESP. The national Programme Coordinator is the Member-Secretary for the PSC.

The Programme Management Unit (PMU) - previously named Programme Support Unit (PSU) - is, as at present, the Secretariat for the PSC. It reports to the PSC and implements the decisions and recommendations of the PSC. The PMU is thus undertakes the daily programme management. These general management responsibilities are essentially unchanged compared to previously.

¹⁷ Entitled Decentralised Environmental Management Coordination Committee in the SDEM component description.

The Component level Steering Committees undertake (with support where appropriate of the component management): the approval of all planning documents; overall responsibility for monitoring of component activities and output; monitoring of auditing procedures and results and, decisions regarding major implementation issues that cannot be solved at a lower sub component level. Such issues may include budget, procurement, changes in use of technical assistance etc.

- Approval of major planning documents: annual work plans and budgets, revised semi-annual work plans and semi-annual budgets, semi-annual requests for funds;
- Monitoring of overall progress of the component with special focus on delays, problems and bottlenecks based on semi-annual progress and financial reports;
- Monitoring of audit procedures and results: approval of the Terms of Reference for the annual audit, ensuring follow-up on recommendations in the annual audit report;
- Decisions concerning deviations from the document describing the design of the component;
- Decisions on generic procurement issues (e.g. guidelines for local procurement);
- Approval of timing of reviews of the component.

In order to not build up parallel systems the steering committees should aim of having task which also will continue after ESP has finished. ACI Steering Committee could continue as a committee for the Revolving Fund and the SDEM Steering Committee could be a Coordination Committee for the decentralization process

9.2 PSC

The implementation of the programme shall be guided by the PSC, comprising members of EEAA Board of Directors, and a representative from each partner organisation, including RDE. The Committee will have the following functions:

- To supervise the overall development of the programme in accordance with the strategic considerations defined by the SPSD. The supervision will be based on progress reports from the components and the findings and recommendations of the Joint Sector Reviews.
- To prepare the Joint Sector Reviews, including approval of the terms of reference, selection of Egyptian participants in the JSR and comment on the final draft reports.

Meetings should thereafter take place at least twice a year, where one meeting should be no less than 3 months prior to a JSR and another meeting between the completion of the JSR and the a High Level Meeting between the Government of Egypt and Danida. A third meeting may be necessary following the High Level Meetings, to supervise the implementation of any major amendments to the programme that may have been agreed.

Extraordinary meetings may be called at the initiative of the Programme Coordinator or the Royal Danish Embassy, if particular difficulties arise that may require urgent action involving significant changes to the yearly work plan.

A revised TOR for the PSC is given in Annex G.

9.3 Embassy Coordinator

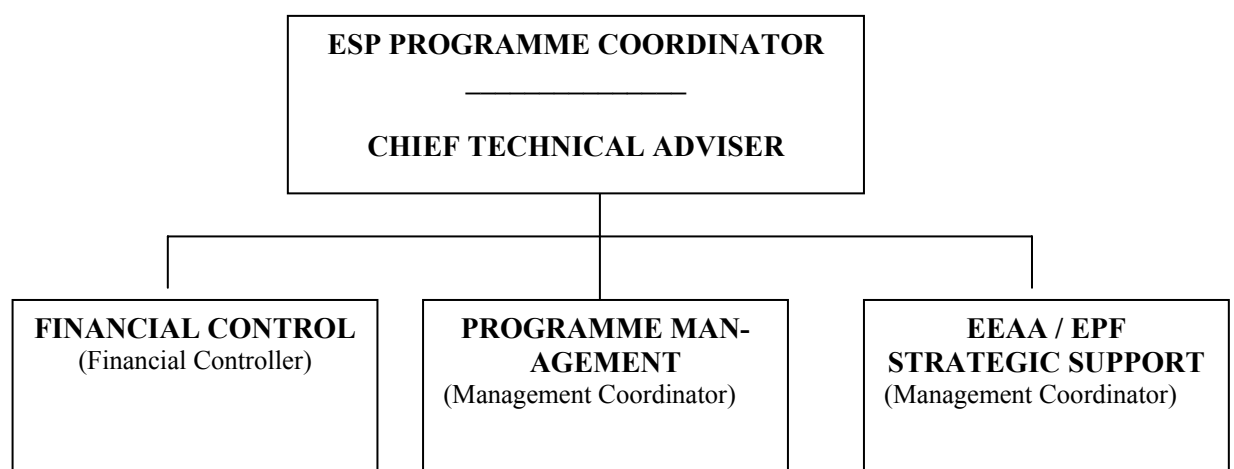
The ESP programme management will be supplemented and supported by a Sector Coordinator located in the Danish Embassy in Cairo. This role will involve coordination with other Danida sectoral activities and with other donors, as well as taking the lead in discussions relating to overall policy and inter-governmental relations. For the implementation of the ESP, the Embassy will have the following tasks:

- Review on behalf of Danida the half-yearly progress reports;
- Review the annual work plan;
- Respond to ad hoc issues of principle or policy matters from the CTA;
- Plan, prepare (jointly with MOIC and EEAA) and participate in Joint Sector Reviews;
- Undertake the necessary policy dialogue with the GOE representatives;
- Participate in donor co-ordination;
- Liaison and co-ordination with MFA headquarters in Copenhagen;
- Danida Representation on the Programme Coordination and Component Steering Committees;
- Monitoring the performance of long-term advisers and company contracts; including advisers. Administering advisers and scholarships. Participation in the recruitment and extension of advisers;
- Facilitation of ESP procurements; including approval or rejection of procurement applications;
- Taking of proper action regarding misuse or financial malpractice, if any;
- Approval and transfer of funds to the programme
- Contracting external auditors for the programme and its components.

9.4 PMU

The new functional structure of the PMU is illustrated in Figure 9.2:

FIGURE 9.2: The PMU Organisation



The duties of the Programme Coordinator (PC) and CTA are expanded to include strategic support to the EEAA and EPF. In order to adequately manage these functions, a

Financial Controller and Technical Management Coordinators will assist the PD/CTA in their respective functional areas.

The *Financial Controller* will be concerned with ensuring adequate financial control at the programme level and transfer of the financial control and accounting functions to the EPF. This function will be carried out by a *Financial Controller* and two other PMU accounting staff (one accountant and one bookkeeper). These staff will in a phased manner be transferred to the Environmental Protection Fund. The remaining staff would become redundant along the way towards 2008.

The *PMU programme management function* will be concerned with: (i) The PSC secretariat function; (ii) ESP Performance Monitoring and Reporting; (iii) Relations with the Danish Embassy, (iv) and other support areas. The *Technical Management Coordinators* assist the Programme Coordinator and the CTA with follow-up related to: (i) programme management, (ii) ESP Performance Monitoring and Reporting, including the half-yearly component reviews and administration of the supports to CEM and EIMP.

The *EEAA and EPF Strategic Support function* will be concerned with: EEAA Organisational Structure; Quality Assurance Systems; Information Systems; Support to International Cooperation Department and, Technical support to CDFA, Planning & Follow-up Department. The *Technical Management Coordinators* will assist the EEAA (placed in the strategic development section – within the technical office of the Minister) supported by short term consultants as found necessary with (i) the restructuring of the ESP information system developments into the EEAA strategic support package, and (ii) the PMU delivery of the support packages to the EEAA and the EPF.

There is a significant shift in the character and focus of the PMU towards more strategic issues and away from operational responsibilities in support of the components. This significant shift is manifested in especially two directions:

- The PMU is charged with the coordination of two new strategic support packages to (i) EEAA and (ii) to the Environmental Protection Fund (EPF).
- The PMU is further charged with the sustainable transfer of some of its current functions into the EEAA. These transfers are planned to occur gradually well before ESP closure in 2008.

A moderate budget has been allocated for the Project Management to undertake awareness raising activities whenever a good opportunity arises. These may include workshops or other mechanisms that he/she may wish to use to disseminate information about the ESP.

Job Descriptions for the PMU posts (except support staff) are in Annex B.

9.5 Financial Management and Procurement

The Programme Coordinator and CTA are expected to delegate the coordination of the ESP financial management and procurement to the Financial Controller, but the PC and CTA will retain the overall executive responsibility for the ESP Financial Management; including their dual signature on all PMU financial instruments (contracts, purchase orders, cheques, etc). For the ESP as such, the Financial Controller will in particular take charge of (i) the ESP accounting and accounts systems, (ii) flow

of funds and internal controls, (iii) the budget performance (budget controls) and analysis, and (iv) advisory functions, training and regulations in this context. These ESP financial management functions are the prime area of responsibility for the Financial Controller, and clear procedures will be laid down in the ESP Procedures Manual.

The financial controller post, functions and the associated staff (currently 2 at the PMU) will, as mentioned, be gradually moved to the Environmental Protection Fund. The main purpose of that is to sustainably build up an internationally recognised financial management capability at the EPF, while at the same time servicing the ESP financial management needs, thereby demonstrating the attainment of that capability. The ESP Financial Controller will thus also, in due time, become the financial controller for EPF and the development of that function is the second main area of responsibility of the Financial Controller.

Administrative Procedures

The Programme Coordinator will, assisted by the CTA, draft a revised manual of ESP procedures within the first three months of the agreed reshaping of the PMU. This draft will be presented for approval by the ESP Co-ordination Committee. The manual should include the following aspects:

- decision and approval procedures;
- division of responsibility between the ESP and the component management;
- ESP filing system;
- channels of communication;
- reporting and monitoring systems;
- financial control, flow of funds and auditing procedures.

In addition to the CTA, short term international advisors and consultants will be placed in the EEAA. One long-term Danida advisor will assist the reshaped DEM component.

Additionally, an International Consultant on a company contract will be located with the EEAA, to support the Environmental Management in Governorates. This will require extensive travel to the governorates. An international long-term consultant on a company contract will support the implementation of the ACI component with the FEI.

9.6 Operational Exit Strategies 2005-8

The PSC secretariat function of the PMU may be gradually transferred to the International Cooperation Department or alternatively to the Planning and Follow-Up Department. The gradual transfer of the PSC Secretariat function to one of those departments, with the reporting formats used or similar reporting formats, would possibly sustainably install the performance monitoring capability within the EEAA. This should be further considered also in the context of the strategic support package for the EEAA.

10 Monitoring

10.1 Reporting Requirements

Regular progress reports will be produced throughout the period of ESP implementation for each component, and for the programme as a whole. They will include the following.

By the Implementing Agency for Each Component:

- half-yearly progress reports for the component;
- annual work plans for the component.

By the Programme Coordinator (assisted by the Chief Technical Advisor):

- half-yearly programme progress reports for the ESP;
- annual work plans for the ESP.

By the Embassy Coordinator at RDE:

- focus issues paper for the JSR.
- Terms of Reference for the JSR

By the JSR Team (Danida, RDE and EEAA):

- Technical Review Working Papers;
- Joint Sector Review Aide Memoir (signed by the MSEA and the Ambassador of Denmark).

Progress reporting should be succinct and should emphasise achievements measured in relation to defined indicators for the individual components and include a summary of financial status.

10.2 ESP Performance Monitoring

The ESP performance monitoring will generally focus on the following areas:

- Budget performance monitoring via budget controls at component level.
- Implementation performance via progress reporting on outputs, objectives.
- Strategic monitoring of critical success factors in the national framework.

For the ESP, critical success factors (or strategic indicators) for reaching programme objectives are whether or not: (i) the GOE Decentralisation Directives for RBOs and EMUs are being implemented as planned, (ii) the environmental critical areas and 'Hot Spots' are being addressed in the different governorates, (iii) approved strategic and operating plans of the host institutions are being implemented, and (iv) the necessary national budgets are being allocated and effectively/efficiently used.

Without this kind of progress in the national framework, the ESP objectives are unlikely to be reached in a sustainable and impact giving manner. The monitoring needs, strategic indicators and the critical success factors are further described in the ESP Indicator Review Report (September 2004). Appropriate training on the use of all the mentioned performance monitoring instruments may be relevant.

10.2.1 Performance Monitoring Responsibilities

The Component Steering Committees (CSC) have the primary performance management responsibility. The CSC is responsible for ensuring that the component is implemented, outputs achieved and funds managed efficiently and effectively, in accordance with the Component Document. The CSC formally refers to the PSC via the PMU. The Component Management, assisted by the concerned Senior Adviser, acts as the secretariat for the CSC, prepares reports to the CSC (and PMU), and is responsible for implementation and follow-up on all decisions and recommendations of the CSC. The CSC may meet at least every 4-6 months, or as often as required. The ESP Working Procedures Manual will lay down the detailed composition and rules for the CSCs.

The PMU is the secretariat for the Programme Coordination Committee, which holds the overall responsibility for the ESP management and the Components.

The Performance Monitoring tools are as follows:

1. Budget performance monitoring via budget controls at component and activity levels.

The Component Management (or its cost centres) currently forward monthly records of expenditure to the PMU for proper accounting into the computerised Navision system, and receives monthly financial reports from the PMU in return. These returns include budget controls by activity. This PMU accounting function will be transferred to the EPF, but apart from that change of address, the functional performance (monthly returns and budget controls) remains unchanged. The relevant cost centres under each component will forward their expense records directly to the PMU/EPF accounting unit; which will be managed by the ESP Financial Controller, who will provide guiding comments in each Financial Report back to the component.

The Component Management, assisted by the concerned Senior Adviser, will be responsible for exercising the budget control function on behalf of the CSC, and will report the same to every CSC meeting and recommend any appropriate action¹⁸. The Programme Management (PD and CTA) will in turn prepare the appropriate Financial Reports to each PSC meeting, and to Danida, and recommend any appropriate action in this context.

2. Plan performance monitoring on outputs and reaching objectives.

The regular ½ - yearly Progress Reports as per the Danida Programme Management Guidelines (Revised 2004) offer an excellent structure for reporting with focus on outputs and reaching objectives (quality and impact) – rather than the focus on activities, which has taken a too prominent place in the past.

The Component Management will use the Danida reporting guidelines for their regular progress reporting to the CSC, with copy to the PMU. The components will use their own internal management system to enable the easy production of the Progress

¹⁸ The ESP Financial Controller will give specific instructions and training in these matters, if and when required.

Reports in the mentioned formats. The CSC will review the progress reports and take appropriate management action, where required.

The PMU will summarise the progress reports into a consolidated ESP Progress Report which will be submitted to the PSC. The PMU, in addition, will further engage in ½ yearly component reviews based on the regular progress reports, where the PMU will bring focus on the more strategically oriented areas every reporting term. The PSC would review the progress reports and take appropriate management action, where required. It is the duty of the ESP Management to recommend such action to the PSC.

3. Monitoring of critical success factors in the national framework.

The monitoring of these contextual factors will be incorporated into the regular Progress Reporting. The main factors are mentioned earlier their importance will vary between components / cost centres and over time. The PSC will demand that each component pay particular attention to these factors in their progress reporting as well as in their daily management. The Components and Cost Centres will themselves from time to time (e.g. in their annual work plans) further refine and define their critical success factors.

The principle of competitive allocation of funds may be applied as described in the reshaped DEM Component Description. The principle implies that cost-centres, which have the better performance in terms of reaching objectives, should have access to funds not otherwise gainfully deployed. This principle can be incorporated into the funds flows, if these are directly based on the regular budget controls, and more strategically on the progress achieved as per the half-yearly Progress Reports. Guidelines for this will be elaborated by the ESP Financial Controller.

10.3 Timing of Key Events

The timing of report production must take into account the fiscal years of both Denmark and Egypt, the timing of the Annual Consultations between the governments, and the consequent timing of the JSR. Ideally, the JSR should take place a few months prior to the Annual Consultations and in good time to influence the national budget preparation. It should also avoid major holidays as far as possible. Key dates are then as follows:

Table 10.1 Dates of Key Annual Events

Event	Date
Egypt Fiscal Year:	July 1 to June 30
Denmark Fiscal Year:	January 1 to December 31
Appraisal of Adjusted ESP.	April 2005
High Consultations	Date not yet fixed

10.4 Review and Evaluation

A Joint sector review in 2005/6 will assess the work plans and budgets for the period 2006-8. The JSR will make recommendations to the ESP Co-ordination Committee regarding the further implementation of the ESP. A joint evaluation shall be carried out for the programme upon its completion.

11 Flow of Funds, Accounting and Auditing

11.1 Overview of ESP Financial Flows ¹⁹

The financial flows from Danida will principally follow two channels:

1. Direct payments by Danida, Copenhagen, to international contractors.
2. Funds transfers by RDE, Cairo, to ESP for Danida financed inputs.

There are also payments by GOE/EEAA/FEI for Egyptian financed inputs

Direct payments by Danida, Copenhagen, to international contractors.

The direct payments by Danida, Copenhagen, to international contractors are for International consultancy services and internationally procured equipment. This includes funds to cover Danida Advisers, sector reviews, international consultancy services and equipment. These categories of expenses will in the case of all components and the PMU, be disbursed directly by Danida, Copenhagen. These payments will follow the already laid-down Danida procedures

Funds transfers by RDE, Cairo, to ESP for Danida financed inputs

All other financial flows from Danida to ESP will be transferred by the Royal Danish Embassy, Cairo, to a number of sub accounts, which correspond to a component, a subcomponent/cost center, SDEM project or ACI project. These accounts are already set up and they work acceptably according to ESP. The procedure for these transfers will be operationally described in the ESP Procedures Manual.

The Danida funds from the RDE will be transferred according to approved annual and quarterly budgets for each cost centre or component. These approved budgets will be forwarded by the PMU to RDE. Each budget will stipulate the disbursements in budget lines as agreed. The currency of transfer is always in LE and transfer is directly to the concerned component or cost centre account as determined by management. The ESP Financial Controller will receive copy of all disbursement documents and will have the responsibility for recommending adjustment of these budgeted financial flows during any period. These recommendations will, among other, be based on the regular financial reports from the components and cost centres.

Funds for locally generated projects (relevant to the reshaped DEM components and the ACI component), will be disbursed through the EPF and CPRF once certain criteria regarding its functioning are met. The criteria relate to accountability as well as to the effectiveness and efficiency with which project objectives are achieved. The EPF operations will also be subject to auditing by international auditors on a semi-annual basis. The funding of ACI projects have another structure, which is described in a later section.

In the period between implementation of the Adjusted ESP and fulfilment of the criteria related to EPF's functioning, a Danida-EPF Special Account (DESA) will manage

¹⁹ Although desirable, in practice, there is little experience of direct disbursement of funds through local institutions in Egypt in part this can be explained by the cumbersome public sector financial procedures in Egypt and the lack of transparency of financial flows. Nevertheless, Danida recognises the potential importance of the Environment Protection Fund as a vehicle for supporting environmental investments. Use of the fund as a disbursement mechanism is consistent with Danida's policy of empowering partner agencies. This section proposes a funding structure taking into account the current limitations and potentials.

and authorise disbursements. DESA will operate under the authority of Danida but with participation of EPF in co-signing of cheques and financial appraisals. This is as per current ESP practice.

The criteria related to EPFs functioning include: (i) institutional adjustments, (ii) transfer of the ESP financial management function and capability to the EPF on a sustainable basis, and the further development of EPF business capabilities.

11.2 ESP Financial Controls

The ESP Financial Controller has the key coordinating and follow-up functions but the responsibility and authority related to adequate financial controls will continue to rest with the programme and component managements: that is with the PSC for the programme and the PMU, and the ACI and SDEM CSC's for the two components in overall terms, and with the PMU and respective component managements for daily operations.

It is important for this to function that:

1. All direct payments by Danida, Copenhagen, must receive prior approval from the concerned management (typically from both PMU and RDE). All financial documents (contracts, purchase orders, invoices, payment vouchers, etc) related to such payments must immediately be copied to the ESP Financial Controller.
2. Transfers from RDE, Cairo, to any of the authorised accounts will operationally be made on the basis of regular (e.g. quarterly) cash flow budgets for each account. These cash flows budgets will in turn be based on the approved annual budgets and work plans. It is the responsibility of the respective management for each account to submit these regular cash-flow budgets together with a formal request (in writing) for the cash transfers. The ESP Financial Controller will coordinate and consolidate these requests and cash flow budgets, and the PMU will forward the same under the dual signature of the Programme Coordinator and the CTA to the RDE for execution. The cash-flow budget and transfer period may vary for different accounts if operationally desirable. The detailed procedures will be described in the ESP Procedures Manual.
3. Disbursements for projects under the relevant components will be released subject to applications, which will be reviewed technically by the Component Steering Committees for each component, and financially by EPF (DESA in the interim period). In the case of ACI, a separate Clean Production Revolving Fund (CPRF) is under establishment and will eventually receive the relevant funding via EPF (ref. section 11.3.4). The procedures for these flows will be described in separate manuals for the EPF and CPRF respectively.

The ESP management will be able to control and regulate the above funds flows on the basis of the regular financial reports and the budgets controls (ref. performance monitoring in Chapter 10.2).

The entire ESP Financial Management function will gradually be transferred to the EPF (see annex C). This entails neither any change in the mentioned ESP financial flows, nor in the management responsibilities. Responsibility will continue to rest with the respective account holders. The EPF is in this context only performing a service for the ESP.

11.3 Support to Decentralised Environmental Management (SDEM)

The Danida funding will be administered in a parallel accounting set-up with manual accounts done at each of the cost centres involved in the SDEM and monthly financial reports submitted to an accounts unit eventually placed in the EPF that will prepare the financial reporting to Danida and the Component Management. The various cost centres will submit manual accounts and documentation to the accounts unit that will subsequently prepare monthly reports on expenditures to the component manager and managers responsible for the implementation of activities according to the activity budgets and with breakdowns according to the categories operational costs, equipment cost, national and international TA.

During 2005, the component management will assist the cost centres to develop formats for combined reporting on financial and progress on activities that preferably will include the utilisation of both Danida and national funding reporting, so that the co-funding of the activities can be monitored.

The principle will be that funds will flow directly to the organisations that are implementing the component activities, EEAA Departments (e.g. CDBA, GDEMU, CDECA), RBOs and Governorates/ EMUs so that they are in control of the resources for the implementation of the activities. Funding will be transferred quarterly to bank accounts for the respective cost centres based on satisfactory financial and progress reporting on the past activities and request for funding for the coming quarter based on the approved work plan and budget. Although the funding mechanism is a parallel structure specifically for the Danida funding, the decision-making in the SDEM component will follow the established management set-up with the heads of the various organisations implementing the Danida funded activities being responsible for the management of the funding.

The principle of dual signature will continue to be followed in the SDEM administration. The component management will assign the responsibilities for signatories to the various bank accounts, according to the general rule that a EEAA department head, RBO head or EMU head will be one of the signatories and a long-term adviser (national or international) on contract with Danida will be the other signatory.

The funding for implementation of projects will be administered by the EPF as a special funding earmarked for the implementation of demonstration projects in respective governorates. Following approval of projects, funding will be transferred to a bank account in the implementing department in the Governorates for the particular project. The responsible head of department will be responsible for the use of the funding and for submission of monthly expenditure reports to the EPF. EPF will monitor the use of the funding and the physical progress and perform regular internal audits of the accounts in the implementing agencies. Administrative procedures and rules for co-signature on project accounts will be established for each project according to the institutional set-up for the particular project. The principle of dual signature by the head of the implementing department and a long-term adviser on contract with Danida shall be adhered to.

Payment for the international technical assistance contracts will be done directly by Danida in Copenhagen. Payment for national consultants and TA that is not covered by the international consultancy contracts will follow the normal flow of funding and procurement will be done according to the procurement procedures established by the

ESP. Funds will be transferred to the cost centres based on work plans and budgets approved by the SDEM CC and requests for funding approved by the SDEM Manager.

11.4 Achieving Cost Effective Compliance within Industry (ACI)

The implementing agency for this component of the ESP is the Federation of Egyptian Industries (FEI). The component has a number of elements: training and capacity development among the Egyptian environmental institutions and consultancies; undertaking training programme at industry level through audits and investments in projects; and support to FEI in establishing an Environmental Compliance Office (ECO) as described in Chapter 5 and the component document.

As in the other components, a Component Steering Committee is established with representatives from a number of institutions including EEAA. The CSC plays an important role in determining the contents of the component on the basis of technical advice from the FEI and the resident Danida Advisor. As in the other components, costs of consultancy expertise will be made directly to FEI through the PMU/Danida. FEI seems to be financially sound and with clear and transparent accounting processes, so it may be appropriate to allow larger disbursements on a regular basis subject to proper reporting and audit practices.

The Clean Production Revolving Fund (CPRF)²⁰

The potential establishment of a financial vehicle, be it a revolving fund or any other construction, must be preceded by a feasibility study of funding options. The study should assess various funding mechanisms that will provide the most appropriate support mechanism, e.g. no/low interest loans, return of savings only, etc. (Component Description Document, page 4).

The JSR (November 2004) mentions that loans cannot be disbursed before a revolving fund is legally established. A legal framework has been prepared suggesting the establishment of a (CP) Fund as a separate civil institution under Law 84/2002 with EEAA/EPF and FEI as trustees. Repayments of loans and fees from participating enterprises will be collected in the Fund by a contracted commercial bank. The JSR supported this model and recommended that remaining issues regarding the revolving fund (e.g. legal framework, representation in Fund Management, credit worthiness assessment, relationship between the Fund Management Committee and the CSC) should be clarified.

As an interim arrangement, pending finalisation of the revolving fund arrangements, EEAA/EPF and FEI have signed an agreement with Egypt National Bank in order to assure that the Fund will not be depleted by losses caused by bad debtors. The Bank will as a part of the agreement take over the responsibility for making financial risk assessments of the beneficiaries. For the credit guarantee and for doing the risk assessment, the Bank will receive a fee that will be paid partly by the beneficiaries and partly by the fund.

²⁰ The full name of the fund is "The Private Foundation for Cleaner Production and Environmental Compliance Support of Enterprises in Egypt" (Final Draft Internal Statute document, 2005)

The CPRF will be able to cover between 80-95% of the total cost for the investment projects. Consultancy fee and other costs related to the preparation and implementation of the projects may be included in the total request in the loan application. The CPRF will pay for the costs of audits (effectively offering industry a grant for this activity), which will include a training component. A number of industries will be identified as Sector Environment Models, and these will be eligible for a combination of grant and soft loan funding from the CORF.

The proposer would submit an application to the Board of the CPRF for technical assessment, and if approved, support would be made available through specific investment loans the proposer takes out within the commercial banking sector.

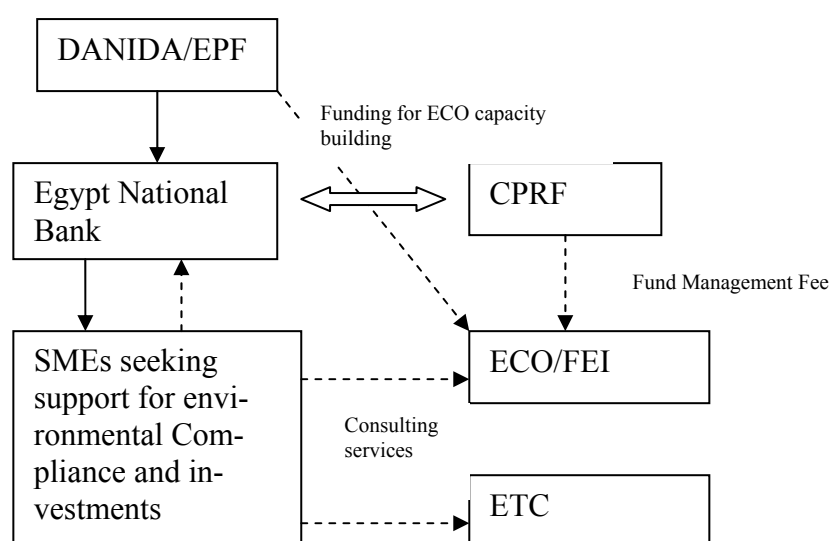
The Danida support will be accounted for under clear, separate budget heads; in a designated bank account in Egypt National Bank, separate from FEI's other resources. The auditing procedures will follow the law on auditing in Egypt. Full implementation of the flow of funds will await verification that the procedures comply with Danida's own requirements.

The main interim procedures are as follows:

1. Danida/EPF will provide funding to the CPRF special bank account in Egypt National Bank, when the CPRF Board has approved the loan applications from the enterprises seeking loan support. The CPRF account will bear normal interest.
2. The Bank will prepare a loan document and open an enterprise specific investment account for the enterprise to utilise paying for equipment and consultancy services. This account will not bear interest.
3. The enterprise will after one year of completion of the investment project start re-payment of the loan. The Bank will collect the payment from each enterprise, and the payment will enter directly into the CPRF special account, and hereby be used for new loans.

The Bank is paid 2.5% of each loan to ensure the re-payment and administrate the loans (see the Bank agreement).

Figure 11.1 Interim Flow of Funds for the ACI Component



11.5 Accounting, Regulating and Auditing Procedures

The auditing and accounting procedures required by Danida are set out clearly in the General Guidelines for Accounting and Auditing of Grants through Governmental and Parastatal Organisations and NGOs, April 1996. All ESP cost centres in and outside EEAA, are subject to external audit as per Danida requirements. This also concerns each of the fund receiving organisations (outside EEAA), which will be required to produce audited annual accounts for the use of funds in each financial year. In the ESP these ‘funds receiving organisations’ are currently:

- The disbursing funds (DESF / EPF / CPRF)
- The EMUs, and other organisations (if relevant), in receipt of project funds under SDEM and ACI.
- The Federation of Egyptian Industries for the ACI component.

There are clearly set out book-keeping requirements, as well and the final accounts will be audited by Danida/PMU. Allowance to cover auditing costs will be covered from the PMU budget line for annual sector review and special studies.

Detailed accounting and reporting procedures at the level of community projects and small NGO projects will be set out to meet Danida requirements at the time of making funds available. In most cases, responsibility for management of project funds from DESF rests with the component partner.

12 Implementation Plan 2005-8

Figure 12.1 shows the overall adjusted ESP implementation plan 2005-8. The plan starts with the already arranged Joint Appraisal of the draft Adjusted Programme Document and SDEM Component description during April 2005 with subsequent approval of final documents during the High Consultations between the two governments in May 2005.

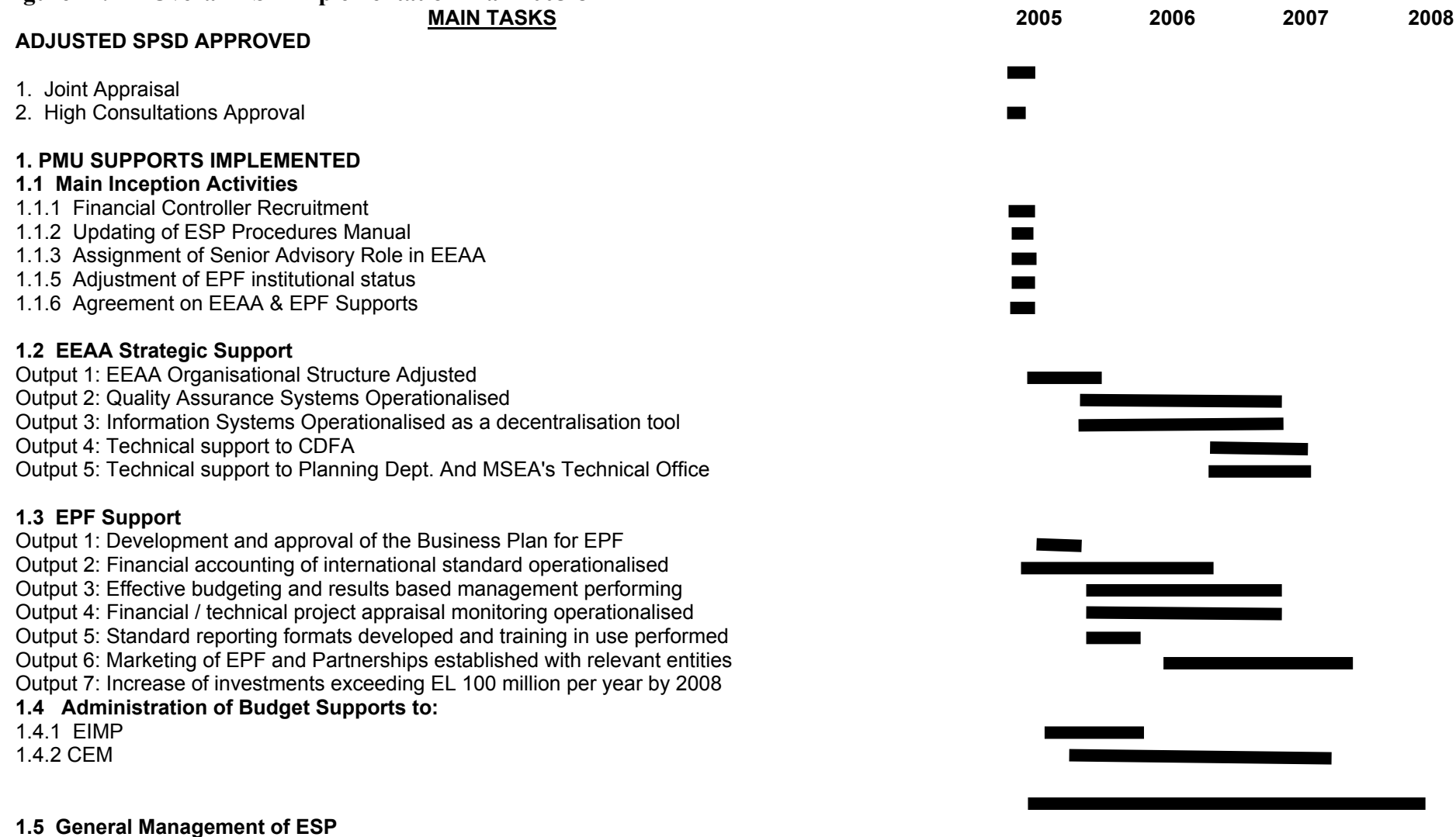
This is followed by inception activities (Figure 12.1: section 1.1 and 2.1) for the reshaped parts of the ESP – notably for the refocused PMU with the new support outputs towards EEAA and EPF, and for the newly consolidated SDEM component. The inception activities, in particular, include the consequential updating of the ESP Procedures Manual, the EPF Institutional Adjustments, and the appointment of the Senior Advisory responsibilities, the ESP Financial Controller and the SDEM Component Manager.

The Implementation Plan thereafter lists the sequence and timing of the five proposed outputs under the strategic to EEAA²¹, the seven outputs under the EPF support, the main management instruments for the SDEM, and the main outputs of the ACI component. The already established ACI component, the sub-components under SDEM, the budget support to CEM and EIMP will otherwise continue as per their already formulated descriptions and work plans, but subject to the budget and other changes resulting from the current reshaping of the ESP.

Programme monitoring activities will include six-monthly Coordination Committee Meetings (in March and September) and joint Egyptian/Danish Government Annual Sector Reviews (in June). The Embassy Coordinator will prepare and circulate a Focus Issues Paper two months prior to the sector reviews, which will form the basis for subsequent discussion at the meetings. There will also be joint Component Evaluation Meetings at the end of each component, and a special joint ESP Evaluation Meeting at the end of the programme, where the impact and sustainability of the programme will be addressed.

²¹ According to the demands expressed by EEAA

Figure 12.1 Overall ESP Implementation Plan 2005-8



2005 2006 2007 2008

2005 2006 2007 2008

2005 **2006** **2007** **2008**

2005 **2006** **2007** **2008**

2005 2006 2007 2008

Annex A

Environmental Management Plan

Environmental Sector Programme Support

Egypt

Environmental Management Plan

All components of the ESP will elaborate their own Environmental Management Plans under the guidance of the PMU. The ESP focuses on Capacity Development for the Environment (CDE) and small-scale demonstration projects, following Danida's Environmental Assessment for Sustainable Development (December 1999). Most of the activities (for example training, awareness raising, procurement of office equipment etc.) will not involve any physical disturbance of the environment that might merit a B or C classification.²²

Although all demonstration projects will be designed to secure an overall improvement in the environment, they will still be subject to Environmental Assessment if potentially significant adverse effects could result from preparation activities or during implementation. There may well be environmental remediation projects that involve earthworks, diversion of wastewater or transport of hazardous materials. The clean up of Kima Canal in Aswan, for example, would involve all of these things.

If necessary, within each Component, demonstration projects will be screened by Component Managers assisted by the CTA and assigned a category according to Egyptian criteria. If any fall into Categories B or C, an EA will be commissioned by the Component Managers and undertaken by competent local consultants. Any necessary Environmental Management Plans will be an integral part of the demonstration projects and may include:

- measures to mitigate any adverse environmental impacts of the demonstration project;
- a detailed plan of action;
- detailed planning of necessary technical input, budget and timing of any necessary measures and actions;
- training and capacity development activities.

The potential for training afforded by an eventual Environmental Assessment will be fully exploited and there is the intention to use the opportunity of an EA to build capacity in this field.

Any necessary EA will be funded from the overall Danida funds made available for demonstration projects.

In case a full or partial Environmental Assessment is needed for a demonstration project, both Danida guidance notes as laid down in *Environmental Assessment for Sustainable Development* (December 1999) and Egyptian environmental assessment guidelines will be followed.

²² According to Egyptian Environmental Assessment schemes category "A"-projects will not require EA's, whereas "B"-projects will need partial and "C"-projects full EA's

Annex B

Job Descriptions

Environmental Sector Programme Support

Egypt

B.1 Job descriptions: Permanent Staff of the PMU

Job Title 1

The Programme Coordinator of the ESP for Egypt.

Location

EEAA, Cairo

The Candidate

The ESP Programme Coordinator will be a senior manager who is employed full time by the EEAA and is familiar with its procedures and structure. He/she will have an excellent understanding of the environmental regulatory and policy framework in Egypt and will be very well versed with the issues involved in implementing international co-operation projects.

Role

The Programme Coordinator's role will be to ensure that the ESP is implemented efficiently such that its development aim and immediate objectives are realised. This should be achieved by active supervision of the PMU and by providing effective liaison between GOE, especially the CEO of EEAA and Danida.

Activities

The Programme Coordinator will, inter alia, be responsible for the following:

- Day to day supervision and management support of the PMU;
- Monitoring financial reporting and disbursement of funds;
- Leading the 6-monthly discussions with the Co-ordination Committee;
- Reviewing the annual report;
- Leading the Annual ESP Review meetings;
- Liaising with the CEO and other EEAA departments;
- Initiating and supervising high level government contacts;
- Reviewing outputs and ensuring proper dissemination in government;
- Championing policy recommendations;
- Monitoring stakeholder perceptions and ensuring an appropriate response;
- Monitoring performance of the ESP against targets.

Reporting

The Programme Coordinator will report to the ESP Co-ordinator in the RDE and to the CEO of EEAA

Inputs and Timing

The Programme Coordinator will be a full time employee of EEAA who will be expected to devote at least 40% of his/her time to ESP responsibilities for the duration of the programme.

Job Title 2

Danida Chief Technical Advisor

Location

Programme Management Unit, EEAA, Cairo

Role

The main role of the Chief Technical Advisor (CTA) will be to provide full time support to the Egyptian Coordinator in the management and administration of the ESP. This will include advising on managing the financial administration of the programme, and on co-ordinating technical inputs from the various components. The CTA will in particular be responsible for the delivery of and follow-up on the strategic supports to EEAA and EPF.

Activities

The activities of the CTA will include, inter alia, the following:

- Advising and supporting the Egyptian ESP Programme Coordinator in all aspects of programme administration and management, including financial, technical and logistical as required;
- Carrying out day-to-day programme administration;
- Co-ordinating and supervising all technical assistance to the programme;
- Managing and ESP office within the EEAA,
- Co-ordinating and preparing (where appropriate) progress reports to Danida throughout the course of the programme, including progress reporting;
- Advice on awareness raising activities for the programme, e.g. delivering workshops and seminars where suitable opportunities arise.

Reporting

The CTA will report to the Egyptian ESP Programme Coordinator on a day-to-day basis, and to Danida for all contractual matters.

Inputs and Timing

The post will be full time in Cairo for a period of six years (76 person months), beginning September 2001 and ending 31 December 2008.

Job Title 3

Local Technical Management Coordinators (two posts)²³.

Location

Programme Management Unit, EEAA, Cairo, initially and then transfer of one post to the most appropriate section in EEAA responsible for strategic development (technical office of the minister at present).

Role

The Management Coordinators will especially assist the Programme Coordinator and the CTA with follow-up related to: (i) programme management, (ii) ESP performance monitoring and reporting, including the half-yearly component reviews and administration of the supports to CEM and EIMP. The Management Coordinators will assist the EEAA (strategic development section – within the technical office of the minister) with (iii) the restructuring of the ESP information system developments into the EEAA strategic support package, and (iv) the PMU delivery of the support packages to the EEAA and PMU.

Activities

The activities of the Management Coordinators will be carried out under the supervision of the CTA, and will include, *inter alia*, the following:

- Follow-up activities in consequence of the PSC secretariat function;
- ESP Performance Monitoring and Reporting, including the half-yearly component reviews and administration of the supports to CEM and EIMP;
- The restructuring of the ESP information system developments into the EEAA strategic support package;
- The PMU delivery of the support packages to the EEAA and PMU.

Reporting

The Management Coordinators will report to the Chief Technical Adviser for tasks i) and ii) and to the head of the section involved in strategic development of EEAA (technical office for the minister) for tasks iii) and iv)

Inputs and Timing

The posts will be full-time in Cairo for a period to be decided but extendable up to the end of the programme.

²³ Currently the two PMU posts are titled: (i) “National Coordinator,” and (ii) “Technical Coordinator”. The PMU may wish to rename the job titles and detail the responsibilities for each of the two posts in the ESP Procedures Manual. The two posts may in practise have overlapping responsibilities.

Job Title 4

Local Financial Controller.

Location

Programme Management Unit – but under transfer to EPF, EEAA, Cairo.

Role

The main role of the Financial Controller will be (i) to support the Programme Management in the financial management and administration of the ESP, and (ii) to support the Director of EPF in the financial management and administration of EPF.

The Financial Controller will, in particular, coordinate the operational transfer of the ESP accounts function and financial management capability to the EPF, and will eventually be completely and permanently transferred as the Financial Controller for EPF.

Activities

The activities of the Financial Controller will include, *inter alia*, the following:

- assisting and supporting the Programme Management/EPF Director in the day-to-day management of the programme and EPF budgets, funds flows, related performance monitoring, internal controls and accounts;
- providing formal and informal (i.e. on-the-job) training to ESP, EEAA and EPF staff in financial administration;
- assisting the Programme Management with financial reporting to Danida throughout the course of the programme, including the production of annual programme accounts;
- assisting and supporting management and disbursement of EPF investments in mandated areas.

Reporting

The Financial Controller will report directly to the CTA for ESP matters and to the Director, EPF, on EPF matters. .

Inputs and Timing

The post will be full-time in Cairo for a period to be decided (e.g. 2 years from June/July 2005). The post is thereafter permanently transferred to EPF.

Job Title 5

Local Chief Accountant or Accountant.

Location

Programme Management Unit – but under transfer to the EPF
EEAA, Cairo.

Role

The role of the local Accountant will be to support the Programme Management in the financial administration of the ESP. The Accountant will eventually take on the same roles in EPF.

Activities

The activities of the Accountant will be carried out under the supervision of the Financial Controller, and will include, *inter alia*, the following:

- maintaining detailed accounts of all programme expenditure, with supporting documentation as required (bank statements, original receipts, payment requisitions etc);
- maintaining and managing programme cash-flow at all times, including salary and invoice payment and disbursement of funds to component managers as required;
- maintaining detailed accounts and managing disbursement of funds to all Cairo-based components;
- carrying out procurement of equipment and supplies for PMU and other Cairo-based components, and where appropriate and necessary, on behalf of Governorate-based components.

The Accountant will eventually carry out the same activities in EPF.

Reporting

The Accountant will report directly to the CTA through the Financial Controller. .

Inputs and Timing

The post will be full-time in Cairo for a period to be decided (e.g. until June/July 2007). The post is thereafter permanently transferred to EPF.

Job Title 6

Local long-term Book-keeper.

Location

Programme Support Unit – under transfer to EPF
EEAA, Cairo.

Role

The role of the local book-keeper will be to support the Accountant in the financial administration of the ESP.

Activities

The activities of the Book-keeper will be carried out under the supervision of the Accountant, and will include, *inter alia*, the following:

- maintaining detailed accounts of all programme expenditure, with supporting documentation as required (bank statements, original receipts, payment requisitions etc);
- maintaining and managing programme cash-flow at all times, including salary and invoice payment and disbursement of funds to component managers as required;
- maintaining detailed accounts and managing disbursement of funds to all Cairo-based components;
- carrying out procurement of equipment and supplies for PMU and other Cairo-based components, and where appropriate and necessary, on behalf of Governorate-based components.

Reporting

The Book-keeper will report to the Financial Controller through the Accountant.

Inputs and Timing

The post will be full-time in Cairo for a period to be decided (e.g. until June/July 2007). The post is thereafter permanently transferred to EPF.

Annex C

Outline Terms of Reference for Strategic Support Consultancies to EEAA and EPF

Annex C.1: Strategic Support Job Assignments

Job Assignment

Local Senior Policy and Institutional Advisory responsibilities. The responsibilities may be split between two advisers for EEAA and EPF supports respectively.

Location

MSEA Technical Office, Cairo (in addition to other responsibilities)

Role

The main role of the Senior Advisor (SA) will be to coordinate and follow-up on the implementation of the Strategic Support package EEAA and the support package to EPF. The SA will in this regards liaise closely with the ESP Programme Coordinator / CTA as well as with the concerned EEAA Department Heads.

Activities

The activities of the SA will include, inter alia, the following:

- Advising and supporting the ESP Programme Coordinator and the CTA in all aspects of the delivery of the supports to EEAA and EPF.
- Co-ordinating the technical assistance engaged in these support activities;
- Preparing (where appropriate) of technical reports to ESP and EEAA on the mentioned supports; including progress reporting;
- Undertaking information and follow-up activities in the context of these activities, e.g. delivering workshops and seminars where appropriate.

Reporting

The SA will report to the ESP Programme Coordinator and the CTA on concerned operational matters, and continue to report to MSEA on all other matters.

Inputs and Timing

The assignment will be full time in Cairo for a period of three years, beginning June/July 2005. Salaries will be fully paid by the MSEA.

Annex C.2 Support to EPF in Business Plan Development

OUTLINE TERMS OF REFERENCE

1. Background

The context, need and justification for the Consultancy as well as the general approach required are described in the EPF Feasibility Note, Chapter 4. It is therefore not repeated here.

2. Objectives

The overall objective of the consultancy is to enable EPF to attain its envisaged strategic impact in the environmental sector in Egypt and specifically to achieve for the EPF:

1. Increased investment activity of EPF (annual disbursements over LE 100m from end of 2008 onwards)
2. Better image, leverage and fund sustainability
3. More effective and results oriented management
4. Efficient and professional appraisal of projects

This will be in close cooperation with the EPF, as well as with all relevant stakeholders; which in this context notably includes the EEAA.

3. Outputs

4.1 The primary output is a suitable and results based Business Plan for EPF, and the subsequent assistance to (i) the implementation of the Business Plan and (ii) capacity building within EPF.

Specific outputs in this regard include:

- a) Assistance in the development of a Business Plan for EPF
- b) Assistance to secure financial accounting of international standard
- c) Assistance to implement effective budgeting and results based management
- d) Training and assistance related to financial and technical appraisal and monitoring of investment projects
- e) Assistance in the development of standard reporting formats and training in use of these
- f) Assistance to marketing of EPF and partnering with relevant third parties
- g) Assistance and counselling regarding increase of revenues to EPF
- h) Assistance in building up of effective budgeting system
- i) Assistance in building up capacity and procedures for effective project appraisal
- j) Assistance in building up standard reporting formats for projects
- k) Assistance with development of information and marketing documentation

3.2 Additional outputs may take various forms, including participation in the development and presentation processes, e.g. in workshops, seminars and similar events.

4. The Scope of Work.

The focus of the consultancy is the improvement of the performance of the EPF, primarily the elaboration of a business plan and the capacity building within EPF. However, the framework for EPF is its institutional setting within EEAA, which it is an aim to adjust moderately (ref. PMU Feasibility Note). The scope of work must therefore also focus on such hurdles as may be identified in connection with the increased operational independence of EPF as well as in relation to the national policies, laws and regulations for the sector.

The consultancy must therefore include, but not necessarily be limited to, the following areas of particular concern:

- The institutional and system needs identified must be supportive of the overall objective, including increased autonomy for EPF.
- The business plan must be specific, realistic and practical with regard to suitable, implementable and sustainable adjustments and systems proposals.

(The list may be expanded)

Incorporation of these areas of concerns must find expression in the mentioned outputs.

5. Main Activities

The activities to be performed by the consultants include, but are not necessarily limited, to the following main activities:

- Study of all relevant documents and background material in preparation for the tasks at hand.
- Discussions and interviews with key officers of EEAA and EPF as well as with other resource persons on the relevant subjects in this present context.
- Discussions and interviews with key persons in relevant institutions, organisations, private companies, banks, etc. in Egypt and abroad
- Extensive support in the development and drafting of the Business Plan
- Preparation and implementation of training sessions

- Facilitation of the processes and working sessions as decided during the assignment.

The Lead Consultant will further be required to supervise, quality assure and administer the works of the other consultants.

6. Consultant's Qualifications and Team Composition

The following Team of Consultants is proposed:

Designation	Qualifications and Experience	Time
Team Leader	International Consultant with extensive experience and a proven track record in business plan development, fund management and finance. Experience in capacitating a similar fund in a developing country would be an advantage.	5 months
Result-Based Management Consultant	International Consultant with extensive experience in Result Based Management	½ month
Environmental Consultant	International Consultant with experience in Environmental Project Appraisal	½ month
Environmental Consultant	National Consultant with extensive experience in the environmental sector	4 months
Business Development/Finance Consultant	National Consultant with experience in business plan development/finance/strategy	5 months
Project Finance Consultant	International Consultant with extensive experience in project finance	½ month
Financial Accounting Consultant	International Consultant with experience in accounting and accounting systems	1 month
Financial Accounting Consultant	National Consultant with experience in accounting and accounting systems	1 month
An EPF representative	The EPF Manager directly involved (2 months part-time, in addition to normal duties).	2 months
A PMU Representative	The ESP Chief Technical Adviser, and/or Senior Adviser/Coordinator, PMU (2 months part-time, in addition to normal duties).	2 months
Financial Controller	The proposed PMU/EPF Financial Controller (part-time, in addition to normal duties)	Continual
Total	National Consultants International Consultants EEAA /PMU Representatives (part-time)	10 months 7½ months 4 months

The above specialist indications may be changed by a more detailed specification of the requirements. The Team Leader will propose such a more detailed specification for the team members' responsibilities and inputs. The duty station for the consultants is Cairo, with travel to relevant areas of Egypt, as required. The International Consultants must have relevant work

experience from developing countries, preferably from Egypt or the Region. Practical case studies should be conducted during the presence of the international experts.

In addition, a number of Resource Persons from EEAA/EPF and from other institutions and departments may be asked to participate in various ways and capacities, among other in work groups. The work groups are to secure the practical relevance of the developments.

7. Reporting

The reporting requirements are as follows:

- i. **Inception Note:** The Consultants will prepare an Inception Note at the start of the assignment. The Inception Note will detail their interpretation of the TOR, main concepts for the work and an overall Work Plan. This will be discussed and agreed with the designated Supervisors during the first few days of the assignment.
- ii. **Working Documents** The Consultants may, in addition, prepare a number of working documents or papers for interim discussions during the development processes.
- iii. **The EPF Business Plan.** The plan will include all relevant information, including operational strategies, key performance indicators (results), timetables and milestones, budgets etc.
- iv. **Training material and documentation:** The Consultants will prepare and develop training material as required
- v. **Process Action Plans:** The Consultants will finally be required to submit Process Action Plans to outline required intermediate activities by others between the relevant consultancy inputs and at the end of the entire assignment to indicate further steps to be taken in the on-going processes as relevant.

All the above reports will be submitted to the designated assignment management.

8. Duration and Timing

The duration of the assignment is two years and it is expected to run during approximately 1st June 2005 to 31st December 2007.

Annex C 3 Strategic Support to EEAA

The following description is a detailed proposal based on the findings of the feasibility study, February 2005. It is presented as an example of the approach (or elements of the approach) that could be followed if it was found relevant by the technical office of the minister following the current internal review of EEAA.

Institutional and Organisational Framework

The Strategic Support to EEAA should enable EEAA to strategically improve its organisational performance aiming at greater impact in the environmental sector.

The support package will be supplied by the PMU and will be anchored into the Office of the MSEA and the Office of the CEO. It will, through these offices, focus on structural adjustments of the EEAA organisation as well as development of quality assurance and management information systems.

The EEAA is in the process of constructing a new office building, which is seen as a good opportunity for adjusting the organisation. The Strategic Support will be implemented in a phased manner with some flexibility to accommodate the pace and approach of the EEAA in its application of the developments.

Problem Analysis

It is essential to revisit the EEAA organisational structure after 10 years of being put into practice and it is important to streamline the structure towards dealing with the issue of decentralized environmental management and coordinating its efforts inside and outside EEAA. Assistance to adjust the EEAA organisational structure to reflect these and other emerging working areas and needs of the agency is required.

It is further needed to enhance the public-private partnership dialogue; e.g. by making use of the ESP components and the EPF. Creating proper forums to put that dialogue into practice is necessary and exploring channels for moving forward through joint ventures and co-financing environmental projects is required. The Ministries of Industry and Foreign Trade, Investment, and Tourism are key players in developing this partnership, and their role should be portrayed at an early stage. The promotion of ISO 14000 measures may be an appropriate vehicle in these partnership aspects. The EEAA organisation needs to be enabled to handle and address these issues in context.

It is further an EEAA demand to assist the MSEA/EEAA strategically to build up an efficient and comprehensive management system applying "Total Quality Management – TQM" principles and measures (e.g. ISO 9000 or similar). Various support experiences through financing, capacity building, or technical assistance will not be fruitful and productive without proper, feasible and professional working systems.

It is finally an EEAA demand to provide technical assistance to the agency to develop projects proposals with their budgetary estimation ready for financing and implementation. These projects proposals should be in line with the NEAP and the five-year plan, and should reflect the major objectives for the refocusing.

Objectives, Outputs and Implementation Strategy

The Vision and development objective for the strategic support to EEAA is to enable the EEAA to better carry its appointed task: *the Implementation of Law 4/94 for the protection of the environment*.

The immediate objective for the strategic support is:

Improved organisational performance of EEAA with quality assurance procedures and well-functioning information systems in place by 2008

The major outputs are as follows:

- Output 1: EEAA Organisational Structure Adjusted (follow-up)
Milestone 1: Adjusted structure officially confirmed by GOE
- Output 2: Quality Assurance Systems Operationalised
Milestone 2: ISO 9000 certificates issued (if decided)
- Output 3: Information Systems Operationalised as a decentralisation tool
Milestone 3: Systems outputs functioning as an important decentralisation tool
- Output 4: Technical Support to Central Department for Finance and Administration
Milestone 4: Approved organogramme with department responsibilities, and transparent co-financing systems made operational
- Output 5: Technical support to Planning & Follow-up Department, and MSEA's Technical Office.
Milestone 5 : Strategic Plan for EEAA.

Implementation Strategy²⁴

The EEAA strategic support package is to be delivered by the PMU by development of the support measures identified, planned and agreed in e.g. (i) Policy and Institutional Development; (ii) Quality assurance and control (possibly ISO 9000 based) for some departments, (iii) EEAA information system development, and in (iv) Promotion of ISO 14000 and dissemination of environmental policies and strategies to other ministries and institutions.

The strategic support package is to be delivered by the PMU by short-term consultancy inputs – and by assignment of the some coordination and follow-up responsibilities to e.g. an Adviser in the Technical Office of the MSEA. Job description for these advisory functions is in Annex C.

The implementation of support measures will be designed to operate during two full years (2005/6 and 2006/7) and taper off to closure during the third year 2007/8. It is feasible to gain sufficient impact during this comparatively short period – provided that the assumptions (below) are fulfilled. The two main assumptions, to reiterate here, are regarding (i) the EEAA commitment of spare resources, engagement and demand, and (ii) that the reshaped PMU have the resources to deliver the intended strategic support package during 2005-8.

The different support measures will be implemented in, as mentioned previously, e.g. (i) Policy and Institutional Development; (ii) Quality assurance and control (possibly

²⁴ The PMU Feasibility Note recommends a two-phase implementation strategy, with an initial strategic operationalising consultancy in phase 1 (ref. Final PMU Feasibility Note, March 2005, Main Document and Annex 5 and 7). This was not considered as required by the PMU and therefore not now included in this SPSD.

ISO 9000 based) for some departments, (iii) EEAA information system development, and in (iv) Promotion of ISO 14000 and dissemination of environmental policies and strategies to other ministries and institutions.

It is in this context possible, that insufficient funds or commitments may constrain the possibilities for implementing the entire proposed package. A choice between alternative or part support packages may therefore have to be made (e.g. only Quality Assurance and/or Information Systems – the two may go very well together). Prioritised options for this eventuality will be incorporated into the operational work plans.

Inputs

The Danida inputs will include:

- Short term international and local technical assistance in the following areas:
 - policy and institutional development at national sector/ministerial level
 - environmental policy issues and development in Egypt
 - institutional and organisational development of public sector institutions in Egypt.
 - information needs and systems assessments and developments at national sector/ministerial levels
 - ISO 9000 and ISO 14000 implementation in particular in public sector service institutions
 - legal and regulatory frameworks and processes in Egypt in general as well as in the environmental sector in particular in particular.
- IT and Database equipment, if available funding permits.

The *Egyptian Government inputs* will include:

- Adequate officers and staff to support the planned institutional developments
- Operational costs for the expected workgroups and development processes
- Office space and facilities for adviser, consultants and other participants.
- Funds for IT, Database and other equipment necessary for the implementation of measures as developed and agreed.
- Funds for the maintenance and operation of the mentioned equipment and systems.

Sustainability Issues

The sustainability of the EEAA organisational adjustments and systems developments are dependent on the formal acceptance by the GOE of the same adjustments and developments by incorporation of these, as relevant, into the official GOE organogram and the state budget. It is therefore necessary that the Ministry for the GOE Establishment (and possibly also Ministry of Finance) become involved in these development processes from the start and that that GOE realistically accepts the manpower and budgetary consequences of the arrived at changes.

Risks and Assumptions

The strategic support package to EEAA is preconditioned on the assumption that the following two main issues are resolved:

1. Whether or not the EEAA has the capacity and spare resources to engage in the developments and adjustments proposed. It should be made clear from the outset that a genuine development process of the indicated nature does not become authentic and effective without clear engagement and demand from the EEAA – especially from its Senior Management, which must be seen to drive the processes involved. The EEAA has itself initiated this process, and that is a good sign initially. The continual engagement over some years in this kind of organisational change process is, however, demanding of any organisation and will require internal resources and change capacity – in addition to the external supports being developed in this document. It is, therefore, necessary to be aware of and committed to this from the start. It is, clear, that such engagement and demand can be provided by the MSEA.
2. Whether or not the reshaped PMU has the resources to deliver the intended strategic support package during 2005-8. The PMU organisation to ensure the deliverance can be established relatively fast, but the real issue is the availability of budget resources, which could put demands on dual EEAA/ financing for some of the intended developments.

The mentioned two issues needs to be discussed and resolved prior to starting the activities of the EEAA strategic support package.

Annex C4 Support to the Environmental Protection Fund

The following description is a summary of the detailed proposal based on the findings of the feasibility study, February 2005.

Institutional and Organisational Framework

The EPF is set up in 1995 to support private, public and non-governmental organisations that engage and invest in projects that benefit the environment in Egypt. It functions under the Egyptian Environment Affairs Agency (EEAA), and is physically and organisationally placed within EEAA.

EPF's role is to assist and provide innovative and practical solutions that will effectively and operationally help the environment. EPF's financial tools are: grants, loan interest subsidies, equity participation, loan guarantees and soft loans.

Revenues are currently generated through allocations from the Egyptian state budget, the Nature Reserves Fund, grants from donors, fines for environmental damages, tax on air tickets, EPF financial returns and service charges. Revenue from natural protectorate's entrance fees is by far the largest income earner amounting to LE 13.5m out of LE 16.2m in 2003/04. Another large income earner is fines for environmental damages (e.g. oil spills in the Red Sea), but the revenue stream from this source is highly variable.

EPF is currently an integrated part of the EEAA organisation. The fund is governed by a Fund Management Committee (FMC) composed of 6 members and chaired by the CEO of EEAA. H.E., the Minister of State for Environmental Affairs appoints the FMC members. The EPF staff currently number 10 and are grouped in 5 different functional areas:

- ❑ FMC coordination department
- ❑ Financial and Accounting department
- ❑ Financing projects department
- ❑ Communications, awareness and secretariat department
- ❑ Revenue enhancement and foreign projects department

According to regulations, EPF expenses include support for EEAA development activities and infrastructure up to 25% of the annual EPF expense budget. This limit has been exceeded significantly in recent years (PMU Feasibility Note).

All financial data to EPF is provided by the EEAA Finance Department. The EPF Finance and Accounting Department only functions as recipient of data and cash for monitoring and information purposes, and has no access to control or directly manage cash and accounting information. Data is provided through EEAA's standard accounting systems for public institutions, which does not directly allow for ordinary financial accounting in the form of accrual profit and loss statements, balance sheets etc. Thus, financial accounting is not done in accordance with international standards.

The support to the Environmental Protection Fund will enable EPF to attain its potential strategic role in the sector generally and for the ESP in particular.

The support package will be supplied by the PMU and will be anchored into the EPF institution. The support package focuses on necessary enabling institutional adjust-

ments to the EPF and on the development of strategic and operational business plans in all relevant core areas.

Institutional Analysis

The effective functioning of the Environmental Protection Fund was identified by the JSR 2004 as a strategic issue in the overall perspective of decentralised environmental management. MSEA further recognised the need to strengthen EPF management and requested capacity building support in the following areas:

- **Management of the EPF**; including evaluation of the organisational structure and proposal for changes, organisational strengthening, and legal aspects.
- **Promotion of the EPF, resource mobilisation and management of donor funds**; including increasing revenues for the EPF, incentives to collect more funds, improve transparency of the EPF (i.e. in project selection, contracts awarding and auditing).
- **Capacity building for project appraisal, and project implementation monitoring and evaluation**; including in identification of environmental projects in line with environmental strategy and including an internationally acceptable financial management system.

The needs for environmental investments in Egypt are evident, and EPF can be a strong vehicle for national environmental investments. However, such a strategic role will demand an increase in the scale of EPF investments and assistance in capacity building. The EPF is constrained in terms of both strategic and operational capacity. The strategic constraints especially relates to transparency problems and its institutional status within EEAA. The result is that EPF has a disadvantageous public sector image and projects a lack of transparency, which hinders effective marketing and partnering with external partners, donors and the public at large. Effective financial control is lacking and there is limited performance monitoring.

The diagnostic analysis of the EPF concludes that EPF has substantial opportunities for playing a strategic role by accessing the very large national demand for environmental investments. Playing that strategic role would demand that EPF can mobilise organisational resources and strengths to take advantage of the possibilities. There are organisational strengths to build on in this respect: a willingness to change, a new strong leadership to carry changes through and the institutional opening to define a more independent EPF with the potential to increase revenues and volumes. The strategic emphasis should thus be on exploiting available strengths while reducing weaknesses and constraints.

As regards the EPF institutional status, the main issues, apart from the issue of location (in or outside the EEAA premises), centres on (i) degree of independence over financial system (how to administer funds - fund raising, budgeting and accounting) and (ii) degree of independence in decision-making (how to spend funds - appraisal and approval, and operations in that connection) - ref. PMU Feasibility Note, February 2004.

The only feasible institutional solution in the short term is to continue as a part of the EEAA as this institutional option will not require amendments to the law governing EPF (Environmental Law no. 4/94). Changes to the law will be a lengthy process and

involve a considerable number of external parties and stakeholders, whereas changes under the currently ongoing revision of the EL 4/94 Executive Regulations are easier handled and less time consuming. A more independent status for the EPF would, however, be preferable in the longer term, and that the further development plans should be aimed in that direction – based on the emerging track record of the EPF during 2005-8.

The required adjustments to the current EPF Institutional status mainly concerns: (i) the structure of the EPF Board, (ii) a self-contained EPF financial management and accounting function, (iii) regulation of the 25% financing ‘window’ for EEAA, (iv) adherence to laid down EPF regulations, and (v) a sufficiently independent management status for the EPF to enable it to act as a credible partner for interested investors in the sector.

Objectives, Outputs and Implementation Strategy

The Vision and development objective for the support package is to enable the EPF to support *the Implementation of Law 4/94 for the protection of the environment*.

The immediate objective for the EPF support is:

The EPF enabled to have a major and strategic impact on environmental investments by 2008 through total project investments in excess of LE 100m annually and an improved image as measured by a higher number of investment partnerships.

The meaning of the goal (over LE 100 million)²⁵ is to indicate the size of the business volume, which must be in mind – much less volume is assessed as unrewarding, if EPF is to attain a strategic role in the sector. This overall goal would eventually find expression in the intended EPF Business Plan as a certain market share.

The major outputs are as follows:

- Initial Output: Adjustment of EPF institutional status
- Output 1: Development and approval of the Business Plan for EPF
- Output 2: Financial accounting of international standard operationalised
- Output 3: Effective budgeting and results based management performing
- Output 4: Financial / technical project appraisal monitoring operationalised
- Output 5 : Standard reporting formats developed and training in use performed
- Output 6: Marketing of EPF and Partnerships established with relevant entities
- Output 7: Increase of revenues and annual investments exceeding EL 100 million per year by 2008.

The initial output will be developed for implementation prior to the further developments.). The Business Plan will be developed as mentioned in the separate consultancy for that (TOR in Annex B). The specifications for the remaining outputs will be developed during the preparation of output 1.

Implementation Strategy

²⁵ Annual EPF revenue 2001-4 range between LE 10-20 million.

The support to EPF will be divided into 2 phases:

Phase I will comprise assistance in improving and adjusting the institutional status and capability. Pending a successful institutional adjustment,

Phase II will assist in developing a sustainable performance based business plan and building operational capacity within the organisation.

Phase 1: Strategic Institutional Adjustments

During phase I the support is in adjusting EPF institutional status and capability by:

- ❑ The separation of the EPF financial system from the EEAA, and the simultaneous transfer of the ESP financial unit to EPF, including the transfer of the ESP Financial Controller.
- ❑ Establishment of a broader EPF Management Committee
- ❑ Regulation of the 25% financing 'window' towards EEAA
- ❑ Installation of measures to ensure that approved regulations are followed
- ❑ Operationalisation of more independence for daily EPF Management

The separation of EPF's financial system from EEAA is a crucial first step on the road to increasing the funds available to EPF, while the transfer of the ESP financial management function to EPF will give EPF the capability needed to implement its own financial system. This will include both accounting and financial control (which can be implemented over about 1½ years) and budgeting and budget control (which can be started at the same time, but needs more time to be fully implemented).

The EPF is officially recognised as a GOE Accounting Unit, in the same way that the EEAA is an official GOE accounting unit, but both these units are currently operated by the EEAA Central Department for Finance and Administration. This indicates that if the sufficient capability for handling both the GOE and International Accounting requirements can be installed in EPF, and assurances to that effect can be given to GOE (Ministry of Finance), then it will be possible administratively (e.g. via the EL 4/94 Executive Regulations currently being revised, or by other means) to move the official accounting unit to EPF and thus secure independent financial control.

In this way the competences build up in the ESP financial team will be used actively, and the EPF financial management will be assisted in developing acceptable international accounting and financial standards. It will also start the process of capacity building in the organisation and increase the internal responsibility for raising revenue for own activities.

Furthermore, a new EPF Management Committee not necessarily chaired by the EEAA CEO and with representatives from a number of stakeholders will be established. That new EPF Committee could be constituted from the EEAA Management Board as an Executive Sub-committee for EPF. This option will not require amendments to the law governing EPF (Environmental Law no. 4/94) but instead falls under the currently ongoing revision of the EL 4/94 Executive Regulations.

The options and recommendations on all these institutional adjustments will be further explored and finalised by the initial EEAA Strategic consultancy (TOR in Annex C).

The mentioned institutional measures will be embodied in a formal agreement or MOU between Danida and the EEAA/MSEA. Entering into the agreement will precede commencement of the further assistance to EPF.

Phase II: Business Plan Development and Implementation

The creation of EPF's own financial system is a natural starting point for also enabling EPF to undertake its own financial appraisal and subsequent monitoring and evaluation of the projects. Increased operational independence from EEAA will also enable EPF to transform its disadvantageous public sector image, in terms of clearly demonstrating results, fundraising and approaching private companies. The EPF must in this context become very certain of what its core products and services are, and what value the EPF offers and can bring to potential investments partnerships. The EPF must be enabled to develop and demonstrate its strategic advantages in this perspective.

Pending a successful phase 1, EPF will, therefore, be supported in developing a result-based **Business Plan** and at the same time focus on internal procedures and capacity building to increase transparency and utilize the full range of statutory financing opportunities. This will both increase the effectiveness of the organisation and the resources available. In addition, it will strengthen EPF's image in the donor community and increase the chances of donor support.

The ESP financial management function is transferred to EPF gradually during 2005, and training in accounting and financial control to secure that capacity is simultaneously built up. The ESP Financial Controller will secure the continued professionalism of the function.

The operational business plan for EPF is developed, assisted by international consultants. Furthermore training is to be conducted in such areas as accounting, project finance, credit risk assessment, project management and performance based management. The business plan will be result based, and it is important that progress is followed and monitored closely to make sure progress is made. The outline of the plan is given below.

Inputs

The Danida inputs will include:

- Short term international and local technical assistance in the following areas:
 - Institutional and organisational development
 - Business strategy and plan development and fund management
 - Fund management and finance
 - Result Based Management and project finance
 - Environmental project appraisal
 - Accounting, accounting systems and financial controls

The *Egyptian Government inputs* will include:

- Adequate officers and staff to support the planned institutional developments
- Operational costs for the expected workgroups and development processes
- Office space and facilities for adviser, consultants and other participants.

- Funds for IT, Database and other equipment necessary for the implementation of measures as developed and agreed.

Sustainability Issues

The sustainability of the EPF institutional adjustments and systems developments are dependent on the formal acceptance by the GOE/EEAA of the same adjustments and developments by incorporation of these, as relevant, into the official GOE organograms and the budgets. It is therefore necessary that the Ministry for the GOE Establishment (and possibly also Ministry of Finance) become involved in these development processes and that that GOE realistically accepts the manpower and budgetary consequences of the arrived at changes.

Risks and Assumptions

The entire support package to EPF is preconditioned on sufficient backing from **the EEAA and MSEA** to enable the EPF to attain the intended strategic sector role. This includes adjustments to the EPF Institutional status, among other, regarding the structure of the EPF Board, a self-contained EPF financial management and accounting function, regulation of the 25% financing ‘window’ for EEAA, adherence to laid down EPF regulations, and a sufficiently independent management status for the EPF to enable it to act as a credible partner for interested investors in the sector – as already mentioned above.

The intended support package will enable the EPF to attain the intended strategic sector role only if the mentioned kind of institutional adjustments for EPF is implemented. The justification for the proposed supports will be rather weak in the absence of such institutional adjustments.

Annex D Budget Details

Table PMU Budget for Strategic Support to EEAA (DKK millions)

Items	Adjusted Total SPSD Budget	spent up till 2005	Budget 2005	Budget 2006	Budget 2007	Budget 2008	Budget 2005- 2008
Output 1:	0.20		0.20				0.20
Output 2:	1.00		0.50	0.50			1.00
Output 3:	1.70		0.50	0.40	0.80		1.70
Output 4:	0.20				0.10	0.10	0.20
Output 5:	0.20					0.20	0.20
Total	3.30	0	1.20	0.90	0.90	0.30	3.30

The budgets for outputs 1-5 are provisional and dependent on the detailed planning of the consultancy inputs within the overall budget allocation of DKK 3.3 million for the strategic support to EEAA.

Table PMU Budget for Support to EPF (DKK millions)

Items	Adjusted SPSD Budget	Total spent up till 2005	Budget 2005	Budget 2006	Budget 2007	Budget 2008	Budget 2005- 2008
Output 1²⁶:	0.50			0.50			0.50
• 2 months of IC			0.36				
• 2 months of NC			0.12				
Output 2:	0.28			0.28			0.28
• 1 month of IC				0.18			
• 1 month of NC				0.06			
Output 3:	0.28			0.28			0.28
• 1 month of IC				0.18			
• 1 month of NC				0.06			
Output 4:	0.28			0.24	0.04		0.28
• 1 month of IC				0.18			
• 1 month of NC				0.06			
Output 5:	0.16				0.16		0.16
• ½ month of IC					0.09		
• 1 month of NC					0.06		
Output 6-7:	0.60				0.60		0.60
• 2 month of IC					0.36		
• 4 month of NC					0.24		
Total	2.10	0	0.50	0.80	0.80	0	2.10

The further details of the phase 1 budget are in the Terms of Reference for the EPF Business Plan development (Annex C). The budgets for outputs 2-7 are provisional upon detailed planning during the development of the Business Plan and may thus be changed within the overall budget allocation of DKK 2.1 million for the support to EPF.

²⁶ IC = International Consultants; NC = National Consultants.

Annex E Risk Analysis

E1 Assessment of Risks to ESP Success

E1.1 Uncertainties, Complexities, Potential Conflicts

Beyond the Sector

The ESP has been designed and its feasibility assessed, in the context of the political, socio-economic, and institutional situation as it is most likely to develop over the coming years (see *Chapter 2*). Nevertheless, it is possible that unforeseen events arising from uncertainties and complexities outside the environment sector may disrupt implementation of the ESP as currently planned. Such events could include the following:

- macro economic performance declines, inducing unemployment, reducing willingness to pay for environmental services;
- inter-ministerial rivalry (between for example MSEA, Local Government, Housing, Health, Education) prevents cooperation, information sharing and joint initiatives needed to implement demonstration projects etc;
- Government's willingness to decentralise and commitment to good governance provisions is put into doubt by domestic unrest or external events;
- Government becomes unwilling to allow civil society (NGOs, CDAs, academic institutions etc.) to continue its development and participate actively in raising awareness, decision making and reviewing public sector performance.

Within the Sector

The ESP has been designed based on a thorough analysis of the environment sector in Egypt (see *Chapter 3*), and assumes a level of capacity and cooperation from both government institutions and civil society. These are reasonable assumptions but difficulties may nonetheless arise that would affect the implementation of the ESP including the following:

- EEAA ability to coordinate and absorb support proves inadequate (perhaps because other donors overload them, or because key elements of its current management capacity, currently supported by donors, cannot be sustained);
- stakeholder involvement cannot be maintained, because their expectations are not met quickly enough, other activities distract them, they feel that they are unable to exert sufficient influence, they lack capacity to contribute in the way that they would wish, etc;
- division of institutional responsibilities (particularly between central and local government bodies) remains unclear and becomes a source of conflict;
- control of funds is as far as practicable left to partner organisations but proper reporting is difficult to obtain and therefore control of funds cannot be maintained at the level Danida requires.

E1.2 Implications for the ESP

The uncertainties and unexpected events listed above may give rise to conditions that delay or prevent effective ESP implementation or cause the ESP to fail to achieve its objectives. The major risks are as follows.

- Failure to implement and sustain organisational reforms or to allocate sufficient resources in EEAA leads to inability to manage the ESP effectively. The consequences include slow decision-making and failure to coordinate central activities, inhibiting implementation of ESP and preventing partners from applying lessons learned.
- Rivalry and/or conflict over who has jurisdiction over a particular activity cause partners to rethink their roles and suspend or withdraw support entirely.
- Partners lose interest and/or fail to allocate sufficient resources (in particular, properly qualified staff), perhaps because other activities bring more immediate rewards or access to other funds is easier.
- The effort that has to be expended on control of funds becomes disproportionately large and a source of conflict between Danida and its partners. Potential misuse of funds becomes severe enough to delay implementation or even to cancel a component.
- Delay in provision of or inability to identify timely and adequate technical assistance from Danida.

E1.4 Risks of Unintended Impacts

In addition to the risk that the ESP cannot be implemented as intended or fails to achieve its objectives, it may be that the ESP unfolds as planned but has unintended, undesirable consequences. These might be due to the aggregate effect of individual or corporate responses to the changed social, economic and regulatory environment created by ESP activities.

Key risks of this kind include the following:

- emphasis on sustainability promotes user charges that exclude the poor from the services designed to help them;
- costs of operating SMEs rises due to increased emphasis on pollution control, reducing take-up of ESP services and promoting unemployment and poverty amongst already vulnerable populations; and
- well-funded opportunities for ESP funded local consultancy attracts highly qualified personnel out of public service, weakening the very institutions the programme intends to strengthen.

E1.5 Why Risks are Acceptable

A thorough consultation process has been undertaken that included meetings at every key decision point. Partners and stakeholders have contributed to component design and understand the SPS rationale and process. This reduces all those risks that arise due to lack of commitment, misplaced expectations, or the divergence of aims of donor and recipient.

Failure to Coordinate: EEAA is by Law the coordinating body and has shown progress in coordination and has now initiated activities in order to enhance its key coordination role. Ongoing and the continued Danida strategic support will enhance its capacity to mediate effectively between stakeholders and to disseminate lessons learned.

Constraints on Local Democracy: Egypt is becoming a middle income country with a well-established democratic process. The move towards decentralisation is recognised as an essential next step, both in the broadening of democracy and the continued growth and development of the economy. Danida's contribution will assist in developing capacity within the civil society that is a necessary adjunct to transfer of power from the centre. There may be temporary setbacks due to internal unrest or external conflict, but ESP activities will contribute to the demand for decentralisation and increase its effectiveness, where implemented. The ESP will thereby make a contribution to supporting political commitment to decentralisation and lessen the risk that central or local governorate may feel it necessary to suspend or constrain popular participation.

Rivalry and Conflict between Stakeholders: During preparation of the ESP, a number of areas were identified where several institutions have overlapping jurisdiction. Other donors are aware of these also. Together with other donors, Danida is lobbying for clarification of the legal instruments giving rise to the confusion. In addition, the approach of stakeholder involvement and joint implementation will serve to minimise such risks.

Partner Loses Interest/ Fails to Allocate Resources: In addition to involving partners in component formulation (described above), component implementation strategy is designed to give partners a great deal of freedom of action, including control over the spending of funds on local goods and services (subject to sound accounting practices and appropriate reporting). Potential for partners to be recruited to competing donor programmes has been greatly reduced by the donor coordination forum and the activities of TCOE.

Misuse of Funds: The ESP includes support for the EPF, potentially technical assistance to the PMU and accounting support to each component (see *Section 11.3* for full description of flow of funds). Experience with ongoing activities in Egypt (OSP and EETP) suggests that there may still be occasional problems in reporting accounts promptly and in ensuring that funds are spent only on items directly associated with component activities. Nevertheless, the benefits in terms of ownership and capacity development justify the taking of some risks, and the safeguards put in place to prevent misuse of funds reduce the risk to an acceptable level.

Unintended Impacts

The primary methods for mitigating risks of unintended impacts of ESP activities are:

- to design components appropriately in order to avoid them;
- to monitor for their effects; and,
- to be prepared to make the necessary adjustments.

Each component has been designed in awareness of the potential adverse effects on non-target groups. The PMU will extend its routine monitoring to include indicators of these effects and report findings to the annual review team. The risks will, therefore, be minimised and remedial action will be taken where untoward effects are identified.

Annex F Institutional and Legal Context

Central Government

Within MSEA, the Egyptian Environmental Affairs Agency (EEAA) has the responsibility for setting national policy on environment, and for co-ordinating environmental management activities. The EEAA was first established in 1982 "to form the link between the Cabinet of Ministers and the different ministries and other bodies concerned with the protection of the environment". The role of the Agency is essentially supervisory in nature, whilst responsibility for project implementation lies with the respective line ministries and governorates. Responsibility for implementation of nature protection activities, however, lies within the EEAA.

Under Law 4/94, the remit of the agency was revised to include the following functions:

- formulate policies for environmental protection ;
- implement some pilot projects;
- prepare draft legislation;
- decide on norms and standards;
- collect national and international information;
- implement EA regulations;
- prepare a national contingency plan against environmental disasters;
- prepare programmes for environmental education;
- co-ordinate the handling of hazardous substances and wastes;
- administer and supervise nature reserves;
- prepare a draft budget for environmental protection;
- administer the Environment Protection Fund.

In order to carry out these functions, EEAA has approximately 600 staff organised into three technical sectors: Environmental Quality, Environmental Management and Nature Protection; and four central departments: Financial and Administrative Affairs, Branches Affairs, Environmental Communication and Public Awareness, and Planning, Follow-up and Technical Co-ordination.

In order to fulfil their mandate of co-ordination and working through the line ministries, the EEAA, through the MSEA's Minister's office, prepares specific co-operation protocols with other Ministries. These protocols establish the framework for information flow, personnel exchange and co-ordination in relevant areas. Currently there are six such protocols in operation, with the ministries of Manpower, Health, Justice, Industry, Petroleum and Tourism.

Staffing and Human Resources

EEAA

The EEAA currently has over 600 professional members of staff (this includes 178 members of staff in permanent EEAA posts and 51 staff seconded on a full time basis). The remainder of its staff are employed on short or full time contracts (349), temporarily seconded (35) or engaged as consultants (14). EEAA expect by July 2005 to have approval for 600 staff in permanent EEAA posts.

Capacity has been strengthened through technical co-operation programmes with several donor agencies over recent years, including training in important areas such as: auditing, EA, licensing procedures, database development and management, environmental education, training and awareness and laboratory analytical techniques and laboratory management.

Manifestations for the shortage of staff in EEAA include the striking imbalance between permanent and temporary staff, where permanent staff only constitutes 30% of the total human resources available, and temporary constitutes the remaining 70% in the form of temporary, seconded employees and consultants.

EEAA is, however, currently a much better established organization than 10 years ago. Departments are better performing their functions, staff are more experienced and confident with their responsibilities, needed departments have been established and staffed (such as the Inspection Unit) and a number of Regional Branch Offices have been established, staffed, equipped and are operational. However still much needs to be done to address organisational gaps and weakness (ref Chapter 5)

Governorates

It is generally accepted that, with a few notable exceptions, the governorate EMUs do not have the capacity to develop and implement environmental management programmes. The normal practice in all governorates has been to second three to six individuals from different relevant governorate line ministries to staff an EMU. This is not necessarily unsustainable, but there would be greater staff security, career prospects and budget access if the posts were properly established. As central government does not allocate a budget to the governorates for such units, they all lack basic equipment and funds to operate effectively.

The above described situation at Governorate level in 1999 is now, in some cases, improved so that there are some 100 to 120 people in environment in some governorates - some at the EMU level and some at the markaz level as well.

Sectoral Budget

Environment is not, of course, an economic sector, and expenditure on environmental activities cuts across a number of line ministries, in addition to the activities of the MSEA. Expenditure on the environment is neither explicit within the public expenditure accounts, nor within GDP. Actual expenditures on the environment in Egypt comprise:

- expenditures by the MSEA and EEAA;
- expenditures by other line ministries on environmental programmes;
- expenditures on water supply and sanitation and solid waste management, incurred mainly at governorate level and below;
- private sector expenditures; and
- donor funds in addition to resources expended through the EEAA.

The first and last of these are relatively easy to identify, but even here the analysis which follows is still incomplete. The following data has been made available:

- Total GOE environmental investments during 1992-2004: LE 31.9 billion. Of these, water, land, energy, sanitary drainage, improvement constitutes 85% (41 % for water, 15% for lands, 15% for energy and 14% sanitary drainage).
- Funding from grants and foreign loans is 23%, and funding from local loans makes up to 72%, while environmental investments from the State General Budget ranges between 2,75 and 4,4%.
- Environmental investments as part of the Gross National Product GNP ranges between 1,0% and 1,4%, and aid value during the ten years (92/93 to 2001/2002) ranges between LE 3,6 billion and LE 6,2 billion per year.
- The WB has estimated the yearly environmental cost to 14.500 Million LE (Egypt, Country Environmental Analysis Feb 2005).

These investments, however, include such items as: the establishment of utilities in cities and new urban communities, transfer of the various types of workshops from the city centres, connection of electricity to hamlets, small residential communities, in addition to drinking water and sanitary drainage. Improvement of lands in order to cultivate the desert, increase fertility of cultivated land, extract high quality seeds, control agricultural pests and avoid use of chemical fertilizers. Sanitary drainage projects, clean water provision projects. It further includes pavement of new roads and maintenance of old ones, protection of coasts against erosion and infringements as well as research studies in many different areas. A number of these investments could thus be tabulated under other headings as well; e.g. as general urban and rural development investments.

Expenditure by MSEA/EEAA

At the MSEA/EEAA level the total value of the environment budget in 1997/98 was LE 23.8 million. The budget was increased substantially, by nearly 30%, to LE 30.8 million in 1998/9, mostly because of an increase of LE 5.3 million in the capital budget. All capital expenditure is shown in the EEAA budget, so that the MSEA budget covers only a modest allocation for salaries and recurrent expenditures (see *Table f.1*). Below is a table detailing this expenditure over the years 1998 - 2001:

Table f.1 EEAA Expenditure 1998 - 2001, LE million

Fiscal Year	1998/1999	1999/2000	2000/2001
Wages & Salaries	2.76	3.22	4.49
Recurrent Expenditure	1.74	1.79	1.79
Investments	20.69	23.28	25.10
Total Allocation to EEAA	25.19	28.29	31.38

Sources of Funds

The main sources of funds for capital expenditure under the MSEA/EEAA portfolio are the National Investment Bank; the Environment Protection Fund, the Tourism and Environment Funds; and foreign capital funding.

The Environment Protection Fund (EPF) was established in 1994 as an ‘economic’ institution. This in principle²⁷ means that it has flexibility to accrue revenues, it is in-

²⁷ The ‘principle’ has not, however, been fully implemented as the EPF has remained organisationally as an office within the EEAA, with limited independence (see Chapter 5 for more information on the EPF).

dependent of the State Treasury, and its resources can be earmarked for specific purposes.

EPF operates with a main set of financial accounts in LE and a separate set of accounts for its US\$ cash flow. For the main LE accounts, selected key financial numbers over the years are given by EPF:

Table f.2 EPF Funds Flows

Millions US\$	2001/02	2002/03	2003/04
revenues	6.5	0.3	0.2
Cash balance	14.6	14.9	15.1

Millions LE	2000/01	2001/02	2002/03	2003/04
Revenues	11.6	9.2	11.5	16.2
Expenditures	2.0	6.2	7.8* ²⁸	16.6** ²⁹
Cash balance	42.5	N/A	16.3	22.6

The above LE flows does not include US\$ bank deposits which amounted to US\$ 15.1m by 30 June 2004. These are therefore additional funds. This US\$ account does not include grants from Danida, but fines etc that EPF collects in US\$. There are currently no expenditures posted against the US\$ accounts.

The size and volume of EPF is thus very limited. The fund can only have real and significant impact on the environment if the scale is increased substantially.

The EPF has a number of sources of funds, not all of which are active. The EEAA budget does not give a separate capital allocation for the EPF.

Local Government Expenditures on the Environment

Local revenues are made up of allocations of state revenues which are collected by local tax offices, but distributed according to the central Ministry of Finance and Ministry of Planning; and of locally levied taxes and charges, which can be a useful source of funds for environmental programmes.

Major Elements without Finance

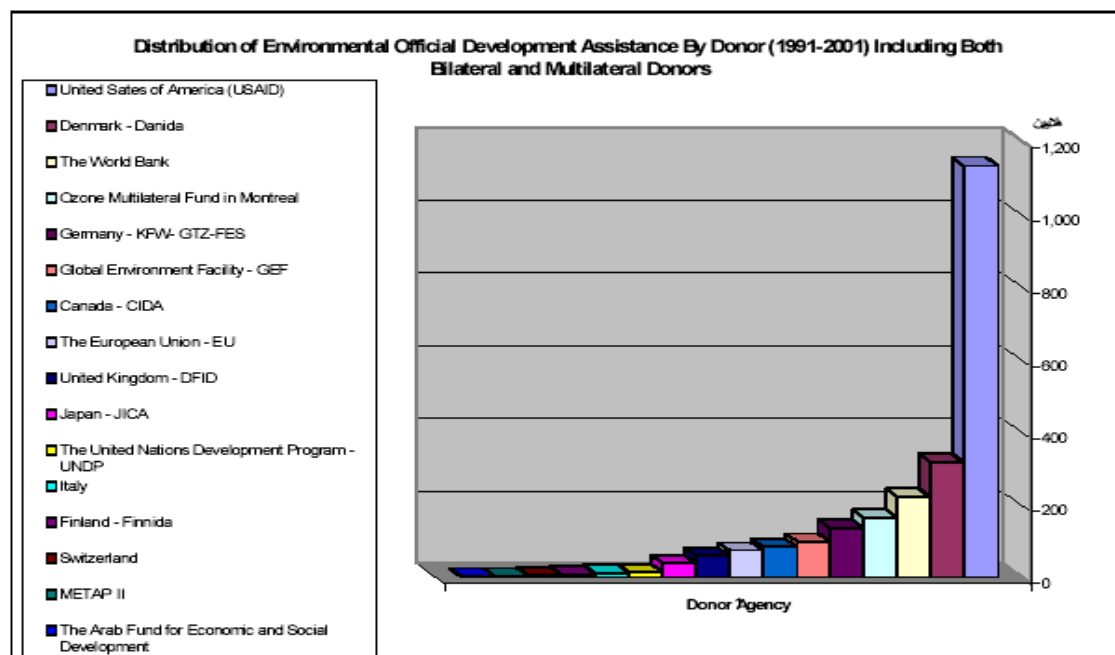
Egypt has attracted donor support from a wide variety of sources, but the availability of such funds are gradually diminishing as several major donors are disengaging from the environmental sector in Egypt. However, the funds are unevenly distributed, and tend to be concentrated in the Greater Cairo area. For this reason, at the request of EEAA, the Danida-funded Environmental Sector Programme has focused some of its activities in the relatively under-supported areas of Upper Egypt.

²⁸ *) Support to EEAA infrastructure: LE 5.2m. Project grants make up LE 2.2m.

²⁹ **) Support to EEAA infrastructure: LE 7.3m. Project grants make up LE 5.5m

Annex F1 Overview of Donor Assistance to the Environmental Sector

The Figure below summarises the main donor activities in the environment during 1991-2001.



Source: "Egypt Country Environmental Analysis", (WB 2003) by Dr. Tarik Genena.

Donor: Danida/OSP, ESP	Dates: 1995-2008	Funding: DKK 367,000,000
Through the OSP and more recently the ESP, Danida has been supporting decentralisation, specifically through the DEM and EMG components, which have been providing assistance to a total of 5 RBOs and their corresponding EMUs. There has also been a focus on the policy level through the DEM component's Task Force.		
Donor: Finnida/EPAP	Dates: 1994 - 2004	Funding: MK 130,000,000
The Environmental Pollution Abatement Project focuses mostly on the industrial Governorates – Greater Cairo, Suez, Alexandria and Qaliubiya –focusing on hazardous waste and cleaner production practices. The main outputs have been technical manuals concerning environmental inspection, enforcement and monitoring. The project has also provided technical assistance in terms of equipment and training to both EMUs and RBOs.		
Donor: DFID/SEAM	Dates: 1991 - 2005	Funding: £5,748,100
The Support to Environmental Assessment and Management Programme is focused on various aspects of decentralisation and has been implemented through helping the Governorates in which it operates (Sohag, Qena, Dakahleya and Damietta) to formulate their GEAPs as well as strengthening other institutional practices. They have assisted in establishing Higher Environmental Committees, which coordinate between EMUs and other Directorates. Assistance at the policy level is complemented by demonstration projects as well as community projects stimulating public awareness and involvement.		
Donor: USAID/EEPP	Dates: 1999 - present	Funding: \$110,000,000
The Egyptian Environmental Policy Project has been involved in providing support to the Red Sea Governorate, especially in its policy formulation to assist in the upgrading of the EMU to a general department. The elaboration of a draft decree on the functions of EMUs was also an attempt at clarifying the roles of RBOs and EMUs to promote cooperation between the two.		
Donor: JICA	Dates: 1992 - present	Funding: ¥ 1,474,000,000
The Japanese International Cooperation Agency has been assisting decentralisation through the capacity-building of RBOs and EMUs with the provision of technical equipment and laboratories for sample analysis.		
Donor: GTZ		

This German technical assistance programme aims at assisting the Ministry of Local Development to channel support to the Governorates in order to establish effective Solid Waste Management at a decentralised level.
--

Donor: ITALCOOP		Funding: 400,000 LE
An Italian donor program that has focused on Fayoum and Marsa Matrouh Governorates to establish effective solid waste management in a number of cities. In order to ensure sustainability of this effort to decentralise solid waste management, part of their support has been directed to the EMUs involved.		

Donor: SFD	Dates: 1991	Funding:
The SFD aims at poverty alleviation by providing new job opportunities, strengthening social services and improving the living conditions of the most vulnerable sectors of Egyptian society. The projects also assist NGOs in planning and executing projects and direct additional public investments towards social, health, education and environmental services.		

Annex G TOR for the PSC

Terms of Reference

For the

Programme Steering Committee³⁰

1. Background

The management and organisation of the ESP is structured around:

- The Programme Steering Committee (PSC);
- Two Component Steering Committees, for the SDEM³¹ and ACI components respectively, composed of the institutions and organisations receiving support, and other stakeholders where appropriate.
- The Programme Management Unit (PMU) to support the PSC and provide strategic support to EEAA and EPF.

The management and organisation will follow Egyptian systems and conventions to the maximum extent possible. Therefore, the PSC mirrors the composition of the Board of Directors of EEAA, where other stakeholders, line ministries and NGOs are represented as well as the revised ESP structure 2005-8, which consist of just two components, plus additional support activities to EEAA and EPF as well as consolidation of the activities to CEM and EIMP under the PMU.

The Programme Steering Committee is the formal mechanism for joint decision-making concerning ESP in general between the Egyptian Partner Institutions and the Danish Representation in Egypt.

2. Mandate and Scope

The PSC ensures that the programme is implemented, outputs achieved and funds managed efficiently and effectively, in accordance with the programme document, Government Agreement, and other legal documents. Where deviations from the programme document are considered necessary, the SC takes the decisions. Programme objectives cannot, however, be altered by the PSC³².

The mandate of the SC includes approval of all planning documents, overall responsibility for monitoring of programme activities and output, monitoring of technical assistance, monitoring of auditing procedures and results, and decisions regarding major implementation issues

³⁰ The TOR membership should be revised in the next committee meeting to reflect the reshaped ESP requirements.

³¹ Entitled Decentralised Environmental Management Coordination Committee in the SDEM component description.

³² It is the responsibility of the representative of the Danish Representation to ensure that the mandate to take the necessary decisions in the SC is provided before the meetings. If decisions in the SC go beyond the limits of authority of the Representation defined in the Annual Business Plan (VPA), the Representation must obtain the necessary mandate from Ministry of Foreign Affairs headquarters.

The PSC will, in addition, in particular be responsible for:

- To supervise the overall development of the programme in accordance with the strategic considerations defined by the ESP Programme Document. The supervision will be based on progress reports from the components and the findings and recommendations of the Joint Sector Reviews.
- To prepare the Joint Sector Reviews (JSR), including endorsement of the terms of reference, selection of Egyptian participants in the JSR and comments.

3. Composition

The regular members of the PSC are:

- H. E., the Minister of State for Environmental Affairs (Chairman)
- Chief Executive Officer of EEAA
- EEAA Board of Directors representative
- Ministry of Foreign Affairs, International Cooperation Sector, representative
- Federation of Egyptian Industries representative
- Governorate of Aswan representative
- Governorate of Beni Suef representative
- Environmental Coordinator of the Royal Danish Embassy
- The Director of the Environmental Protection Fund

The ESP Coordinator acts as a secretary for the PCC and will in that respect present "issues/items" for discussion supported by the ESP Chief Technical Adviser

The Component Managers will participate as observers in the Coordination Committee meetings.

The PSC can add new members according to the needs

Ad hoc observers may be summoned to any PSC meeting according to the agenda items to be discussed. An invitation to ad hoc observers should have the Chairman's approval.

Danida will not pay remuneration fees to the members of the PSC. However, travel allowances will be paid according to the regulations in Section 1.6 of the Procedures manual of the ESP.

4. Specific Tasks and Responsibilities

The PSC's work in relation to the programme comprises the following major items:

- Supervision of the overall development of the programme in accordance with strategic considerations defined by the ESP Programme Document and the findings and recommendations of the Joint Sector Reviews. The supervision will be based upon the half-yearly progress reports from the components.
- Preparing the Joint Sector Reviews including:
 - participation in the selection of Egyptian participants in the Joint Sector Reviews

- comments on the JSR reports
- Approval of major planning documents (annual work plans and budgets, revised semi-annual plans and semi-annual budgets, semi-annual requests for funds).
- Monitoring of overall progress of the programme with a special focus on delays, problems and bottlenecks [approval of progress and financial reports, decisions on follow-up activities].
- Monitoring of auditing procedures and results.
- Monitoring the continued coherence between the programme and sector development.
- Endorsement of Review Aide Memoires and ensuring follow up.

5 Working Modality

The Programme Management Unit will act as the secretariat for the PSC.

5.1 Meeting frequency

As a rule the PSC will meet twice per year:

- One meeting should be 2 months prior to a Joint Sector Review
- One meeting should be between the completion of the Joint Sector Review and the High Consultations between the Government of Egypt and Danida.

The Programme Management will call the meetings on behalf of the Chairman and in agreement with the Chairman two weeks in advance. The Programme Management will distribute the agenda and background documents no later than one week before the meeting. The Chairman can at any time call an extraordinary committee meeting. Likewise, any member can ask the Chairman in writing to call an unscheduled meeting. The request shall be accompanied by a proposed agenda and the required background documents. The request can be turned down only if all other regular members unanimously decide so.

The ESP Programme Coordinator or the RDE may call for an extraordinary meeting if particular difficulties arise that may require urgent action by the PSC.

5.2 Minutes of Meetings

The Member-Secretary, i.e. the Programme Coordinator, shall prepare the Minutes of Meeting to be distributed no later than two weeks after a meeting. If the Member-Secretary has received no comments two weeks after the distribution, the Minutes of Meeting shall be considered approved. Reconfirmation of the approval of the Minutes of Meeting will take place in the following meeting.

The tentative meeting dates for a coming year will be announced and agreed in connection with the annual presentation of the ESP Work Plan.

5.3 Decision-making process

Decisions are made by majority decisions among the members of the PSC.

5.4 Standard agenda

The agenda will be an annotated agenda, and as a minimum comprise the following:

1. Status of the Environmental Sector Programme
2. Matters arising
3. Status and progress of the components and supports
 - a. SDEM Support to Decentralised Environmental Management
 - b. ACI Achieving cost-effective Compliance within Industry

- c. CEM Environmental Information and Awareness
 - d. EIMP Environmental Information and Monitoring Programme
 - e. EPF Support to the Environmental Protection Fund
 - f. EEAA Strategic support to the EEAA
- 4. Orientation from RDE / Danida
- 5. Orientation from EEAA
- 6. Orientation from the members of the PSC
- 7. Ad hoc items for discussion and subsequent decision:
 - a...
 - b ..
- 2. Any Other Business