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**COMMISSION IMPLEMENTING DECISION**

**of 11.11.2013**

**on the Annual Action Programme 2013 in favour of Egypt to be financed from the  
general budget of the European Union**

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### on the Annual Action Programme 2013 in favour of Egypt to be financed from the general budget of the European Union

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument<sup>1</sup> and in particular Article 12 thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002<sup>2</sup> (hereinafter referred to as 'the Financial Regulation'), and in particular Article 84(2) thereof,

Whereas:

- (1) The Commission has adopted the Country Strategy Paper for Egypt and the Multiannual Indicative Programme for the period 2011-2013<sup>3</sup>, points 2.3, 2.4 and 2.5 of which provide for the following priorities: reforms in the areas of democracy, human rights and justice; competitiveness and productivity of the Egyptian economy; sustainability of the development process with better management of human and natural resources.
- (2) The objectives pursued by the Annual Action Programme 2013 in favour of Egypt are to respond to the pressing socio-economic challenges that Egypt is facing, in line with the CSP and the Council conclusions of 21 August 2013. The two specific actions will contribute to (i) to increase sustainable agricultural production through a more effective management of water resources and the adoption of Good Agricultural Practices (ii) to increase rural livelihoods through the promotion of income generating activities (iii) the valorisation of territories and (iv) to support the establishment and implementation of effective policy, legislation and institutional arrangements for waste management at the national, governorate and local level in Egypt, coupled with the implementation of related infrastructure in the project regions. The two actions are fully in line with the priorities set out in the two Joint Communications 'A partnership for democracy and shared prosperity with the Southern Mediterranean'<sup>4</sup> and 'A new response to a changing Neighbourhood'<sup>5</sup>.
- (3) This Decision complies with the conditions laid down in Article 94 of Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council

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<sup>1</sup> OJ L 310, 9.11.2006, p. 1.

<sup>2</sup> OJ L 298, 26.10.2012, p. 1.

<sup>3</sup> C(2007) 672, 27.2.2007

<sup>4</sup> COM(2011)200, 8.3.2011.

<sup>5</sup> COM(2011)303, 25.5.2011.

on the financial rules applicable to the general budget of the Union<sup>6</sup> (hereinafter referred to as 'the Rules of Application').

- (4) The Commission may entrust budget-implementation tasks under indirect centralised management (indirect management with a Member State agency) to the entities identified in this Decision, subject to the conclusion of a delegation agreement. The responsible authorising officer has accordingly ensured that these entities comply with the conditions of Article 56(1) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>7</sup> (hereinafter referred to as 'the Financial Regulation 1605/2002') and of Article 35 of its Implementing Rules<sup>8</sup>.
- (5) The Commission may entrust budget-implementation tasks under joint management (indirect management with an international organisation) to the entities identified in this Decision, subject to the conclusion of a contribution agreement. The responsible authorising officer has ensured that these entities comply with the conditions of Article 53d of the Financial Regulation 1605/2002 and of Articles 35 and 43 of its Implementing Rules.
- (6) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of the Financial Regulation and Article 111(4) of the Rules of Application.
- (7) The Commission is required to define the term "non-substantial change" in the sense of Article 94(4) of the Rules of Application to ensure that any such changes can be adopted by the authorising officer by delegation, or under his or her responsibility, by sub-delegation (hereinafter referred to as the 'responsible authorising officer').
- (8) The measures provided for in this Decision are in accordance with the opinion of the ENPI Committee set up under Article 26 of Regulation (EC) No 1638/2006.

HAS DECIDED AS FOLLOWS:

### *Article 1*

#### **Adoption of the programme**

The Annual Action Programme 2013 in favour of Egypt, constituted by the actions identified in the second paragraph, is approved.

The actions, the description of which is set out in the attached Annexes 1 and 2, respectively, shall be:

- Joint EU Rural Development Programme under the ENPARD initiative;
- National Solid Waste Management Programme (NSWMP).

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<sup>6</sup> OJ L 362, 31.12.2012, p. 1.

<sup>7</sup> OJ L 248, 16.9.2002, p. 1. These provisions remain applicable until 31 December 2013 according to Article 212 of the Financial Regulation.

<sup>8</sup> Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities. OJ L 357, 31.12.2002, p.1. These provisions remain applicable until 31 December 2013 according to Article 212 of the Financial Regulation.

*Article 2*

**Financial contribution**

The maximum contribution of the European Union to the Annual Action Programme 2013 in favour of Egypt is set at EUR 47 million to be financed from budget line 19 08 01 01 of the general budget of the European Union for 2013.

*Article 3*

**Implementation modalities**

The budget-implementation tasks under joint management and indirect centralised management shall be entrusted to the entities identified in the attached Annexes, subject to the conclusion of the relevant agreements.

Section 4 of the Annexes referred to in the second paragraph of Article 1 shall set out the elements required by Article 94(2) of the Rules of Application.

The financial contribution referred to in Article 2 shall also cover any possible interests due for late payment.

*Article 4*

**Non-substantial changes**

Increases or cumulated changes to the allocations to the specific actions not exceeding 20 % of the contribution referred to in the first paragraph of Article 2 shall not be considered substantial, provided that they do not significantly affect the nature and objectives of the actions. The use of contingencies shall be taken into account in the ceiling referred to in this Article.

The responsible authorising officer may adopt these non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 11.11.2013

*For the Commission*  
*Štefan FÜLE*  
*Member of the Commission*

## ANNEX 1

to the Commission Decision on the  
'Annual Action Programme 2013 in favour of Egypt'

### Action Fiche for the Joint EU Rural Development Programme under the ENPARD initiative

#### 1. IDENTIFICATION

Title/Number	Joint EU Rural Development Programme under the ENPARD initiative CRIS ENPI/2013/024-474		
Total cost	Total estimated cost: EUR 36 000 000 Total amount of EU budget contribution: EUR 27 000 000 This action is co-financed in parallel by the Italian Ministry of Foreign Affairs to the amount of EUR 9 000 000		
Aid method / Method of implementation	Project approach Direct centralised management — procurement of services Indirect centralised management with the Italian Ministry of Foreign Affairs Joint management with the United Nations Development Programme (UNDP) for the Landmine Action Component.		
DAC-code	43040 31120	Sector	Rural Development Agriculture Development

#### 2. RATIONALE AND CONTEXT

##### 2.1. Summary of the action and its objectives

On 21 August 2013, the Foreign Affairs Council discussed the issue of assistance to Egypt and expressed its concern over the economic situation in the country and the negative impact on the most vulnerable groups of the Egyptian society. While stressing the need to monitor the situation in Egypt closely and readjust its cooperation accordingly, the Council reiterated its commitment to continue EU assistance in the socio-economic sector and to civil society.

The action is a rural development intervention under the ENPARD (European Neighbourhood Programme for Agriculture and Rural Development). It will strengthen the capacities of rural associations and other community-based organisations in terms of the sustainable management of local resources and will explore new and innovative solutions for generating income by offering tailored support. As such, it will support the socio-economic development of the rural

beneficiaries in the target areas, which are among the most vulnerable population of the country.

The overall objective is to improve the quality of life of the people living in the rural areas of three governorates (Matrouh, Minia and Fayoum), with the focus on the sustainable management of territorial resources.

The specific objectives are to:

- increase sustainable agricultural production by managing water resources more effectively and adopting Good Agricultural Practices (GAP);
- improve rural livelihoods by promoting income-generating activities (agricultural/non-agricultural) and making best use of local resources.

A part of the rural development support in Matrouh governorate will be geared to the Mine Action Plan. This component will make land available for agricultural/other use. Other developmental objectives and issues such as landmine-victim assistance and education will also be addressed.

## **2.2. Context**

### **2.2.1. Country context**

#### **2.2.1.1. Economic and social situation and poverty analysis**

The exceptional circumstances which the country is currently experiencing are causing serious deterioration in its economic performance. The annual growth rate has declined from 7% a few years ago to 2.4%, and this is expected to have a considerable impact on unemployment, which is currently at 13% overall and 30% for young people (women are also particularly affected). The budget deficit is increasing and now stands at 11% of GDP. Exports and tourism revenues have declined, and as a result foreign currency reserves have dropped. Foreign Direct Investment Flows have dropped from USD 13 billion two years ago to a new low of USD 1.1 billion.

Poverty has increased from 21.6% in 2009 to 25.2% in 2011.<sup>1</sup> Poverty is prevalent mostly in rural areas, where more than 70% of the poor are concentrated. Upper Egypt, which accounts for about 25% of the total population, is particularly affected as it is in this area that half of the poorest people in the country are concentrated. Several other human development indicators show the same gap between rural and urban areas: for instance, the illiteracy rate is twice as high in rural as in urban areas. Fayoum and Minia had the lowest Human Development Index of all Governorates, while Matrouh was ranked in the middle.

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<sup>1</sup> Statistical data source: CAPMAS (Central Agency for Public Mobilisation Statistics), UNDP Human Development Report 2010, CIHEAM ENPARD reports.

### 2.2.1.2. National development policy

The Government of Egypt has been working on its 10-year (2012-2022) strategic framework for economic and social development, which is also called the 'National Income Doubling Plan'.

The long-term plan (up to 2022) has a main goal of achieving an average 7% GDP annual growth rate, doubling national income in ten years while promoting job creation and ensuring economic stability.

### 2.2.2. *Sector context: policies and challenges*

Over the last 30 years, the national agricultural policy of the country has primarily focused on land reclamation in new areas (land developed for agriculture since the 1960s), investments from the private sector, and investments in national mega projects to improve farm irrigation techniques.

In 2009, the Government of Egypt, with the support of the Food and Agricultural Organisation (FAO), devised a new strategy called 'Sustainable Agricultural Development Strategy towards 2030', which aims to modernise agriculture in Egypt in order to achieve food security and improve the living standards of the rural inhabitants by making efficient use of the available resources. The main objectives of this strategy include the sustainable use of natural agricultural resources, increasing the productivity of land and water units, raising the degree of food security, increasing the competitiveness of agricultural products, improving the living standards of the rural inhabitants and reducing poverty rates in rural areas.

The current sector strategy remains focused on agricultural projects and on centralised implementation. Although the Government of Egypt has cautiously begun to address rural development beyond agricultural technology, a specific and comprehensive rural development strategy has yet to be developed.

However, the new Government of Egypt has stressed the importance of expediting the steps that can boost economic and productive activities with the aim of easing the economic suffering of the most vulnerable citizens. Among its top priorities are i) making more land available for agriculture and ii) ensuring adequate food supplies at affordable price, which constitute the main objectives of this programme.

Agriculture remains the main activity in rural areas of Egypt. It accounts for 13.5% of total Gross Domestic Product (GDP) and for 18.3% of exports. It also employs more than 25% of the population and is the main source of income for about 55%. It is characterised by:

- very high dependency on food imports (Egypt imports about 55% of its total needs and is one of the largest wheat importers in the world);
- a subsidy system (for wheat, sugar, rice and food oil) which represents a heavy burden on the public budget and negatively affects the development of the agricultural sector;
- limited investment (only 3% of total investment in 2010);

- fragmented landholdings: 85 % of all landholders cultivate less than 1 hectare (often not enough to earn an adequate income);
- water use efficiency is low, due to high water losses: the efficiency of field irrigation systems is estimated at only 50 %;
- increasing scarcity of water (the current quota of 5 000 m<sup>3</sup>/feddan/year is expected to go down to 4 000 m<sup>3</sup>/feddan/year by 2025), exacerbated by poor water quality.

Poor management of solid and agricultural waste and the overuse of chemical inputs have made a big contribution to environmental degradation in rural areas. Improper waste disposal has also become a national problem in Egypt, and an issue for debate and conflict at local and national levels over recent decades.

For small landholders, income from agricultural activities is not sufficient to meet their needs. Alternative employment opportunities are lacking due to the limited development of small and medium-sized enterprises (SMEs) in rural areas (limited access to finance and lack of technical/managerial skills). As a consequence there is a growing general need to diversify people's sources of income.

A specific issue in Matrouh Governorate is the presence of 'explosive remnants of war' (ERW) from World War II (otherwise known as 'unexploded ordinance' — UXO) left behind by the combatants, principally countries that are today EU Member States. The large number of mines and other ERW still in place (approximately 16.3 million) not only impedes development efforts, but also poses a continuous threat to local inhabitants, i.e. the Bedouin communities.

### **2.3. Lessons learnt**

Over recent decades, agriculture and rural development schemes in Egypt have largely been technology-based and supply-driven, using mainly a centralised decision-making approach. This has limited local ownership and governance, which in turn has failed to support capacity development or the empowerment of local authorities. Marketing concerns were not integrated, and producers were not encouraged to co-operate or to organise themselves to work together.

While the focus has now shifted from making resources available to making effective use of the available resources, the rural development debate has now moved from an input/technological focus to a focus on people. It has brought in a number of new factors and players and has significantly changed the nature and management of such programmes. Lessons can be drawn from rural development policies in the EU and from EU projects in Egypt (e.g. (i) support for the agriculture network, (ii) the South Sinai Regional Development Programme) and initiatives developed by other donors.

Evidence therefore suggests that to be successful and sustainable, and to ensure ownership by the final beneficiaries, programmes should be community-based, participatory, demand-driven, flexible and accountable, and be run in a decentralised way.



## 2.4. Complementary actions

The EU is currently implementing the following programmes which contribute to rural development.

The ‘Support for Rural Development’ programme (EUR 10 million, 2010) provides technical assistance and institutional capacity building for the Government of Egypt in order to develop a conditional incentive-based model by way of pilot activities in ten villages.

The ‘Support for Agricultural SMEs’ programme (EUR 22 million, delegation agreement with the Agence Française de Développement — AFD) has the overall objective of supporting the Government of Egypt’s efforts to create job opportunities and generate income in rural areas, while expanding existing credit schemes and establishing guarantee schemes to develop the agricultural sector. It will also provide value chain support in two sectors (dairy and marine aquaculture).

The ‘Water Sector Reform Programme — Phase II’ (approx. EUR 200 million co-financed by a number of European Development Banks) includes a component addressing wastewater and sanitation services in rural areas of the Minia Governorate.

The ‘Technical and Vocational Education and Training (TVET) Reform-Phase II’ (EUR 117 million) aims to improve the structure and performance of the TVET system and TVET delivery in Egypt so as to respond better to the new socio-economic needs of the country.

As regards agricultural crop quality enhancement and marketing capacities, United States Agency for International Development (USAID) is now involved in specific value chain (tomato) improvements, while four UN agencies (led by UNIDO) are supporting pro-poor value chain development in Upper Egypt in the horticultural sector. Linkages with these schemes could be established.

Concerning the Landmine Action in Matrouh, the UNDP-MoIC (Ministry of International Co-operation) pilot project ‘Support for the north west coast development plan and Mine Action Plan’ (total amount USD 2 376 895) was financed by Germany, the UK Department for International Development (DFID-UK), the UN, New Zealand, the British Embassy and the United States Agency for International Development (USAID). New Zealand is currently considering an additional contribution. A further Japanese assistance instalment of EGP 9 million (EUR 1 125 000) will also be made available. The Government of Egypt makes a yearly allocation of EGP 2 million (EUR 250 000), focusing mainly on the operational costs of the demining operations.

Italy is strongly committed to the agricultural and rural development sectors through a number of important initiatives aiming at improving agricultural production, solid waste management and food security in the poorest rural Egyptian governorates (total amount approx. EUR 56 million), including in the Programme areas.

## **2.5. Donor co-ordination**

Exchange of information, lessons learned and co-ordination will be ensured through: a) the Donor Partner Group (DPG), a sub-group on Natural Renewable Resources (water and agriculture), of which several EU Member States are members; b) the Agricultural and Rural Development Member State platform; c) the Agricultural Donor Group, organised by the Ministry of Agricultural and Land Reclamation.

## **3. DETAILED DESCRIPTION**

### **3.1. Objectives**

The overall objective of the programme is to improve the quality of life of the people living in the rural areas of Matrouh, Minia and Fayoum governorates, with a focus on the sustainable management of territorial resources.

There are two specific objectives of the programme:

- A) increase sustainable agricultural production by managing water resources more effectively and adopting Good Agricultural Practices (GAP);
- B) improve rural livelihoods by promoting income-generating activities (agricultural/non-agricultural) and making best use of local resources.

A sub-section of the specific objective 'A', as a part of rural development in the Matrouh governorate, will be to support the Mine Action Plan. This component will make land available for agricultural/other use. Other developmental objectives and issues such as mine-victim assistance and education will also be addressed.

### **3.2. Expected results and main activities**

The implementation strategy is focused on community-based development and local ownership. The programme has been conceived as a response to problems at a local level, and the activities have been designed to meet the needs of local communities. The programme will strengthen the capacities of existing active rural associations, co-operatives and unions of producers working in sectors of interest, in terms of the sustainable management of local resources, and will explore new and innovative solutions for generating income by offering tailored support. Technical assistance throughout the life of the programme will target a critical mass of farmers, artisans, fishermen, etc. to get them actively involved in securing their immediate livelihood needs, and in sustaining their long-term social, economic and human development.

In Fayoum, the creation of a Local Action Group (LAG) is intended as a sort of network composed of many community-based organisations working in different sectors. Through the LAG instrument the people themselves will have the opportunity to create synergies and strengthen co-ordination among themselves. The LAG will be set up at the governorate level. The programme will provide technical assistance to the LAG to prepare its development strategy and to enhance its managerial, marketing and fundraising capacity. The programme will enhance the LAG's sustainability so that it can operate beyond its completion. The experiences and lessons learnt from the community-based local development in the EU, in

particular under the LEADER approach, will serve to support the assistance to the LAG.

Programme co-ordination and coherence will be a matter for:

- the Steering Committee, composed of representatives of the institutional stakeholders involved at central level;
- three local committees at Governorate level, with representatives of the local players.

The expected results and main activities are set out below by Governorate and by specific objective (given their differing potential outcomes):

## **MATROUH:**

### **Result A.1) Increased water harvesting and arable land**

Activities: development of wadies for agricultural use; construction of dykes, cisterns and watering troughs on wadi banks and land levelling; digging of shallow wells in the flat desert area for domestic use and animal consumption; support for procurement of agricultural inputs and small equipment.

### **Result A.2) Mine risk reduced and possibility of future land use increased — implemented by UNDP**

Activities: mine clearance equipment procured; support for mine victims and their families; advocacy and awareness campaigns.

### **Result A.3) GAP adopted to boost the quality and quantity of the main available crops: olive, fig and date**

Activities: awareness campaigns, training and demonstrations in the field; pilot initiatives on organic agriculture; red palm weevil control and eradication measures; supply of agricultural inputs and small equipment.

### **Result B.1) Rural communities of farmers and fisherman enhanced by strengthening producer/community-based associations and their production**

Activities: capacity building activities — i.e. management, bookkeeping, budgeting, interaction with service providers and local authorities; production and marketing support through continuous technical assistance.

### **Result B.2) Main commercial crops (olive, fig) processed locally**

Activities: supply of small olive oil processing plants; supply of equipment for fig processing and packaging; technical support and training for the

production of safe and high-quality products; operation and maintenance training; valorisation of by-products.

**Result B.3) Livestock owners supported**

Activities: increase water and fodder availability; promote the Barki sheep producers association; valorisation of Barki sheep products.

**MINIA — FAYOUM:**

**Result A.1) Water management improved**

Activities: capacity building for the operation and maintenance of secondary and tertiary levels of canals of pre-existing water-user associations, and support given to the creation of new ones; rehabilitation of secondary and tertiary canals and drains, including supply of equipment and tools for cleaning and regular maintenance; land levelling to boost irrigation efficiency.

**Result A.2) GAP adopted and promotion of appropriate crop rotation**

Activities: awareness campaign and training in the field; establishment of pilot fields managed with GAP, and appropriate crop rotation; pilot initiatives on organic agriculture; supply of agricultural inputs and small equipment.

**Result A.3) Agricultural waste reused**

Activities: awareness campaign and training; support for the establishment of groups of farmers for agricultural waste management; supply of equipment and tools for collection/composting.

**Result B.1) Rural communities of farmers and fisherman enhanced by strengthening producer/community-based associations and their production**

Activities: capacity building activities — i.e. management, bookkeeping, budgeting, interaction with service providers and local authorities; production and marketing support through continuous technical assistance.

**Result B.2) Capacity building for local service providers**

Activities: support the identification of new and innovative non-agriculture income-generating activities in rural areas; create partnership with existing microfinance institutions; train trainers from the local service providers, sharing of success stories of income-generating activities.

Additional outputs for FAYOUM:

**Result B.3) Eco-tourism action plan implemented**

Activities: build eco-tourism facilities; create a trail system; capacity building for Fayoum Tourist Authority, its staff and local guides; partnership and links with tour operators.

#### **Result B.4) New archaeological site developed**

Activities: build new site facilities; organise promotional campaign.

#### **Result B.5) Local Action Group (LAG) established**

Activities: establishment of the Fayoum LAG; technical assistance for the development of the LAG development strategy; training on the management of LAG, territorial marketing and fundraising.

The programme also complies with the integrated approach for effective mine action impact according to the Guidelines on European Community Mine Action 2008-2013.

### **3.3. Risks and assumptions**

The main interlocutor of the EU Delegation in Egypt for development issues is the Ministry of Planning and International Co-operation (MoPIC). Given that rural development is a multi-sector subject, the MoPIC, as the Ministry in charge of planning, was identified as the leading institution. It might therefore be difficult to ensure strong and effective co-ordination with — and among — the relevant line ministries.

In this context, a particular attention and efforts will be given to the coordination between the main institutional stakeholders. A Steering Committee including the institutions involved will be set up at central level, while three local committees will be established at Governorates level to guarantee co-ordination and coherence of implementation.

#### **Other risks (external to the programme) are:**

- the national political instability, limiting timely decision-making at central and local levels;
- the limited effectiveness of the decentralisation process might affect decision-making at Governorate level;
- the introduction of innovative GAP and technologies might need time to be accepted by farmers;
- community associations may not be adequately represented.

### **3.4. Cross-cutting issues**

The programme supports the adoption of climate change mitigation practices through proper water management activities and the adoption of GAP. The environmental issue is addressed through agricultural waste management and the re-use of waste for composting. In addition, the adoption of GAP will reduce the use of chemical inputs

and will promote compliance with Egyptian health and phytosanitary standards. Pilot initiatives on organic agriculture will contribute to the objective of sustainable agriculture (a decree on organic agriculture already exists). Support for local breeds will also help to maintain agro-biodiversity, and animal welfare issues (World Organisation for Animal Health — OIE standards) will be mainstreamed. Specific activities will be addressed to support gender equality and to improve living conditions and opportunities for women, e.g. access to microcredit, training, support for the development of agricultural and non-agricultural income-generating activities.

### **3.5. Stakeholders**

The main institutional stakeholders are the Ministry of Planning and International Co-operation, the Ministry of Agriculture and Land Reclamation, the Ministry of Irrigation and Water Resources, the Ministry of Social Affairs and their Directorates in the Governorates.

In addition, the Desert Research Centre of the MoALR in Matrouh, the Regional Authority for Tourism Promotion in Fayoum, and the Executive Secretariat for Mine Clearance and the Ministry of Defence in Matrouh will be involved in some specific activities of the programme.

The Social Fund for Development and other local microcredit entities will be involved in providing financial support for agricultural and the non-agricultural income-generating activities.

Other stakeholders in the private sector are: entities involved in organic farming (such as the Centre of Organic Agriculture in Egypt), input suppliers and the local personnel of service providers (microcredit institutions, NGOs, associations).

Key beneficiaries are the local communities of farmers and fishermen, as well as community-based associations (water use associations, co-operatives, etc.). Particular attention will be paid to women's organisations, as well as to Bedouin tribes, mine victims and their families.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Financing agreement**

The intention is to conclude a financing agreement with the partner country, as referred to in Article 184(2)(b) of the Financial Regulation.

### **4.2. Indicative operational implementation period**

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 60 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

### **4.3. Implementation components and modules**

#### **4.3.1. *Indirect centralised management with a Member State agency***

A part of this rural development action will be implemented in indirect centralised management with the Italian Ministry of Foreign Affairs in accordance with Article 54(2)(c) of Financial Regulation 1605/2002. With a view to improving aid effectiveness, five EU Member States (including Italy) have agreed to co-operate more closely. The Italian Co-operation Office has been fully involved since the identification phase of this programme and has contributed substantially to its formulation.

The agency will implement all rural development activities of the programme (except for the Mines Action Component). This will include procurement for works (water harvesting infrastructures and rehabilitation of canals), for supplies (equipment for agro-processing, composting, and offices), for services (capacity building, training, technical studies and GAP-related activities) and for grants (direct support for community-based organisations).

The change of method of implementation constitutes a substantial change except where the Commission ‘re-centralises’ or reduces the level of budget-implementation tasks previously entrusted to the agency.

#### **4.3.2. *Joint management with an international organisation***

The part of this action concerned with the demining action plan will be implemented in joint management with the United Nations Development Programme (UNDP). This implementation is justified because i) the United Nations has longstanding experience and recognised knowledge in planning and co-ordinating global mine action efforts; ii) the involvement of UNDP in the previous UNDP/MIC project in the North West Coast. Joint management with this international organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because the organisation is bound by a long-term framework agreement (FAFA).

UNDP will set up a small team to manage the EU contribution. This team will work in partnership with the Executive Secretariat (ES) for Mine Clearance and the Development of the North West Coast within the Ministry of International Co-operation. In particular, UNDP will support the ES in setting up quality assurance and control systems, in accordance with international best practices. It will also be responsible for concluding grant and procurement contracts related to this component. Mine clearance activities will be undertaken by the Egyptian army.

The change of method of implementation constitutes a substantial change except where the Commission ‘re-centralises’ or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

### **4.4. Scope of geographical eligibility for procurement in direct centralised and decentralised management**

Subject to the following, the geographical eligibility, in terms of place of establishment for participating in procurement procedures, and in terms of origin of supplies and materials purchased, as established in the basic act will apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 21(7) of the basic act on the basis of non-availability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

#### 4.5. Indicative budget

<b>Module</b>	<b>Amount in EUR</b>	<b>Third party contribution (indicative, where known)</b>
4.3.1. — Indirect centralised management with the Italian Ministry of Foreign Affairs	21 895 000	9 000 000
4.3.2. — Joint management with the United Nations Development Programme	4 705 000	
4.7. — Evaluation and audit	400 000	N.A.
<b>Totals</b>	<b>27 000 000</b>	<b>9 000 000</b>

#### 4.6. Performance monitoring

Programme key indicators will be listed in the Logical Framework as an appendix to the Financing Agreement.

The baseline data will be collected during the inception phase. This will allow targets to be set and a proper monitoring system to be established. An internal monitoring system will run according to Italian Co-operation guidelines.

Annual reports will be submitted by the Italian Co-operation highlighting the progress of implementation, obstacles faced and the extent to which the programme is achieving its objectives, in accordance with the Delegation Agreement.

UNDP will prepare an annual report on the Mine Action component, in accordance with the joint guidelines on reporting obligations under the FAFA.

The programme may also be subject to the Commission's Result Oriented Monitoring (ROM) missions.

#### 4.7. Evaluation and audit

The programme will be subject to an annual external audit mission, to be contracted during the fourth quarter of implementation by the EU, which will assess the eligibility of the funds disbursed.

The Commission will carry out external evaluations via independent consultants (possibly making use of the Commission's framework contracts or other suitable means of procurement). The following are envisaged:

- a mid-term evaluation mission;



- a final evaluation;
- an ex-post evaluation.

<b>Subject in generic terms, if possible</b>	<b>Type (works, supplies, services)</b>	<b>Indicative number of contracts</b>	<b>Indicative quarter of launch of the procedure</b>
External evaluation and audit	services	3 or 4	Fourth (audit), ninth (mid-term evaluation), last (final evaluation), one year after completion (ex-post evaluation)

#### **4.8. Communication and visibility**

A comprehensive communication strategy will be developed. All communication and visibility activities will be aligned with the EU communication and visibility manual for external actions and the Italian Co-operation guidelines for communication and visibility.

## ANNEX 2

to the Commission Decision on the  
'Annual Action Programme 2013 in favour of Egypt'

### Action Fiche for Egyptian National Solid Waste Management Programme

#### 1. IDENTIFICATION

Title/Number	National Solid Waste Management Programme (NSWMP), ENPI/2013/023-393		
Total cost	Total estimated cost: EUR 51 914 000  Total amount of EU budget contribution: EUR 20 million  This action is co-financed (in joint co-financing) by:  - KFW for the sum of EUR 12 million.  This action is co-financed (in parallel co-financing) by:  - KFW for the sum of EUR 3 million;  - GIZ for the sum of EUR 3.75 million;  - Government of Egypt for the sum of EUR 13.164 million.		
Aid method / Method of implementation	Project approach — Indirect centralised management with Kreditanstalt für Wiederaufbau (KfW)		
DAC-code	14050	Sector	Waste Management/ Disposal

#### 2. RATIONALE AND CONTEXT

##### 2.1. Summary of the action and its objectives

On 21 August 2013, the Foreign Affairs Council discussed the issue of assistance to Egypt and expressed its concern over the economic situation in the country and the negative impact on the most vulnerable groups of the Egyptian society. While stressing the need to monitor the situation in Egypt closely and readjust its cooperation accordingly, the Council reiterated its commitment to continue EU assistance in the socio-economic sector and to civil society.

The National Solid Waste Management Programme (NSWMP) is designed to drive forward development of the waste management sector across Egypt. It contains a comprehensive set of measures ranging from institutional reform and development of policy and legislation, to investment programming and implementation, professional capacity development, improving services and facilities, and civil society participation.

## **2.2. Context**

### **2.2.1. Country context**

#### Economic and social situation and poverty analysis

The exceptional circumstances which the country is currently experiencing are causing serious deterioration in its economic performance. The annual growth rate has declined from 7% a few years ago to 2.4%, and this is expected to have a considerable impact on unemployment, which is currently at 13% overall and 30% for young people (women are also particularly affected). The budget deficit is increasing and now stands at 11% of GDP. Exports and tourism revenues have declined, and as a result foreign currency reserves have dropped. Foreign Direct Investment Flows have dropped from USD 13 billion two years ago to a new low of USD 1.1 billion.

Poverty has increased from 21.6% in 2009 to 25.2% in 2011. Poverty is prevalent mostly in rural areas, where more than 70% of the poor are concentrated. Upper Egypt, which accounts for about 25% of the total population, is particularly affected as it is in this area that half of the poorest people in the country are concentrated. Several other human development indicators show the same gap between rural and urban areas: for instance, the illiteracy rate is twice as high in rural as in urban areas.

#### National development policy

The Government of Egypt has been working on its 10-year (2012-2022) strategic framework for economic and social development, which is also called the 'National Income Doubling Plan'.

The long-term plan (up to 2022) has a main goal of achieving an average 7 % GDP annual growth rate, doubling national income in ten years while promoting job creation and ensuring economic stability.

### **2.2.2. Sector context: policies and challenges**

The NSWMP addresses several priority areas mentioned in the Joint Communication of 25 May 2011 'A new response to a changing neighbourhood'. Beyond the direct impact of improved health and environmental conditions in the target areas, the programme will broadly enhance sector co-operation on climate change and environment, while supporting job creation in difficult economic times and contribute to tackling poverty, social and economic disparities within Egypt.

The highly significant socio-economic dimension of waste management is fully recognised in Egypt, and progressive measures are designed into the NSWMP to tackle social equity in the provision of basic services, gender equality, to promote the legal and social recognition, as well as to improve working conditions of people involved in the waste management and recycling sector. The Programme is indeed designed to create significant additional employment through labour-intensive collection and recycling concepts.

Further socio-economic benefits of the NSWMP will be provided by the establishment of proper policy and legal framework at the national level as well as

envisaged investments in the selected governorates. Solid Waste Management reforms carried out within this programme will serve as a platform and catalyst for further investments in the sector. This will lead to positive socio-economic impact by increased quality of life and economic growth and employment potential for hundreds of thousands of people including skilled, semi-skilled and unskilled workers, young people and poor and disadvantaged workers. NSWMP will use consultation mechanisms to ensure private sector involvement and engagement.

Currently, only 60% of the waste generated in Egypt is collected; only 5% is properly disposed of; and only 2.5% is recycled. Inadequate standards of SWM impact on the health of people and the quality of the environment (severe pollution of air, soil and water). Investment in the sector is largely stagnant, and, as a result, the quality of services and infrastructure is declining.

Waste management (WM) has historically received little serious policy attention in Egypt. There is no published legally binding policy for the waste management sector, or framework legal act to drive investment, performance and standards (as the most visible of all public services, an indication of good governance, and an essential component of the sustainable development of Egypt's economy).

However, Solid Waste Management remains a priority for the new Government of Egypt. In September 2013, building on the preparatory work carried out by his predecessors, the new Minister of Environment has confirmed a decision to establish a Solid Waste Management Unit, for which the hiring of staff has already started. Such Unit will constitute the nucleus of a future General Executive Agency for Integrated Solid Waste Management (ESWA), for which a decree was endorsed early 2013. Once validated by the future Shoura Council, the ESWA will become a public agency with independent legal character, entrusted with a comprehensive range of functions to enable it to become the national centre for solid waste management in Egypt.

Government endorsement of the decree has enabled GIZ (German Technical Co-operation) to release funds to launch the first phase of technical assistance to the MSEA, which comprises finalising the creation of the ESWA, assistance in recruitment of staff and provision of expert advice for drawing up key policy documents.

The Sector Framework Analysis itself has been finalised by KfW and approved by the Inter-Ministerial Committee (IMC), setting out a comprehensive programme of activity designed to drive forward the development of the waste management sector across Egypt. It contains a set of measures ranging from institutional support, policy development and legislation, to investment programming and implementation, professional capacity development, improving services and facilities, and civil society participation.

### **2.3. Lessons learnt**

Learning from earlier negative experiences, the Government of Egypt established an Inter-Ministerial Committee (IMC). This comprises representatives from all key ministries currently playing a role in the waste management sector; its remit includes preparing a proposal for the future institutional arrangements to govern the waste management sector across Egypt.

The EU-funded South Sinai Regional Development Programme is concerned with waste management at the regional level. In the course of implementation it was recognised — including by ROM monitoring reports — that an NSWMP would considerably strengthen local WM initiatives.

#### **2.4. Complementary action**

The EU has so far supported the sector through the Twinning Project (Development of Integrated Hazardous Substances and Waste Management System) 2008-2011 and the METAP Regional Solid Waste Management Project (2001-2005). The EU has been designing a Joint EU Rural Development Programme with the Italian Co-operation (see Annex 1 of this decision), dealing notably with the issue of sustainable disposal of agricultural waste. The EU has also launched the Switch Med for Green Economy initiative that promotes sustainable production and consumption practices. The GIZ is currently running an urban development programme and is working in close conjunction with the informal sector on SWM. Co-operation is already in place to avoid overlaps, and whatever lessons are learnt will be incorporated.

#### **2.5. Donor co-ordination**

The NSWMP is by design an ‘open programme’. Whilst the specifics of the Memorandum on EU, KfW and GIZ support will establish clear responsibilities, obligations and activities for all partners, the overall intention of the NSWMP is to act as a catalyst for development of the sector. Many of the activities to be implemented under this programme will facilitate access to the sector for other international and national organisations, businesses and financiers.

For the time being, co-ordination has been mainly with the EIB, Secrétariat d'Etat à l'économie (SECO – Switzerland) and the World Bank. The NSWMP, in its role as catalyst for the necessary policy, legal and institutional reforms and economic framework conditions, is extremely important in terms of establishing the framework for future co-ordinated inputs from the various development partners.

Central to any donor co-ordination is the need to set up a single entity at the national level in charge of the WM sector. The functions as defined in the draft Decree on establishment of the ESWA include leadership in solid waste policy and strategy and co-ordination of waste management infrastructure in the governorates.

### **3. DETAILED DESCRIPTION**

#### **3.1. Objectives**

The **overall objective** of the National Solid Waste Management Programme (NSWMP) is to make a significant contribution to the sustainable protection of the environment, to protect natural resources and to reduce health risks for the population of Egypt.

The **specific objective** of the NSWMP is to support the establishment and implementation of effective policy, legislation and institutional arrangements for waste management at the national, governorate and local level in Egypt, coupled with infrastructure implementation in the project regions.

### 3.2. Expected results and main activities

The results of the programme will be:

- **Result 1:** An SWM infrastructure is established and becomes operational in selected Egyptian governorates.
- **Result 2:** The institutional partners at national, Governorate and local level are qualified to operate, maintain and develop the SWM system; co-ordination of their planning concepts is facilitated.
- **Result 3:** The population in the project regions of the selected governorates receives SWM services in line with current standards and regulations.
- **Result 4:** A comprehensive policy and strategy for setting up a national SWM system are formulated, agreed upon with relevant stakeholders, and institutionalised.
- **Result 5:** Procedures for integrating relevant players from civil society and the private sector in the implementation, execution and further development of the SWM system are established.

The results will be delivered through a combination of political commitment, professional resources and financial contributions from the government of Egypt and by way of support provided by the EU, KfW and GIZ.

#### Activities

Activities supported by EU, GIZ and KfW with a view to achieving the above results are:

#### Activities related to Result 1:

- construction/rehabilitation/extension of SWM facilities (recycling, composting plants, transfer stations, landfills, other solid waste infrastructure required for an integrated SWM system) including supply of related equipment;
- closure/rehabilitation of existing uncontrolled dumpsites usually used by the municipalities in the project regions, as part of investment projects including waste treatment or disposal facilities.

#### Activities related to Result 2:

- assistance in setting up SWM infrastructure (tendering, contract management, construction supervision);
- assistance with SWM costing, financial monitoring and budgeting;
- provision of IT equipment, vehicles and other materials, and of office buildings for SWM units on governorate level;

- support in developing organisational structures and human resources of the SWM units at governorate level and in selected municipalities;
- support for the EEAA in the field of licensing, supervision and enforcement.

#### **Activities related to Result 3:**

- assistance in developing a set of instruments for devising solid waste collection plans and their implementation in pilot municipalities;
- supply of mobile equipment for primary and secondary waste collection and transportation, and related maintenance facilities, as part of investment projects including waste treatment or disposal facilities;
- training for management and operational staff.

#### **Activities related to Result 4:**

- support for the development and formulation of a national SWM policy and strategy, with input from the key players;
- support to the formulation of a legal framework as coherent as possible with EU environmental standards on waste notably the waste framework directive and the landfill directive;
- support for the development and implementation of a set of economic instruments to achieve better cost recovery;
- support in implementing selected components of the national SWM strategy.

#### **Activities related to Result 5:**

- support for private sector involvement in developing a national SWM framework to make use of SWM economic potential;
- support for the development and implementation of ways and means of enabling the informal sector to participate in the decision-making process and to derive economic benefit in the SWM sector;
- support in developing mechanisms to enable civil society to participate in the decision-making process and implementation in the SWM sector.

### **3.3. Risks and assumptions**

Since 25 January 2011 the country's political structure has been in flux. Any development initiative at this historic time will inevitably risk being associated with what is happening. The main risk is that the new authorities will encounter so many political, economic and social challenges that they would be unable to give sufficient attention and commit sufficient financing to reforming the waste management sector. Similarly, there is a risk that initiatives designed and approved during the transitional period may become politically charged in themselves.

For this reason, the emphasis is being placed on designing the NSWMP on a step-by-step basis and establishing milestones. The IMC has conveyed its strong commitment to the NSWMP, and has emphasised the urgency and importance of delivering improved waste management policy and practice to the citizens of Egypt.

The tremendous complexity of the waste management system, especially in relation to the informal sector interface and to the setting of waste management facilities, harbours further risks to NSWMP implementation. To mitigate this risk, strong emphasis is to be placed on inclusive governance, such as broad stakeholders' consultation for all aspects of the process.

As the financing for the operation of WM facilities and services is still weak, attention will be given to pinpointing new economic instruments in order to improve cost recovery and to ensure the sustainability of the programme.

### **3.4. Cross-cutting issues**

The NSWMP is not just about managing waste. Focus is also placed on other aspects of environmental sustainability, by way of policies/ approaches/ systems that seek to capture resources before and after they become waste. Environmental and social impact assessment procedures for identifying, designing and approving investment projects will be developed and applied right from the beginning of the programme.

The significant social dimension of SWM in Egypt is fully recognised, and progressive measures are designed into the NSWMP to tackle social equity in the provision of basic services, to address gender equality, to promote the legal and social recognition of informal workers (zabaleen), and to improve the working conditions of people involved in the waste management and recycling sector.

The high profile of waste management makes it a powerful indicator of good governance. Effective waste management services depend on good public sector management, human resources, planning, revenue collection, contracting and contract management, enforcement and public relations. So civil society participation and consultation is vital.

### **3.5. Stakeholders**

NSWMP stakeholders are manifold:

a) the Egyptian General Executive Agency for Integrated Solid Waste Management (ESWA), as the future centre for excellence in solid waste in Egypt, responsible for guiding policy, legislation, strategy and technology and for co-ordinating and assisting decentralised implementation of improved WM practices in Governorates;

b) the Egyptian Environmental Affairs Agency (EEAA), as the agency responsible for monitoring environmental standards;

c) the governorates and municipalities, which are responsible for the implementation of solid waste concepts and related infrastructure in their sovereign territories;

d) the private sector (formal and informal), which will benefit from an improved policy environment and business/investment climate for the sector;



e) civil society and the people of Egypt, who will benefit from improved services/living environment and who will, through the participatory approach, enhance local governance.f) Programme partners (EU, KfW, GIZ) and other international development partners (including SECO and the World Bank), whose involvement in the Egyptian waste management sector will be facilitated.

#### **4. IMPLEMENTATION ISSUES**

##### **4.1. Financing agreement**

In order to implement this action, it is foreseen to conclude a Financing Agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

##### **4.2. Indicative operational implementation period**

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 72 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

##### **4.3. Implementation components and modules**

###### **4.3.1. *Indirect centralised management with a Member State agency***

This action, with the objective of supporting NSWMP, will be implemented in indirect centralised management with KfW in accordance with Article 54(2)(c) of Financial Regulation 1605/2002. This approach is justified given KfW's experience in managing investments in the waste management subsector, at both local and national levels. This was considered an advantage when agreeing on delegated management arrangements for this action.

The European Commission is delegating to the agency the overall technical and financial management as well as the monitoring and evaluation of the programme. Annual audits will be carried out by independent consultants contracted directly by the European Commission.

KfW intends to subdelegate the procurement of works and supply to ESWA and to the participating governorates. The establishment of ESWA is a pre-requisite to the start of this operation, both for the European Commission and for KfW.

Appropriate implementation provisions will be included in the Delegation Agreement that will be signed between the European Commission and KfW.

The change of method of implementation constitutes a substantial change except where the Commission 're-centralises' or reduces the level of budget-implementation tasks previously entrusted to the agency.

#### **4.4. Scope of geographical eligibility for procurement in direct centralised and decentralised management**

Subject to the following, the geographical eligibility, in terms of place of establishment for participating in procurement procedures, and in terms of origin of supplies and materials purchased, as established in the basic act will apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 21(7) of the basic act on the basis of non-availability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

#### **4.5. Indicative budget**

<b>Component</b>	<b>Amount in EUR</b>	<b>Third party contribution (indicative, where known)</b>
4.3.1. Indirect centralised management with KfW	19 700 000	
4.7. Evaluation and audit	300 000	
Total	20 000 000	31 914 000

#### **4.6. Performance monitoring**

The following preliminary indicators of progress have been identified:

- delivery of collected waste to regular solid waste facilities;
- closure of uncontrolled dumpsites in current use;
- regular and environmentally friendly operation of SWM facilities.

The overall regular monitoring is part of the Delegatee body's responsibilities and will be based on the progress reports to be drawn up by ESWA with the help of consultants. The monitoring process will also be guided by the Project Steering Committee (PSC), co-chaired by the EU, KfW and GIZ.

The Delegatee body will update the EU regularly on the progress of the project by way of: bi-annual reports; special reports as needed; and a project completion report.

The programme may also be subject to the Commission's Result Oriented Monitoring (ROM) missions.

#### **4.7. Evaluation and audit**

Mid-term and pre-completion programme evaluation will be funded by the programme and will be carried out by independent consultants recruited by KfW.

Annual audits will be funded by the programme and will be carried out by independent consultants recruited directly by the European Commission (through the use of the Commission's framework contracts or other suitable means of procurement).

<b>Subject in generic terms, if possible</b>	<b>Type (works, supplies, services)</b>	<b>Indicative number of contracts</b>	<b>Indicative quarter of launch of the procedure</b>
Annual audits	services	5	Every fourth quarter (audit),

#### **4.8. Communication and visibility**

Active participation in the preparation and design of the programme and its advocacy within the country has significantly raised the EU's visibility in Egypt and in the solid waste sector. The EU is recognised by the local authorities and the donor community as a key partner in the sector.

As will be specified in the agreement with the Delegatee body, and under its responsibility, any information given to the press, the beneficiaries of funds, and all related publicity material, official notices, reports and publications, as well as construction sites and financed infrastructure will acknowledge the EU as co-financier and will display the European Union logo in an appropriate way. The EU visibility guidelines — and those of other contributing development partners — will be followed.