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FIRST JOINT ANNUAL SECTOR REVIEW AGREEMENT, 09 APRIL 2003

BETWEEN

THE GOVERNMENT OF THE ARAB REPUBLIC OF EGYPT

AND

THE GOVERNMENT OF THE KINGDOM OF DENMARK

FOR

THE ENVIRONMENTAL SECTOR PROGRAMME (ESP)

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1 Introduction

A Government-to-Government agreement between Denmark and the Arab Republic of Egypt for the Environment Sector Programme (ESP) was signed in December 2000 and ratified by the Egyptian Parliament in March 2001. The ESP has seven components and a timeframe of six years:

- i. Decentralised Environmental Management (DEM),
- ii. Communication in Environmental Management (CEM),
- iii. Environmental Information and Monitoring Programme (EIMP)
- iv. Achieving Cost-effective Compliance with Environmental Regulation in Industry (ACI)
- v. Environmental Management in Governorates (EMG)
- vi. KIMA Fertilizer and Ferrosilicon Plant (KIMA)
- vii. Support to Shore Protection Authority (SPA-2)

The total budget for ESP is DKK 387,4 million, of which DKK 367,0 million was allocated from the Danish country budget, and the remaining DKK 20,4 million was allocated from the budget for Danida advisors. The SPA-2 has a separate budget of DKK 57,6 million. The Government agreement on SPA-2 was signed in October 1998.

The overall instrument for monitoring and guiding the implementation of the ESP is the Joint Annual Sector Review (JASR) is a management tool for monitoring and implementation, which is conducted jointly by the two governments. A Joint Inception Review took place during the period 2 – 16 June 2001. An Inception Review Agreement was signed on 16 June 2002.

2 The National Sector Framework

National policy and planning in Egypt is guided by a long-term development vision till Year 2022. The main objectives of the vision concern economic improvements (debt reduction, income growth, deficit reduction), social welfare, and sustainable use of natural resources.

The Fifth Five-Year Plan for Socio-Economic Development 2002-2007 sets the course for continued efforts towards modernisation and integration in the global economy and forms the overall framework for the annual budget cycle. Following a period of low growth, the Plan aims at a GDP growth rate of 4,5% in the first year rising to 6% throughout the plan period.

The Plan calls for upgrading social, judicial and security services and export promotion. Special attention is given to the social gender component, which seeks to guarantee women's effective participation in social and economic development.

The Plan includes the National Spatial Planning Strategy aiming at strengthening the relationship between central and local administration to achieve appropriate distribution of population and economic activities over the Egyptian territory. An industrial

development strategy is promoted that includes environmental protection considerations throughout.

Although Egypt is a middle-income country, the poverty map of Egypt highlights considerable national variations, including areas of serious poverty, especially in Upper Egypt. To provide a safety net for the poor, following structural adjustment programmes in the 1980s, the Social Fund for Development was established in 1990. The fund, which has been heavily supported by the donors, continues to promote social development among the poor in Egypt.

The Law for the Environment 4/1994 regulates the environmental policy for the Government of Egypt. The law was approved and put into force in 1994. It authorises the Egyptian Environmental Affairs Agency (EEAA) to regulate environmental management in the country, and outlines the areas to be regulated under the Law. The EEAA is the central Government institution for promoting sustainable development and environment in Egypt. The EEAA has its own Board, chaired by the Minister of State for the Environment with representation from the relevant sector ministries. The Board composition reflects the policy of EEAA as being the coordinating body for environmental management in the Government of Egypt.

The new EEAA management has formulated a broader vision of EEAA to include economic and social aspects in sustainable development, and to integrate the environmental dimension into national policy plans and programmes.

The recent five-year EEAA work plan (2002-2007) sets out the priorities of the MSEA and EEAA. The plan emphasises capacity building, both in the EEAA and at the decentralised levels, awareness raising for all community levels, mobilising NGOs and Community Development Associations (CDAs), finalising establishment of the Regional Branch Offices (RBOs), support to Environmental Management Units (EMU) in the Governorate administrations. The use of economic instruments (financial mechanisms, incentive schemes) is a recent strategic development as is the promotion of cleaner production methods in industry.

In a meeting with the Prime Minister, the Minister of State for Environmental Affairs and other key Ministers in June 2002, the President Mohammad H. Mubarak declared key environmental policies and directives towards the magnitude and the necessity of integrating environmental considerations in all developmental sectors in Egypt aiming at achieving sustainable development. A decision in that context was taken to include the environmental dimensions in each economic feasibility study proposed for any new project. Direct instructions were especially given for the areas of sustainable use of natural resources, nature conservation and protected areas, and eco-tourism.

The Planning department in EEAA has analysed those policies, decisions, and instructions in order to properly reflect them in its Five-Year Plan 2002/2007.

The declaration was published in the press and is targeting the whole society and demonstrates the commitment of Egypt's Political Leadership towards environmental protection and sustainable development setting them as priorities to the Government.

The National Environmental Action Plan (NEAP) is the policy document representing the Egyptian agenda for environmental actions and should be the main environmental source document for the sector plans of line ministries. The financial implications of the NEAP's latest version (2002) are to be clarified before official adoption by the Cabinet of Ministers.

It is planned that the NEAP be supplemented through the development of Governorate Environmental Action Plans (GEAP), outlining actions to be taken at Governorate level. EEAA has established a GEAP Advisory Unit in order to coordinate and support the action planning process in the Governorates. Implementation of the GEAPs will, however, face a number of difficulties, both in relation to financial constraints and technical capabilities in the Governorates.

EEAA has accumulated considerable capacity, not least due to previous Danish assistance. However, some of the line-ministries still need to implement guidelines and procedures to strengthen environmental management in their sectors.

At decentralised levels, the Governorates have authority under various laws to regulate environmentally significant activities. They also share authority with EEAA, under Law 4, to regulate activities within their own boundaries. Joint activities have been carried out to a greater or lesser extent across the Governorates depending in past upon the capacity of the Governorate. The formalisation of relations in accordance with a decree, soon to be issued, will assist establishment of coherent cooperating structures.

Investments in the environment sector in Egypt during the last decade have been substantial, in particular through donor assistance. However, availability of funds from this source is decreasing. The environment sector in Egypt may face financial constraints in the coming years, which could jeopardize the investments made by Danida and other donors so far. New financial instruments and partnerships will have to be created in order to facilitate continued development of the sector, eventually by focusing on private sector involvement to supplement public expenditure and donor assistance with private investments.

2.1 Donor Support for the Environment Sector

A number of donors are active in Egypt in the environment sector. Traditionally the significant donors in the sector have been, beside Danida, DFID, JICA, GTZ, FINNIDA, CIDA, Italy, and the UNDP. This is in addition to USAID, EU, and the World Bank which assistance may be supplied as direct budget support or through other sectoral partners. Most of these donors have a focus on poverty alleviation. Donors in the sector maintain regular co-ordination meetings, which include EEAA. The objectives of the meetings are to share information, to coordinate sector policy and programme activities and provide a forum for policy dialogue. Concerted or joint initiatives, including "basket funding" have, so far, been rare.

Donor assistance addresses a wide number of fields. EU, USAID, Italy, provides assistance to biodiversity conservation. These together with KfW, FINNIDA, and the World Bank support cleaner industrial development initiatives. GTZ mostly provide funds for solid waste management whereas EU supports institutional and human resource development. UNDP prioritises policy development and USAID provides untied financial support targeting milestones in the development of the Egyptian environmental sector.

The overall level of support going to the sector, as well as to development assistance in general, is declining as some donors consider a complete withdrawal from Egypt (Netherlands and Finland), while others (DFID, CIDA) are gradually phasing out their environment programmes. Driving this trend is the fact that as the income level of Egypt increases, the country becomes less eligible for grant assistance and donors prefer cost-sharing or mixed credit schemes. Accordingly, donor assistance in Egypt has changed from project-based grants towards alternative financial arrangements such as debt relief schemes, fund arrangements, and public-private partnerships. Partially counter-balancing this trend is the GOE success gaining access to GEF funds and to regional programmes such as MEDA. It has also concluded "south-south" co-operation protocols with a number of Arab and African countries.

The environment sector might face some difficulties if its priority as perceived by GOE does not allow it to compete successfully for loans with other development priorities. In this context, Danida assistance to the sector is relevant and needed.

3 Implementation Status at Programme Level

3.1 Poverty Reduction

Poverty reduction is an overarching priority, which should be integrated into all Danida supported Sector Programmes and interventions should in general be designed to support national poverty reduction strategies.

The ESP was designed to strengthen the environmental sector in general based on the dual understanding that sustainable management of the environment and natural resources is a precondition for the long-term economic development necessary to reduce poverty and that poor people often suffer disproportionately from the consequences of environmental damage.

Capacity building activities will indirectly benefit low income communities living under poor environmental conditions, e.g. by building capacity to deal with issues like unsafe drinking water, poor sanitation with increased risk for waterborne diseases, poor air quality, occupational health hazards etc. An additional and more concrete measure aimed at benefiting the poor directly is to ensure that funds for pilot and demonstration projects are directed towards interventions directly improving the living conditions of the poorest.

The programme as a whole, if successfully implemented, will thus provide both direct and indirect benefits to the poorest in Egypt. The ACI component has developed a strategy for mainstreaming the poverty issue into the component implementation.

Mechanisms are however needed to continuously ensure this focus during implementation of component activities. In order to maintain the poverty focus, the ESP Management will have to monitor programme activities continuously and assist the components in mainstreaming poverty reduction into their activities by developing criteria for project selection as well as relevant indicators.

Integration of poverty reduction benchmarks is restrained by the absence of an Egyptian national poverty reduction strategy, which would ideally provide guidance to link environmental management initiatives to poverty reduction. Some relevant indicators and data-collection may however already be available and care should be taken to use already existing and generally accepted approaches if possible.

In 2000, the Government outlined a plan to alleviate poverty. This has not been followed up with a full Poverty Reduction Action Plan, although in 2002 a joint study with the World Bank ("Poverty Reduction in Egypt – Diagnosis and Strategy") outlined elements of a possible strategy.

It is agreed

- 1) *That a clear poverty reduction focus should be included in the existing screening system for proposals for pilot and demonstration projects to ensure that projects with poverty reduction aspects are given more weight*
- 2) *To include poverty reduction as part of the Impact Monitoring System to be developed as a monitoring and benchmark tool for the ESP Management.*

3.2 Crosscutting Issues

Gender, as a Danida cross cutting issue and as being highlighted in the ESP Programme document, has to be integrated into the programme components. During the design of the ESP it was emphasised that gender issues should be subject to specific actions in the components implementation plans.

So far, limited initiatives have been taken from the programme management to integrate gender issues at programme level as well as at components level:

On the MSEA/EEAA side, a Cooperation Protocol has been developed between the EEAA and the National Council for Women, which enables both entities to explore cooperation opportunities where gender concerns are properly addressed. In the end of 2001, a Gender Unit was formed like a committee with representatives from across EEAA and external key stakeholders (e. g. universities, research centers and NGOs), and the head of the Unit is a member in the National Council for Women. Yet, the Unit does not have its own full-time allocated staff and will thus be unable to provide direct support for the ESP. However, the Gender Unit may be able to screen project activities if appropriate criteria are developed.

It is proposed to liaise with the newly established Gender Unit in EEAA, in order to establish a common action plan on integration of gender issues into the ESP-since the meant objective of the ESP mainstreaming the gender concerns in its activities is to support and being an integral part of the "Gender Policy/Strategy" of MSEA/EEAA. Also, the use of the available Unit expertise, especially in dealing with the gender aspects

on the community, Governorates and lower local levels, would be a potential area for close cooperation between the ESP and the Unit.

In relation to good governance, the ESP has focussed very much on capacity development in environmental management of the involved institutions, in particular the EEAA and selected Governorates. As transparency is a major element of good governance, the different ESP components (especially and throughout the CEM component) may play an important part in promoting good governance by making environmental information available to NGOs and the general public.

It is agreed that

- 3) *The ESP Management formulates a gender policy and an action plan for integration of the policy into programme implementation, in cooperation with the Gender Unit in EEAA and using the experiences from the different EEAA and donor funded projects.*

3.3 Programme Management

Even though most of the recommendations from the Inception Review have been implemented, there are still a number of shortcomings in relation to the programme management, in particular regarding the role as coordinator between the components, and at the strategic level.

The overall programme implementation is still significantly delayed, due to a number of reasons, and the spending is significantly less than budgeted. The ESP Management Review recommended strengthening the programme management addressing the following issues:

- i. Enhancing of the strategic role and functions of the Co-ordination Committee
- ii. Strengthening of the Programme Support Unit (PSU)
- iii. Development of a Strategic Management Plan for the PSU
- iv. Establishment of a ESP Impact Monitoring System

The Programme Coordination Committee (CC) shows high-level commitment from the Government of Egypt. However, the strategic role of the Committee will have to be better reflected in the mandate and modus operandi. The Coordination Committee should, beside their mandate to review programme progress etc., be given a clearer role vis-à-vis programme strategy. TOR for a revised mandate for the CC has been drafted. The TOR provides a strategic baseline for the tasks and responsibilities of the CC.

The administrative arrangements, including the PSU have been implemented, including planning and reporting frameworks. The present monitoring system is targeting the monitoring of the ESP programme performance. So far, it has been difficult to monitor programme progress, due to the absence of an impact monitoring system for the ESP. In order to produce an impact monitoring system for the ESP, a set of TOR have been drafted for hiring of external consultants to prepare the system. The development of an "Impact Indicator System" should be based on the drafted TOR.

It is clear that the programme management and the Programme Support Unit (PSU) have not yet engaged themselves sufficiently in the more strategic aspects of the programme

management, resulting in insufficient coherence between components and with EEAA. There is a strong need for more interactions between the various components, in order to share the various competences in the components and to ensure coherent actions and mutual benefit. The programme has not yet been able to establish a programme culture among the various stakeholders in the programme. The ESP management arrangements have been assessed, and the hiring of a local environmental specialist to assist the management has been evaluated. The ESP management has proposed to change the hire to a National Coordinator to overcome some of the management problems in PSU. The TOR of the National Coordinator should be included in an overall review of the PSU Management targeting a better utilisation of the PSU staff. The drafted TOR shall be included in the review and updating of the job descriptions for all PSU staff.

The programme management structure, as described today does not describe in enough detail the staff responsibilities in PSU, and there is a need to view the management arrangements, in particular the division of labour and the delegated responsibilities within the management team in more details. Based on this assessment more adequate management procedures and a re-organisation of the management team should be proposed.

A draft Strategic Management Plan outlines a number of the issues identified during the technical review of the ESP Management, and offers some analysis of the current situation and problems vis-à-vis the management of the programme. The presented draft Strategic Management Plan does not offer a solid strategy for the future management of the programme, and the strategic plan will have to be reformulated, eventually by the use of external resources. The development of the Strategic Management Plans for at programme and component level should include all relevant levels of management.

It is agreed to

- 3) *Initiate the development of an impact monitoring system. The drafted TOR and an outlined Process Action Plan for the development of the system should be presented to the Coordination Committee for final endorsement*
- 4) *Recruit a National Coordinator on the basis of the job description*
- 5) *Reformulate the strategic management plan by hiring an external consultant to assist the PSU in the reformulation for endorsement by the CSC followed by CC*

4 Implementation Status at Component Level

4.1 Decentralised Environmental Management (DEM)

In January 2003, a technical review found that progress had been made under most of the headings identified in the revised work plan and that co-operation with the Greater Cairo & Fayoum RBO was particularly promising. The review nevertheless concluded that overall progress was slow compared to the expectations in the Component Description and the approved work plans.

The review team recommended revising the management and institutional setting of the component with a view to removing the bottlenecks obstructing progress.

A new organisational structure, work plan and budget in response to the technical review has been proposed including:

- The division of the component into 5 subcomponents each with its own independent management arrangements plus an extra tier of component management named a "Component Executive Committee"
- The inclusion of an additional RBO, and the identification of the (now) 2 other RBOs to be assisted by the component as those at Suez and Assiut
- The addition of an activity to develop and implement a strategy for decentralisation within the EEAA

The Suez RBO has been proposed, despite containing some of the highest income Governorates in Egypt, because it is currently operational, willing to co-operate and not receiving much assistance from other sources. Assiut was selected in accordance with the original criteria (pockets of extreme poverty, containing a Governorate that is receiving assistance from the EMG component), despite not yet being fully staffed.

EEAA has taken first steps towards developing a decentralisation strategy. The facilitation by the component of a Task Force within EEAA to produce a vision and a plan for decentralisation will assist this. When the outputs are known, and necessary EEAA investments in terms of staffing and restructuring plans have been committed, the Component Management will be in a position to develop proposals for the future direction of the assistance.

It is agreed

- 7) *To reconsider the management arrangements and work plans and finalise the updated Component Description for further considerations and approval by the CSC*
- 8) *To endorse the proposal to increase the number of RBOs to three namely Greater Cairo and Fayoum, Suez and Assiut RBOs.*

4.2 Communication in Environmental Management (CEM)

The Central Department of Environmental Communication and Awareness is highly committed to the objectives of the CEM component. Very useful support to a number of concrete activities has been provided and it is the impression that the activities have been used effectively to build capacity within EEAA.

The CEM component has formally invited all ESP Components to formulate their need for advice and support on communication issues and some cooperation has taken place. It is however also clear that the work needs a more strategic focus as well as a closer and more well defined mechanism for co-operation with other ESP components.

The logical framework of the Component Document was not very clearly understood and needs to be adjusted in a number of areas. It is too prescriptive in some areas to be operational for CEM as a service provider to both EEAA and the other ESP components. A revised document should focus more on developing a strategic framework for communication and more refined and concise objectives in different fields of communication. The CEM component is currently providing support to EEAA for the development of an overall communication strategy that would ensure focussed implementation of the component.

The CEM component has not yet produced a work plan 2003/2004 reflecting the results of its coordination with the other ESP components, reportedly due to difficulties in perceiving how activities can be described in advance, while CEM to a large extent should be demand-driven as a service-provider for EEAA and the other ESP Components. Since all components are generally, still in their early stages it has not been possible to identify a substantial number of concrete activities.

It is agreed that

- 9) *Based on the work on a revised work plan, the Component Description and LFA should be revised by the Component Management to reflect the role of CEM and the CDECA as general service providers to EEAA and the ESP components. A revised component description should be presented to the CSC for endorsement.*

4.3 Achieving Cost-effective Compliance in Industry (ACI)

The implementation of the component in Federation of Egyptian Industries (FEI) with the Environmental Compliance Office (ECO) is going well so far. Staff has been hired and are working effectively, the component has undertaken the activities set out in its work plan and met its output targets. Interest and participation in component activities from the target industrial sectors is strong.

The long-term financial future of FEI including its ability to finance itself from member subscriptions is a problematic issue. ECO's future security depends both upon this and upon ECO, itself being able to support itself after selling Cleaner Production services to industry completes the component. Neither is completely assured. It should be noted that no information was produced as anticipated on the sustainability strategy of FEI itself or of the component within FEI.

The component Management has presented 5 issues on which they requested guidance. Briefly, these included:

- Sending junior staff for short-term training in Denmark
- Bringing forward demonstration projects
- Funding arrangements for pilot projects
- Converting support to industry from the component from grants to soft loans
- Expanding the component to devote greater attention to energy conservation in industry

These issues were presented at very short notice, and not accompanied by revised budgets or work plans. It should be noted however, that revisions to the planned activities that are within the agreed budget scope and contribute to the agreed outputs (for example 1 and 2 above) can be agreed by the Component Steering Committee.

With regard to funding of Pilot Projects, the strategy of the ESP is to make use of the EPF to receive and disburse programme funds wherever practicable and compatible with the overall remit of EPF. This also applies to the suggestion that the planned support for industry be delivered through a revolving facility for disbursement of soft loans.

It is agreed that

- 10) *A Technical Review is carried out within 6 months. The review will examine a sustainability strategy detailing the status of FEI as a financially secure partner and host for ECO, to be produced at least 2 months before the beginning of the review.*

4.4 Environmental Management in Governorates (EMG)

Following the technical review of the EMG in January 2003, the component activities have been reorganised and most of the observed shortcomings have been corrected. In particular, the hiring of a long-term local advisor has improved the management of the component. The implementation of the component is well underway, and that the corrective measures have improved the management efficiency and facilitated implementation.

Following discussions with the component managers, it was agreed that a request from the external consultant to include a second long-term advisor would not be feasible.

The component management and the advisors welcomed the cooperation with the GEAP unit in EEAA, under the condition that the role of the GEAP unit was well defined and understood as an advisory service to the Governorates in facilitating transfer of know how and experiences between Governorates. The cooperation with the GEAP Unit and other projects in this area is essential, both in terms of using already existing experiences regarding GEAP processes, and in order to provide the GEAP Unit with lessons learnt from Aswan and Beni Suef. This cooperation should be facilitated by the PSU.

It is agreed

11) *To revise the work plan for 2003-2004 by reducing the number of activities to be prioritised and separated with regards to the two Governorates, to be presented to the CSC for endorsement.*

4.5 Technical Assistance to the Shore Protection Authority (SPA-2)

SPA has received support from Danida since 1991, initially as support to smaller studies and preparatory work and since 1996 as project support for capacity building, starting with SPA-1 in 1996 and continuing with SPA-2, Step 1 in 2000.

A Technical Review of SPA-2 in March 2002 concluded that the planned SPA-2, Step 2 should not be initiated in its planned form and recommended that support to SPA may still be relevant, but only after a major restructuring of the Project Document. A consolidation phase of SPA-2 Step 1 ended by March 2003.

In December 2002, a feasibility study for reconstruction of the project pointed at two possible options:

Option 1: Support to a policy and planning framework focussing on a priority coastal area of national importance and strengthening both SPA and EEAA

Option 2: Support to a policy and planning framework and strengthening EEAA capacity in Integrated Coastal Zone Management (ICZM)

An assumption for both options was that it would be possible to elevate ICZM to a higher level of government to facilitate effective coordination of different sector ministries.

A workshop in March 2003 with representation of Ministry of Planning, EEAA, Ministry of Tourism and Ministry of Water Resources and Irrigation concluded that integrated coastal zone management is extremely important, but needs to be handled through

development of a new national ICZM system anchored at the highest possible level of government to overcome the present problems of cross-sectoral coordination.

Further development of these discussions and development of concrete proposals for support are needed before a final decision on continued support under the present Government to Government Agreement can be made.

It is agreed

- 12) *To phase out the SPA-2 over a short period providing limited support to SPA for Shoreline Management as contribution towards achievement of the original objective of SPA-2, within the context of an overall Integrated Coastal Zone Management (ICZM) system*
- 13) *To start a process of establishment of a new ICZM institutional set-up at the highest national level in line with recommendation and conclusions of the Technical Review of March 2002 as well as the subsequent feasibility studies of the SPA-2 for further considerations for the possible inclusion of ICZM under the ESP*

5 Work Plans and Budgets

The Component Managements have presented their draft work plans for endorsement. The work plans have not been discussed with the respective Component Steering Committees (CSC). The draft work plans has been the point of departure for the proposed budgets for 2003 and 2004. The work plans should be finalised and presented to the CSCs for approval.

The programme's financial management system has been significantly improved since the inception review. The established procedures for the administration of programme funds for pilot- and demonstration projects by the EPF are considered to be satisfactory. Through the involvement of international and local short-term consultants an accounting, procurement, and auditing manual had been prepared, and training of programme staff in the use of the installed Navision financial management system had been carried out.

Very good progress had been made since the inception review with regard to the envisaged management of Danida funds through the EPF. The modalities for the administration of the Danida funds had been agreed upon and approved by the parties. The period for processing payments through EPF could even be shortened compared to the three weeks proposed during the inception review. Initial payments had been delayed due to improper handling of the signing procedures by the component managements. However, the parties were confident that the system would in the future function without delays since the procedures were now well known.

The possibility of administrating a revolving loan scheme in connection with the ACI component in the Federation of Egyptian Industries was discussed with the Director of the EPF. The Director would be prepared to discuss this idea further, provided that additional resources for staff, equipment etc. would be forthcoming as part of the agreement. The EEAA decided to use the EPF for a revolving loan fund to be established through the contribution of budget support funds received from USAID earmarked for small and medium sized enterprises.

The EIMP component is defined as an out phasing of Danida support to a former project in the period 2002 - 2004 financed under the ESP. The total EIMP component budget for the whole programme period shows a decrease of approx. 32% from 7,01 million DKK to 4.75 million DKK. The component shall according to plans be completed in 2004.

It is agreed that

14) The possibilities of the Environmental Protection Fund to administrate revolving loan for the ACI component should be further investigated.

6 Next Joint Annual Sector Review

The next joint annual sector review will take place at least three months before the Annual Consultations 2004. A Coordination Committee meeting will have to take place following the Joint Annual Sector Review and prior to the Annual Consultations 2004.

7 Recommendations for the Annual Consultations between Egypt and Denmark

This agreement should be finally endorsed and the consolidated budgets for 2003 and 2004 should be approved.

The Danish Ministry of Foreign Affairs has based on certain questions regarding the future status of KIMA, informed the Egyptian Ministry Foreign Affairs and KIMA that based on the received information the planned assistance to KIMA has been revoked. However, the funds from the KIMA should remain within the ESP budget.


It is recommended that the annual consultations discuss the implementation of the planned activities and the sustainability of the programme.

8 Signatures

After endorsement by the Annual Consultations between Egypt and Denmark, this agreement will be presented to the Coordination Committee to supervise the overall new development of the programme and the implementation of the Process Action Plan.

Signed in Cairo on 09 April 2003

For the Government of the Arab Republic
of Egypt:



Dr. Mohamed Sayed Khalil
Chief Executive Officer
Egyptian Environmental Affairs Agency
Ministry of State for Environmental Affairs

For the Government of the Kingdom of
Denmark:



H. E. Christian Oldenburg
Ambassador
Royal Danish Embassy

Annex 2. Process Action Plan

Action	Date for completion	Responsible	Consultancy Support Remarks
1) Development of a screening system for proposals for pilot and demonstration projects to ensure a clear poverty reduction focus are given more weight	1 September 2003	PSU Management	
2) Poverty reduction as part of the Impact Monitoring System			Please refer to Action no. 4
3) Development of a gender policy and an action plan for integration of the policy into programme implementation.		ESP Management	Assisted by the PSU Management
4) Development of an impact monitoring system	1 August 2003 (Phase I)	PSU Management	
5) Recruitment of a National Coordinator	1 June 2003	PSU Management	In coordination with RDE
6) Reformulation of the draft strategic management plan	1 June 2003	PSU Management	An external consultant could assist the PSU
7) Finalisation of the updated DEM Component Description	1 July 2003	Component Management	For approval by the DEM CSC
8) The endorsement of the proposal to increase the number of RBOs			Covered by this agreement
9) Revision of the CEM Component Description	1 July 2003	Component Management	For endorsement by the CEM CSC
10) A Technical Review of the ACI component to be carried out	1 November 2003	EEAA & RDE	The review will amongst others examine a sustainability strategy
11) Revise the work plans for 2003 and 2004 of the EMG Component	1 June 2003	Component Management	
12) To phase out the SPA-2 over a short period providing limited support to SPA for Shoreline Management	1 July 2005	SPA	
13) To start a process of establishment of a new ICZM institutional set-up at the highest national level		EEAA	Supported by the EPS and PSU
14) The possibilities of having the Environmental Protection Fund responsible for administrating revolving loan for the ACI component investigated	1 October 2003	PSU and Component Management	Assisted by the EPF Management

The Programme Document includes 8% contingencies for each component. Contingencies above are summarised for all components. Component budgets indicate contingencies are not been needed during budget years 2001 - 2004.

Disbursement in FY 2001 include for the EMG and ACI components down-payments for consultancy companies and DKK 5 million for each components transferred to the EPF.

The programme implementation period was according to the Programme Document from 2001 to 2006. As initiation of the programme was September 2001, the actual programme implementation period will run until August 2007