Ministry of State for Environmental Affairs Egyptian Environmental Affairs Agency

EPF Annual Operating Plan for 2007/2008

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^{*} This document is intended for the public and interested parties – excluding the budget—in order to serve as guidance for the applicants on how to apply their projects, which projects will be considered for funding, evaluation and selection criteria...etc.

ACRONYMS and ABBREVIATIONS

CPP Competitive Projects Program

EEAA Egyptian Environmental Affairs Agency

EPF Environmental Protection Fund FMC Fund Management Committee

GEAP Governorate Environmental Action Plan

NEAP National Environmental Action Plan

NGO Non-Governmental Organization

PAF Project Application Form
PIF Project Information Form

1. BACKGROUND ON THE EPF (How does the EPF Function)

The Environmental Protection Fund (EPF) was originally established in 1995 as the Egyptian government's instrument to fund environmental projects. The EPF is an important support tool within the Ministry of State for Environmental Affairs and the Egyptian Environmental Affairs Agency (EEAA) as an innovative financial mechanism for backing serious private, public, and non-governmental organizations that aim at combating environmental problems in Egypt and increase compliance with Law 4.

The Fund Management Committee (FMC) which is considered the higher authority in the EPF sets out each year the environmental priorities according to the National Environmental Action Plan, the funding mechanisms as well as the areas of support based on the recommendations presented by the different departments within the Fund. (the NEAP 2002/2017 can be acquired from EEAA)

By the beginning of each year, the EPF launches a public awareness campaign aiming at promoting the EPF environmental priorities and the Competitive Projects Program (CPP). The CPP is the Fund's program for providing financial support to environmental projects. The CPP utilizes several support programs such as Grants, Soft Loans, Interest Rate Subsidy and Shareholding. The awareness campaign is carried out through advertising in mass media as well as conducting workshops for interested parties in the selected areas of support.

In course of the public awareness campaign, interested parties can apply for funding through filling in and submitting the Project Information Form (PIF) which can be acquired form the EPF Office or online (www.eeaa.gov.eg/epf). The Fund establishes deadlines for submitting applications to coincide with evaluation and selection schedules.

Upon receiving the PIFs, the Projects Department starts a preliminary evaluation based on the EPF eligibility criteria which are mentioned later on in this document. The evaluation process takes around 30 days after which the EPF notifies the applicants of rejection or approval.

In case of rejection, the applicant will receive a rejection letter from the Fund summarizing the basis for the rejection. In case of approval, the applicant will be requested to fill in a more detailed and descriptive form known as the Projects Application Form (PAF). The EPF will only consider properly filled in PAFs; which may in some cases require the applicant to use an external consultant for filling in such detailed forms. The applicant will be the one who undertakes the consultancy fees for the issue. A deadline is also set for receiving the PAFs.

The EPF Projects Department will then evaluate the received PAFs (i.e. projects) technical aspects in cooperation with EEAA concerned departments. The PAFs are evaluated according to a scoring system. The scoring scale is based on a set of criteria established by the Fund to reflect the environmental priorities determined for the year.

This evaluation process usually takes approximately 2 month before presenting the projects to the FMC. For soft loans and interest rate subsidies, an initial financial assessment will be completed by the Fund, while the final financial and credit assessment will be completed by the participating bank. In the event the bank rejects the project, the Fund will decline its support to the project.

The FMC is responsible for the final selection of the projects which will be funded by the EPF. Once the FMC decides, the Fund sends out letters of approval or rejection to the applicants.

The applicants whose projects are approved are then requested to sign the contract with the EPF and starts receiving their funding.

In some cases, the Ministry of State for Environmental Affairs, EEAA, or EPF might pinpoint projects that match the EPF priorities, for which the Fund has not received applications through the CPP. In such cases, a project concept paper, including a budget. would be submitted to the FMC. Upon the FMC approval, the EPF (EEAA) carries out an open tender and reserve funds to support the proposed project.

Subsequent to the FMC endorsement, the tender documents are prepared to match the requirements of Law 89/1998 and its executive regulations concerning the Organization of General Tenders and Auctions.

The recommendations of the tender team are then submitted to the FMC for approval, after which the successful tender proposals will be processed similarly to successful applications to the CPP.

Once the applicant/beneficiary receives the funding and start implementing the project, he will be required to submit a progress report describing the project implementation and expenditures. The beneficiary is the one responsible for the project implementation and the EPF is responsible for following up the project through conducting field visits to ensure the disbursement of funds on their allocations and that the project follows procedures.

2. ENVIRONMENTAL PRIORITIES

The following are the EPF environmental priorities approved by the FMC and selected for this year:

2.1 Air Pollution Control

The Fund's priorities in the area of air pollution include initiatives that aim at reducing emissions of pollution from stationary sources and improving air quality especially in crowded residential and industrial areas.

The Fund encourages projects that aim at reducing air pollution resulting from industrial processes, controlling lead pollution, relocating small workshops engaged in polluting activities to new industrial areas, increasing the area of green spaces, and using renewable energy sources.

In this field, the EPF for instance funded a project in Keeman Faris Village in Fayoum Governorate to switch Al-Aklass Brick factory from operating with regular fuel to natural Gas so as to reduce the factory emissions; the Fund has also switched 50 brick factories to operate with natural gas instead of Mazout at Arab Abu Saeed in Giza Governorate.

2.2 Solid Waste Management

The Fund's priorities includes initiative that aim at protecting the environment and public health from pollution caused by all types of wastes including municipal solid waste, agricultural waste, industrial waste, and hazardous and non-hazardous health- care waste.

In this field, the Fund encourages projects that aim at reducing the amount of waste generated, sorting and segregating waste at the source for recycling and reuse, as well as environmentally safe transfer, treatment and disposal of solid waste. The Fund also encourages private sector investment initiatives in this area and the importance of establishing cost recovery systems for effective solid waste management.

Some projects funded by the EPF in this area include recycling of agriculture solid waste & producing compost, establishment of a new land fill for solid waste in Sharkya governorate and the establishment of a solid waste management system at Dairb Negem in Shaqia Governorate.

2.3 Water Quality and Quantity

The Fund's environmental priorities in this area include initiatives that aim at the protection of water resources, especially the River Nile, the marine environment, and coastal marine waters from pollution resulting from industrial and tourism activities as well as from the discharge of untreated domestic wastewater into

these water bodies. In this domain, the Fund particularly encourages projects that

- Reduction of water consumption in industry and other sectors.
- Prevention and abatement of pollution resulting from domestic and industrial wastewater. This category also includes projects aiming at preventing pollution, cleaner methodologies, waste reduction, conservation of resources (water, energy, chemicals...etc), sound environmental management, environmental awareness and improve sanitation systems in rural and remote areas.

Some projects funded by the EPF in this area include Cleaning of Water pollution in canals in Fayoum city, sanitation network at Seflaq village in Souhag Governorate and establishment of a waste water treatment Unit at Alban village in Suez Governorate.

3. SUPPORT PROGRAMS

The EPF provides financial support through different forms of mechanisms according to the Fund's policies and each project needs. Out of the EPF support programs the following is a description for the ones approved and selected for this year:

3.1 GRANTS

Grants are mainly EPF funds given out to specific parties without the need to be refunded.

3.1.1 The Applicant

Applicants to the Grants program include any governmental agencies, NGOs, universities and research centers on condition that the projects are applicable and not research projects. The Grants program also includes EEAA and governorates provided that the projects fall under the Governorate Environmental Action Plan (GEAP).

3.1.2 The Project

- The project targets any of the Fund's environmental priorities
- The project has to achieve revenues sufficient to recollect the investment cost after a specific time period in order to ensure continuity of operation, maintenance, replacement and renewal.

3.1.3 Financial Information

- Fund contribution up to 50% of project costs with a maximum contribution per project up to L.E. 350,000
- The applicant's contribution can be in the form of cash or in-kind contribution.

3.2 SOFT LOANS PROGRAM

Soft Loans are loans provided by the EPF with lower interest rate than the market.

3.2.1 The Applicant

Applicants to the soft loan program include any small or medium sized organization that plans to undertake a project within the Fund's environmental priorities, provided that the applying organization is legally established, and demonstrates seriousness, sound reputation, and capacity for project execution and long-term project sustainability.

3.2.2 The Project

- The project targets any of the Fund's environmental priorities
- Project has to achieve revenues to achieve long term sustainability and be able to meet loan payments
- Approval of the loan by the lending participating bank

3.2.3 Financial Information

- Loan accounts for 60 to 90 percent of total project cost. Applicant's contribution can be in the form of cash or in-kind contribution.
- Minimum project cost is L.E. 50,000.
- Interest rate is 7% p.a. on the given loan. However, differentiation of interest rates could be applied according to credit risk and/or loan duration.
- Maximum limit for the loan is L.E. 4 million per project.
- The loans are used to fund new and present projects.
- The loan term is maximum 5 years including the grace period.

3.3 INTEREST RATE SUBSIDY PROGRAM

The EPF subsidies the interest rate of any commercial loan used to implement environmental projects through the Interest Rate Subsidy program.

3.3.1 The Applicant

Applicants to the interest rate subsidy program include any small or medium sized organization that plans to undertake a project within the Fund's environmental priorities, provided that the applying organization is legally established, and demonstrates seriousness, sound reputation, and capacity for project execution and long-term project sustainability.

3.3.2 The Project

- The project targets any of the Fund's environmental priorities
- Project is suitable, feasible and acceptable both financially and environmentally
- Project has to achieve revenues to achieve long term sustainability and be able to meet loan payments
- Approval of the loan by the lending participating bank

3.3.3 Financial Information

- Loans represents 50-60% from the projects value
- Minimum project cost is 100,000 L.E and maximum cost is 10 million L.E
- EPF contribution = 360,000 L.E with an average of 165,000 L.E per project annually.
- EPF provides subsidy of 6% of the bank's interest rate.
- The loan term is maximum 5 years including the grace period

Costs Covered by the Support Programs

(i.e. Grants, Soft Loans and Interest Rate Subsidy)

The funds may be used to finance the purchase of equipment and machinery pertaining to the project. The funds may also be used to cover the operating expenses including power supply, raw materials and training of the project's administrative and technical units. Other expenditures necessary for the project execution may as well be covered by the funds provided by the EPF such as cost for project design, project implementation.. etc (equivalent to a maximum of 50% from the EPF share). Any other expenditure has to be identified and approved first by the EPF according to the internal procedures. This does not include any taxes or customs imposed.

Disbursement Procedures for the Support Programs

- Grants are disbursed in accordance with the project implementation timeschedule.
- Disbursement is conditional on fulfillment of all conditions stated in the contract agreement between the project (project holder) and EEAA (the EPF).
- Funds can be disbursed up to the allocations made in each item. No transfer of cash allocations among the various items is authorized without the EPF's approval.
- Upon contract agreement and the Fund's approval, a bank account is opened for the project in one of the banks.
- All receipts and bills pertaining to the various expenditures must be maintained by the project holder. For each payment, the project holder is responsible for submitting to the Fund an original copy of all bills and receipts along with a detailed expenditure statement.

4. EVALUATION AND SELECTION CRITERIA

EPF SCHEDULE

The following table is a summary of the EPF schedule for this year and is mainly prepared to serve as an informative tool for the applicants to distinguish in which stage to submit their project and track down the progress of their applications.

Main Activities	Activity Start date	Activity End date	
1. Public awareness campaign & submission of applications.	10/2/07	15/3/07	
2. Evaluation of the PIFs and notification of rejection or approval of applications.	17/3/07	15/4/07	
3. EPF technically evaluates the PAFs.	16/4/07	17/6/07	
4. Presentation and approval of the projects by the Fund Management Committee	During the period from 1/7/07 to 30/7/07		
5. Final notification of approval or rejection of project	1/8/07	20/8/07	
6. Sign the support agreement with the projects approved by the FMC.	22/8/07	/8/07 2/9/07	
7. Start giving the funds and project implementation	//		
8. Follow-up and monitor projects implementation	//		

1. Public Awareness Campaign and Submission of Application

The EPF launches a public awareness campaign in the beginning of each year to promote the Fund activities, support programs and environmental priorities selected and approved for the year. The campaign includes advertising in the mass media, participating in environmental conferences and exhibitions and conducting workshops for interested parties to answer any inquires about the Fund's activities.

During the awareness campaign, interested parties can apply for funding through filling in and submitting the Project Information Form (PIF) which can be acquired form the EPF Office or online (www.eeaa.gov.eg/epf). Deadlines for submitting applications are set by the EPF to coincide with evaluation and selection schedules. Any PIFs presented after the deadline will not be considered.

2. Evaluation of PIFs

As soon as the PIFs are received, the Fund starts a preliminary evaluation based on the EPF eligibility criteria. The evaluation process takes around 30 days after which the EPF notifies the applicants of rejection or approval. In case of rejection, the applicant will receive a rejection letter from the Fund summarizing the basis for the rejection. In case of approval, the applicant will be requested to fill in a more detailed and descriptive form known as the Projects Application Form (PAF).

The EPF eligibility criteria - upon which the PIFs are evaluated - are as follows:

- o Project targets one or more of the environmental fields that address the Fund's environmental priorities as mentioned above in the environmental priorities.
- o Applicant's institution is a legally registered local entity.
- Applicant demonstrates the availability of own-resources to contribute its share of project cost in accordance with financial conditions established for each support mechanism.
- o Applicant's institution/organization is of sound reputation (approval of Social Affairs for NGOs, and a no objection of the lending bank for loans).
- Absence of any restrictions such as problems related to the applicant's current activities or relationship with banks (if applicable).
- o Project ensures sustainability after receiving the loan or the grant.
- o Commitment to disburse the funds on the allocated items.
- The project data has to include a list of job opportunities which will be provided by the project implementation.

3. EPF technically evaluates the PAFs

In this stage, the Fund evaluates the received PAFs technically in cooperation with EEAA concerned departments. The PAFs are evaluated according to a scoring system. The scoring scale is based on a set of criteria established by the Fund to reflect the environmental priorities determined for the year. This evaluation process usually takes approximately 2 month before presenting the projects to the FMC. For soft loans and interest rate subsidies, an initial financial assessment will be completed by the Fund, while the final financial and credit assessment will be completed by the participating bank. In the event the bank rejects the project, the Fund will decline its support to the project.

The following table provides an overview for the proposed EPF evaluation standards and scoring system for the PAFs:

CRITERIA	DEGREE
(1) Projects that address serious environmental problems in their specific geographic areas (projects submitted from the governorates must be in accordance with the GEAP). Projects that serve a large number of beneficiaries, or provide solutions to urgent environmental problems. Severity of the environmental problem and its impact on health, social and economic aspects.	30
(2) Local contribution provided by the beneficiary for the implementation of the presented environmental project.	30
(3) Demonstration projects that have the potential for disseminating environmental know-how and technology to others are considered replicable in other areas with similar problems. Projects which include activities that will contribute to the dissemination of project results, such as special consultations and workshops, or publication of articles in specialized journals.	20
(4) Projects which forms a part of a planned integrated system which when implemented provides a sustainable solution for the environmental problems.	10
(5) Environmental projects that integrate and foster partnerships among various stakeholders, agencies and sectors. Projects which contribute to the achievement of developmental objectives such as job generation, poverty alleviation and empowerment of women.	10
TOTAL	100

4. Presentation and approval of the projects by the Fund Management Committee

The Fund Management Committee (FMC) is the one responsible for the final selection of the projects which will receive funding from the EPF. The evaluated and scored PAFs are presented to the FMC for approval or rejection. The FMC decisions are usually based on the scores of each project and the EPF management recommendations.

5. Final notification of approval or rejection of project

Once the FMC decides, the Fund sends out letters of approval or rejection to the applicants. The applicants whose projects are approved will be requested to sign a project contract with the EPF based on the support program under which the project falls.

6. Sign the support agreement with the projects approved by the FMC

The beneficiaries whose projects are approve by the FMC signs out the support agreement with the Fund in the EPF headquarters.

7. Start giving the funds and project implementation

In this stage, the EPF starts disbursing the funds for the beneficiaries. In case of the Soft Loans program, the funds will be managed by the participating bank. However, the grants will be managed by the EPF directly as the beneficiary will be required to periodically to submit a progress report describing the project implementation and expenditures.

8. Follow-up and monitor projects implementation

During the project implementation, the EPF conducts field visits so as to follow up and monitor the project. The follow-up process aims at ensuring the disbursement of funds on their allocations as well as ensuring that the project follows the required procedures.

5. Main Activities of the EPF Departments

The EPF organizational structure is composed of four departments; Communication Department, Projects Department, Financial Department and Carbon Fund Unit.

Communication Department:

The communication department plays a vital role in promoting and strengthening the EPF image through various tools so as to attract local and international entities to invest in the environment.

The communication department activities includes conducting workshops for interested parties to promote the EPF funding mechanisms, present the environmental priorities and answer any inquires regarding the kind of support provided by the EPF.

The communication activities also include advertising in mass media, issue press releases about the EPF achievements and preparation of the EPF Annual Report.

The department is also responsible for maintaining the EPF (www.eeaa.gov.eg/epf) website which contains up to date information and documents as part of the EPF transparency.

The Fund Management Committee meetings is also one of the main activities conducted by the department as it is responsible for the coordination and preparation of the agenda and necessary documents.

Projects Department:

The project department is considered the heart of the EPF as it responsible for receiving the projects applications and evaluating them according to the EPF criteria.

The department selects the environmental priorities for the year according to the National Environmental Action Plan (NEAP) and EEAA priorities. Some national projects that benefit a wide sector of the society and have a high environmental impact might also be selected by the department.

The department receives the Project Information Forms (PIF) and conducts a primary evaluation based on the EPF eligibility criteria. In case of approval, the applicant will be required to fill in a more detailed application (PAF); in case of rejection, the department will send a rejection letter to notify the applicants.

The selected projects are then technically studied by the department in cooperation with EEAA concerned departments as well as external consultants when required.

The projects are then evaluated according to the EPF scoring system in order to be presented to the FMC. The FMC is responsible for approving which projects will be funded based on each project score and the Projects Department recommendations.

During the implementation of the environmental projects funded by the EPF, the Projects Department in cooperation with the Financial Department conducts field visits to follow up the progress of the projects implementations.

Financial Department:

The Financial department deals with the EPF Operational Budget which includes the estimated costs of the CPP, administrative expenses, EEAA infrastructure support and contingencies.

The Financial department established a shadow account to keep track of the EPF accounts within EEAA Financial Unit.

A database for projects financial monitoring has been developed by the Financial department in order to achieve continuous projects monitoring including the ACI and EMG projects. This database will be available on the intranet to achieve transparency.

The Department is also responsible for projects financial control so as to ensure the allocated funds disbursement in their purposes. This type of control includes conducting field visits to follow up the projects implementation in coordination with the Projects Department. A report is prepared by the end of each visit to provide the management with an overview on the projects progress.

The Navision Accounting system which is used by the ESP is being upgraded to be used for EPF with Arabic interface and according to the chart of account tolerated for EPF. This financial system could be used as shadow system account for EPF.

Carbon Fund Unit:

The Carbon Fund Unit (CFU) is a newly set up Unit located within the EPF and was established under the Environmental Pollution Abatement Project II (EPAP) to finance pollution abatement activities and other legitimate sustainable development activities other than those programmed under EPAP II Project. The CFU will function in accordance with Law 4-1994 and any amendments for this law.

Income to the CFU will come from portions of the revenues for the sale to the World Bank and other buyers of Carbon Emission Reductions (CERs) generated under the Kyoto Protocol's Clean Development Mechanism (CDM).

The CFU work plan is under development as the Unit is not yet fully operative.

6. BUDGET

EPF Strategic Budget July 2007 version3

	EPF Strategic Budget July 2007 version3						
PROFIT AND LOSS							
	2003/2004	2004/2005	2005/2006	2006/2007*	2007/2008	2008/2009	2009/2010
REVENUES							
Budget state	0	0	0		0	0	0
Fines and penalties	1,137,160	26,116,481	6,063,710	59,298,549	8,000,000	8,000,000	8,000,000
Donor contribution**	1,016	73,776	20,002,430	0	40,000,000	29,000,000	19,500,000
Protectorates	14,126,106	17,788,449	19,587,148	14,564,900	18,000,000	21,000,000	23,000,000
Experimental environment					, ,		
projects	805,780	443,534	330,371	1,150,064	6,350,000	6,350,000	6,350,000
Hunting fees	51,000	51,545	31,956	23,404	70,000	70,000	70,000
bank interest	0		3,750,603	4,677,523	6,000,000	6,000,000	600,000
Stamps	_		0			5,000,000	5,000,000
Environmental fairs	0	282,934	0	0	1,000,000	1,000,000	1,000,000
Other revenues	115,884	2,502,922	289,182	343,518	390,000	390,000	390,000
Interest from soft loans	7 -				980,000	1,330,000	2,096,500
Repayments of soft loans					0	0	5,600,000
New revenue sources	0	0		0	10,000,000	12,000,000	28,000,000
Total revenues	16,236,946	47,259,641	50,055,399	80,057,958	90,790,000	90,140,000	99,606,500
EXPENDITURES						•	<u> </u>
CPP - Project disbursements	_						
Grants							
- Governorates Program	_	171,200	38,500	2,093,434	9,000,000	9,000,000	12,000,000
- NGO Program		,	_	0	2,500,000	2,500,000	4,000,000
- Universities Program					500,000	500,000	500,000
- Protectorates Program	_			0	0	0	0
Total CPP Grants	0	171,200	38,500	2,093,434	12,000,000	12,000,000	16,500,000
Total CPP Soft Loans		17 1,200	30,300	2,033,434	28,000,000	20,000,000	35,000,000
					20,000,000	20,000,000	33,000,000
Total CPP Project	4 004 040	474 000	20 500	0.000.404	40 000 000	22 000 000	F4 F00 000
Disbursement	4,231,916	171,200	38,500	2,093,434	40,000,000	32,000,000	51,500,000
EMG/ACI Projects					31,000,000	29,000,000	0
Grand Total Project							
Disbursement	4,231,916	171,200	38,500	2,093,434	71,000,000	61,000,000	51,500,000
Support To EEAA							
EEAA infrastructure			15,003,745	18,520,794	16,734,034	14,680,033	12,621,700
EEAA infrastructure Project			12,069,965	10,731,257	9,010,633	7,904,633	6,796,300
Total support to EEAA***	11,853,902	16,324,316	27,073,710	29,252,051	25,744,667	22,584,666	19,418,000
Administrative expenditures							
General expenditures		239,084	1,009,463	1,171,254	1,734,000	1,754,000	1,754,000
Assistance to project							
applications							
charcoal					500,000	500,000	500,000
black cloud					1,000,000	1,000,000	1,000,000
Governorates(GEAPs)					2,000,000	2,000,000	2,000,000
solar/renewable energy					500,000	500,000	500,000
Awareness of bezra					500,000	1,000,000	1,000,000
Total EPF administrative					,	•	•
expenditures	0_	239,084	1,009,463	1,171,254	6,234,000	6,754,000	6,754,000
Total expenditures	16,085,818	16,734,600	28,121,673	32,516,739	102,978,667	90,338,666	77,672,000
Surplus/deficit - Transferred					,,	32,232,234	- , ,
- ai piaoraonoit - manoionea							

2004/2005

Version 4 17 July 2007 Final

151,128 30,525,041 21,933,726 47,541,219 -12,188,667

-198,666 21,934,500

to reserve

* Up till 30/4/2007

** Include 31 million LE from ESP ACI - EMG projects

*** includes door 3 in 2003/2004 and

Examples of some projects applying for funding in 2007/2008

No	Program	Funding Mechanism
1	Develop 50 coal production kilns in Greater Cairo	Soft Loans
2	Safe disposal of medical hazardous wastes through investing in medical incinerators within hospitals and clinics	Soft Loans
3	Reducing industrial pollution projects and sewage water treatment projects	Soft Loans
4	Improving internal environment of the factories	Soft Loans
5	Recycling and reusing agricultural wastes in production	Soft Loans
6	Reducing thermal and gaseous emissions	Soft Loans
7	Safe disposal of solid wastes in governorates implemented through NGOs or the State's Administrative Agency	Grants
8	Tree planting and forestation projects	Grants/ Co-finance