

**Action Fiche for Egypt****1. IDENTIFICATION**

Title/Number	Emergency employment investment project in Egypt (ENPI/2012/024080)		
Total cost	EU contribution: EUR 70 million Co-financing with the World Bank (loan of USD 200 million)		
Aid method / Method of implementation	Project approach Joint Management: Administration Agreement with the World Bank Centralised Management (monitoring and evaluation)		
DAC-code	16020	Sector	Employment policy and administrative management
	16010		Social/welfare services

**1. RATIONALE****1.1. Sector context**

The Emergency employment investment project in Egypt, a project developed jointly with the government and the World Bank (WB), addresses several priority areas mentioned in the Joint Communication of the European Commission and of the High Representative of the EU for Foreign Affairs and Security Policy "A new response to a changing Neighbourhood"<sup>1</sup>. It is in line with the pillar II of the National Indicative Programme 2011- 2013<sup>2</sup> having the objective to develop the competitiveness and productivity of the Egyptian economy, which includes generating new jobs. The project will support the swift creation of employment and income generation opportunities, namely in the most impoverished areas, and will target in particular the youth, therefore addressing the Egyptian society's pressing demands for social justice.

This project contributes to a broader action, which has the similar name "Emergency labour intensive investment project" designed by the World Bank and recently agreed with a loan agreement between the Bank and the government of Egypt of USD 200 million.

The EU proposed project is built on a request by the government of Egypt and on the country's identified needs. Egypt expanded its social safety net to mitigate the social stress linked to the 2008/2009 food crisis through subsidised food and cash transfer programmes which helped reducing extreme poverty. Nevertheless, they were not fully effective in the reduction of poverty rates. Egypt does not have a targeted social

<sup>1</sup> COM(2011)303 of 25 May 2011.

<sup>2</sup> C(2010)1144 of 2 March 2010.

protection system that could adequately protect the poor and those in danger of falling into poverty.

The impact of the January 2011 uprising has slowed down economic development and increased poverty and unemployment. As Egypt is going through a transitional stage of political and economic uncertainty, there have been significant increases in unemployment rates, from 9.6% before the revolution to 12.4% in December 2011<sup>3</sup>. Poverty rates also increased from 21% in 2009<sup>4</sup> to 25% by end of 2010 period<sup>5</sup>. Prior to the January 2011 events, the estimated women's participation to the labour force was 22.9% (men's rate was 75.1%). The situation worsened due to the economic crisis following the said events and this resulted in a decrease of women's participation in the labour market, with a participation rate of 22.4% recorded in the second quarter of 2011. Female unemployment (18-29 years old) stands at 46.4% while young men are at 11.5%. Unskilled and semi-skilled workers, especially those who are already unemployed, are those more vulnerable as they are among the poorest segment of society. Unemployment could be a trigger for continued social unrest, hence the urgency of addressing this important issue.

To address similar crisis situations several countries have adopted public works programmes (PWPs) as successful instruments to lessen the high unemployment rates, providing immediate short term employment opportunities while creating or maintaining infrastructure using labour intensive techniques and increasing the limited access to public services by the most vulnerable segments of the population. The need to reintegrate public works programmes as an essential element of the Egypt's safety net was highlighted by the government after the January 2011 events and it was recommended already in a study conducted by the World Bank as early as 2005.

The government of Egypt recognised the urgent need to launch the implementation of a public works programme that would adopt labour intensive method to generate job opportunities.

## 1.2. Lessons learnt

The project will improve the original design of public works implemented by the Social Fund for Development (SFD) in the previous three International Development Association-financed projects during the period 1990–2005. There are four important improvements to the model that the project proposes on the basis of the lesson learnt: (i) increasing the percentage of labour intensity<sup>6</sup> to reach an average higher than what is currently being applied in Egypt and to eventually reach comparable percentages achieved in similar countries<sup>7</sup>; (ii) using geographic criteria and community requests

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<sup>3</sup> CAPMAS (Central Agency for Public Mobilisation and Statistics), Labour Force Survey, July-September 2011.

<sup>4</sup> The World Bank. Poverty in Egypt 2008-2009: Withstanding the Global Economic Crisis. January 2011.

<sup>5</sup> CAPMAS, Household Expenditure Survey, 2012.

<sup>6</sup> Labour cost being ranging between 50-70% of total cost is advised by international literature. The multiplier of a labour-intensive approach is at least 1.5 compared to only 0.7 for equipment-intensive construction techniques.

<sup>7</sup> Current labour intensity applied by SFD average percentage ranges between 22%-36%.

(bottom–up approach) to target the poor<sup>8</sup>; (iii) including labour-intensive community service sub-projects.

### 1.3. Complementary actions

This project will be carried out in synergy with the main interventions implemented in the country in the area of job creation and public works. Complementarity will be ensured through co-ordination with the project on "Decent jobs for Egypt's young people" (International Labour Organisation (ILO), USD 10 million), and the USD 5.5 million grant of Japan (channelled through the United Nations Development Programme (UNDP)) to a project aiming at providing short term employment opportunities for youth in social services and labour intensive public works programmes.

This project, addressing short term needs through employment-intensive construction works will be developed in complementarity with the on-going EU support to the Technical and vocational education and training reform – phase I<sup>9</sup> and the upcoming phase II. These two interventions addressing medium and long term structural reforms are supporting, amongst others, the improvement of the skills of workers in the construction and building material sectors.

### 1.4. Donor co-ordination

In line with the Aid Effectiveness Agenda, the Ministry of International Co-operation launched a co-ordination process among all major donors willing to intervene on labour intensive projects. The World Bank, already active in the sector and in negotiation with the government since 2011, the ILO, which is implementing a project on youth employment, the EU, the "Agence Française pour le Développement" and the European Investment Bank (EIB) attended the co-ordination meetings and exchanged documents and information on their interventions, strategies and plans.

The World Bank played and continues to play a leading role in strengthening co-ordination among donors, due to its heavy involvement in the preparation of the "Emergency employment investment programme" just immediately after the January 2011 uprising. The negotiations of the World Bank with the government on the programme were resumed after the 2011/2012 parliamentary elections and have now led to the finalisation of the programme's documents and to the signature of a loan agreement between the World Bank and the government of Egypt.

## 2. DESCRIPTION

### 2.1. Objectives

The overall objective of the project is to contribute to poverty reduction through activities supporting employment creation and income generation for the poor. This will contribute to stronger economic and social cohesion

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<sup>8</sup> Geographic targeting will be guided by the Egypt Poverty Map and SFD Poverty targeting toolkit.  
<sup>9</sup> C(2002)2913 of 2 August 2002.

The project will contribute to the objectives of the broader action designed by the World Bank.

The specific objectives are:

1. To create short-term employment opportunities for the unemployed among the unskilled and semi-skilled workers in selected locations in Egypt through the construction or maintenance of community level infrastructure and the provision of community services.
2. To address the government of Egypt request for technical and financial support in the design and implementation of a public works programme for Egypt as part of the safety net policy.
3. To contribute to the creation and/or maintenance of infrastructure and community assets and services providing better access to basic infrastructure services to the target population in poor areas.

## 2.2. Expected results and main activities

The expected results of the project are:

- a. Enhanced job creation and income generation capabilities, especially of the youth; temporary jobs are created within local communities with an impact on income generation.
- b. Improved living conditions in target areas, through access to improved services by deprived local communities.
- c. Labour intensive small scale infrastructures and intensive community service sub-projects created.

Project's activities will be divided in the following components:

- Component 1

**Employment intensive small scale infrastructure sub-projects:** This component will support labour intensive small scale local infrastructure public works sub-projects. The labour intensive small scale infrastructures sub-projects will include: canal weeds reduction/cleaning, Nile river bank protection, rural housing conditions upgrading, pavement of rural roads, school rehabilitation, and potable water networks and connections projects.

- Component 2

**Employment intensive community service sub-projects and youth employment activities in urban and in rural areas:** This component will support labour intensive community services sub-projects such as solid waste management/collection and environmental clean campaign in the villages, early childhood education (nursery), nutrition services, employment in illiteracy eradication projects and population campaign awareness on employment opportunities. The sub-projects related to the community services tend to employ female, so this type of projects will enhance the percentage of women targeted by the project. The indicators on job opportunities created during the project will be gender disaggregated.

It also aims at promoting the youth employment in rural and urban areas and will include innovative pilot projects on employment opportunities for youth which will be proposed by NGOs. They could include in rural areas: plantations, restoration of buildings in villages, maintenance of roads; in urban areas: sanitations of buildings and their maintenance.

- Component 3

**Improving workers' employability:** Short term trainings (for example up to 3 days per month worked) will be provided to a limited amount of workers targeted by the above mentioned components, with a view to contribute to facilitate their "transition" into regular jobs. The short terms trainings could focus on information and communication technology skills, literacy programmes, nursery and they could mainly target the women who were involved in the labour intensive community services component, or the youth targeted by the rural and urban youth employment schemes.

Geographical locations for the components will be determined on the basis of Egypt's poverty map and, following a bottom-up approach, on the basis of the needs which will be identified by governorates, technical directorates of the ministries at governorate level, requests tabled by the community development associations and NGOs and a poverty targeting mechanism developed by the Ministry of Social Solidarity. On the basis of the methodology of labour intensity, the projects selected are those which will ensure the higher labour intensity rate having therefore the highest wage component with respect to the capital component. The wages (between EGP 40 and EGP 50 per day) will be set slightly under the market level to avoid the diversion of the workers already employed. The short employments will be for the duration of 4 months (of 25 days each), which is the duration on average of the job opportunities created by the project. The output indicator for the World Bank broader action to which the EU project will contribute is to provide 20,000,000 person/days therefore generating around 200,000 new jobs, applying the same parameters the EU contribution will allow the creation of around 82,000 new job opportunities.

The project includes a further category of activities (horizontal activities) aiming at ensuring quality implementation of the project and at improving its sustainability. This group of activities includes a) provision of project implementation support, including project management, b) public information and communication, c) technical verification and quality assurance, d) monitoring and evaluation, e) capacity-building for SFD and governorates' staff.

Capacity-building activities will be carried out for the local staff of the Social Fund for Development's (local offices) and for the governorates' staff involved in the project implementation with a view to strengthening the capacity to implement and monitor the project at local level.

### **2.3. Risks and assumptions**

The project risks are those related to the current political situation in Egypt and the uncertainty about the future leadership and policies of the new government. Nevertheless there is a broad consensus both within Egypt and among external partners that social and pro-poor policies are top priority for the country. The EU support, as well as other stakeholders' support, is in line with the priorities and strong demands of the citizens.

## 2.4. Cross-cutting issues

The sub-projects of the proposed project, both those related to small scale infrastructure and to community services are likely to result in a number of positive environmental and socio-economic impacts. Those impacts include improved access to community services, improvement in environmentally related projects such as canal cleaning and river Nile Bank protection; similarly, the improvement of housing conditions and solid waste disposal and management for the poor will lead to positive health impacts.

As far as the environmental dimension is concerned, the EU will also build on the World Bank's tool called the Environmental and Social Screening and Assessment Framework (ESSAF), which has been set up to address any likely negative environmental impacts potentially resulting from the sub-project activities. The safeguard screening and mitigation process will include a) a proposed checklist of the likely environmental impacts to be filled out for each sub-project or group of sub-projects; and b) a proposed checklist for environmental monitoring indicators for the sub-projects. Finally, the project will have a special focus on youth offering new job opportunities.

The sub-projects related to the community services tend to employ female, so this type of projects will enhance the percentage of women targeted by the project, in addition to young people who have been unemployed for a long time, and young graduates.

## 2.5. Stakeholders

The **SFD** central office based in Cairo supported by 20 regional and 7 satellite offices (one in each governorate) will **co-ordinate** project activities with the various stakeholders. The regional and satellite offices are the main point of contact between requesting agencies and the SFD: they provide advice to communities, NGOs, and regional government on SFD procedures.

**Others stakeholders** involved in the implementation of the proposed project are: **governorates** (around 15 governorates in the poorest areas of the country), **line ministries and their technical directorates**: Associated with governorates are technical directorates (mudiriya) which represent line ministries within a particular governorate, and they are responsible for the technical aspects of their sectors throughout the governorate. The project is **demand driven**: it responds directly to the emerging needs of the poor and vulnerable groups in Egypt, in particular unskilled and semi-skilled workers, including youth.

**The "mother" NGOs**, which are large and more experienced NGOs who have also supported the formation and expansion of grass-roots **community development associations** (CDAs) at the village level, as well as the groups of citizens with a common interest from the community, who are organised into legally constituted civil associations are important stakeholders namely for the community services sub-projects (including youth rural and urban employment).

### 3. IMPLEMENTATION ISSUES

#### 3.1. Method of implementation

The method of implementation will be joint management through the signature of an Administration Agreement with the World Bank in accordance with Article 53d of the Financial Regulation. The World Bank complies with the criteria provided for in the applicable Financial Regulation.

The World Bank has the technical knowledge and a long-term experience in supporting public works programmes as an important component of the overall safety net package in many IBRD<sup>10</sup> countries, including Egypt<sup>11</sup>, and use emergency procedures which will guarantee rapid implementation of the project in the current circumstances. The World Bank, following its guidelines for Rapid Response to Crisis and Emergencies (Operational Policy 8.00), is currently the only international development organisation capable of responding to the needs of the country within a short period of time.

The World Bank is covered by the Trust Funds and Co-financing Framework Agreement concluded with the Commission on the basis of which a standard Administration Agreement will be signed.

Centralised management will be applied for monitoring and evaluation of the project which will be carried-out through independent consultants and will be managed by the EU Delegation to Egypt.

A **steering committee** will be set up; it will oversee and validate the overall direction and policy of the project. It shall meet twice a year as a general principle and can be convened whenever the project's implementation requires strategic decision or changes. It will also endorse the pipeline of the projects to be implemented.

The project steering committee shall be made up of:

- A representative of the Ministry of International Cooperation;
- A representative of the Social Fund for Development;
- A representative of the European Union;
- A representative of the World Bank;
- Representatives of the governorates and local authorities benefitting from the project implementation;
- Main ministries involved in the projects activities: Ministry of Housing, Ministry of Irrigation, Ministry of Local Development, Ministry of Social Development;
- Representatives of the NGOs and CDAs implementing the community services and the horizontal activities.

The change of management mode constitutes a substantial change except where the Commission "re-centralises" or reduces the level of tasks previously delegated to the

<sup>10</sup> International Bank for Reconstruction and Development.

<sup>11</sup> It supported Egypt's public works programmes through the SFD with three projects from 1990 to 2005.

beneficiary country, international organisation or delegate body under, respectively, decentralised, joint or indirect centralised management.

### 3.2. Procurement and grant award procedures

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents set and published by the World Bank.

For the audit and evaluation component under direct centralised management.

All contracts must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the European Neighbourhood and Partnership Instrument (ENPI) regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 21(7)ENPI.

### 3.3. Indicative budget and calendar

The total cost of the EU project is estimated at **EUR 70 million** financed from the general budget of the European Union. The preliminary estimated breakdown of the budget is as follows:

	Instrument/Activities	EU contribution (EUR)	%
	<b>Administrative agreement with World Bank</b>	<b>69,800,000</b>	
Component 1	Employment intensive small scale infrastructure sub-projects	35,000,000	50.0%
Component 2	Community services sub-projects and youth employment activities in urban and rural areas	30,000,000	42.9%
Component 3	Short term trainings to improve workers employability	2,000,000	4.3%
Horizontal activities	Implementation support and horizontal activities. Capacity-building for SFD local staff and governorates' staff	1,000,000	
	Visibility	500,000	0.7%
	Contingencies*	1,300,000	1.8%
	<b>Centralised management</b>		
	Audit and evaluation	200,000	0.3%
	<b>TOTAL</b>	<b>70,000,000</b>	<b>100%</b>

\* The “contingency” amount can only be used with prior written approval by the Commission.



The implementation of the project will indicatively take a total of **48 months** from the signature of the Financing Agreement to the end of the activities, plus a 24 month closure phase.

### **3.4. Performance monitoring**

To monitor the performance of the project a set of indicators have been identified: the main outcome indicator would be the number of job opportunities created under the project. The project is expected to create 82,000 new jobs opportunities which will be in addition to the 200,000 new jobs created by the World Bank broader programme. The EU project would contribute to increase the output indicators defined for the World Bank intervention: the number of kilometres of canals cleaned: 12,000 km < 2m width and 8,000 km 2m-5m width); the number of kilometres of river Nile banks protected (River Nile Bank Protection for 47 km), the number of houses of poor families' refurbished (rehabilitation of 9,000 poorest households units of around 45 m<sup>2</sup>), the number of kilometres of water pipes extended, the number of kilometres of rural roads paved or maintained, the number of schools maintained (16,000 classrooms in 710 schools), and the number of villages receiving solid waste collection and disposal service.

The intermediate outcome indicators will include: the degree of labour intensity, the number of person/days created, and the amount of wages paid to workers (gender disaggregated and aggregated by unskilled and semi-skilled).

Technical verifications will be carried out on a quarterly basis during the life of the project using an independent technical and financial firm (ITFF) contracted by the World Bank. The ITFF would verify: (i) the outcome indicators in terms of number of job opportunities created; and (ii) the number of intermediate sector outcomes. The ITFF would also assess other issues such as: the quality of the works, compliance with the operations manual, compliance with environmental and social safeguards.

### **3.5. Evaluation and audit**

The project will conduct mid-term and end-of-project evaluations in addition an impact evaluation would be carried out to assess the overall impact of the youth employment component of the project. Evaluations will be carried out through independent consultants and will be managed by the EU Delegation to Egypt.

### **3.6. Communication and visibility**

Communication and visibility are considered as an important component of the project. A comprehensive communication strategy will be developed in co-ordination with all stakeholders. The communication strategy and plan would be prepared during the first year of project implementation.

In addition, in compliance with Article 8 and attachment 4 of the Agreement between the EU and the World Bank, information and communication activities will be carried out to identify the EU's support for the project. The Commission expects to have a significant role in the governance of the Trust Fund including where appropriate co-chairing the steering committee for the trust fund. EU – World Bank Group Joint Visibility Guidelines will be agreed between the parties (Article 8.2 of

the Trust Fund and Cofinancing Framework Agreement). The EU Delegation to Egypt will check the visibility component of the actions through field visits.