



Brussels, 22.7.2015
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COMMISSION IMPLEMENTING DECISION

of 22.7.2015

**on the Annual Action Programme 2015 in favour of Egypt to be financed from the
general budget of the European Union**

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THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action¹, and in particular Article 2(1) 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 1605/2002², and in particular Article 84(2) thereof,

Whereas:

- (1) The European Commission has adopted has adopted the Single Strategic Framework in favour of Egypt for the period 2014-2015³, point 3 of which provides for the following priorities:
 - Governance, Transparency and Business Environment (including Complementary support in favour of civil society and of EU Agreements);
 - Poverty Alleviation, Local socio-economic development and Social Protection;
 - Quality of life and environment.
- (2) The objectives pursued by the Annual Action Programme 2015 in favour of Egypt to be financed under Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument⁴ are to support Egypt's inclusive economic growth and the creation of decent jobs, as well as to foster social protection; encourage and support Egypt's process towards good governance and social justice including through establishing an enabling environment for conducting business to ensure economic recovery, and improve the quality of life and the environment by facilitating the access to sanitation and other basic environmental services.
- (3) The Action entitled “Citizen Rights Project” will contribute to the provision of rights by the Government of Egypt to its citizens as provided for in the 2014 Constitution. It will be addressed through two main components: 1) Strengthening the National

¹ OJ L 77, 15.3.2014, p. 95.

² OJ L 298, 26.10.2012, p. 1.

³ C(2014) 7170 of 08.10.2014.

⁴ OJ L 77, 15.3.2014, p. 27.

Council for Human Rights, and 2) strengthening women's role in Egyptian society and increasing gender equality. It will be implemented by direct management.

The Action entitled “Promoting Inclusive Economic Growth in Egypt” will contribute to Egypt's economic recovery through 1) facilitating the development of Micro, Small and Medium-sized Enterprises (MSMEs) in sectors with high potential for inclusive growth, and ii) enhancing the protection of cultural heritage for it to become a real driver of local socio-economic development. It will be implemented by direct management.

The Action entitled “Upgrading Informal Areas Infrastructures” will contribute to local socio-economic development in the informal areas of the Greater Cairo Region (Governorates of Cairo, Giza and Qalyubeya) by enhancing the delivery of basic services through upgrading basic community infrastructures. It will be implemented by indirect management.

The Action entitled “Fostering Reforms in the Egyptian Renewable Energy and Water Sectors through Developing Capacity Building” aims to support the ongoing reform process of two key sectors of the Egyptian economy, the water and renewable energy sectors. The specific objective is to contribute to improve the management and the use of these resources by improving operational efficiencies of concerned stakeholders and beneficiaries. It will be implemented by direct management.

- (4) It is necessary to adopt a financing decision the detailed rules of which are set out in Article 94 of Commission Delegated Regulation (EU) No 1268/2012⁵.
- (5) It is necessary to adopt a work programme for grants the detailed rules on which are set out in Article 128(1) of Regulation (EU, Euratom) No 966/2012 and in Article 188(1) of Commission Delegated Regulation (EU) No 1268/2012. The work programme is constituted by the Annexes 1 and 2 (sections 5.3.1 and 5.3.2).
- (6) The Commission should entrust budget-implementation tasks under indirect management to the entity specified in this Decision, subject to the conclusion of a delegation agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that this entity guarantees a level of protection of the financial interests of the Union equivalent to that required when the Commission manages EU funds. This entity complies with the conditions of points (a) to (d) of the first subparagraph of Article 60(2) of Regulation (EU, Euratom) No 966/2012 and the supervisory and support measures are in place as necessary
- (7) The authorising officer responsible should be able to award grants without a call for proposals provided that the conditions for an exception to a call for proposals in accordance with Article 190 of Commission Delegated Regulation (EU) No 1268/2012 are fulfilled.
- (8) It is necessary to allow the payment of interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Commission Delegated Regulation (EU) No 1268/2012.

⁵ 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 on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

- (9) Pursuant to Article 94(4) of Commission Delegated Regulation (EU) No 1268/2012, the Commission should define changes to this Decision which are not substantial in order to ensure that any such changes can be adopted by the authorising officer responsible.
- (10) The measures provided for in this Decision are in accordance with the opinion of the European Neighbourhood Instrument Committee set up by Article 15 of the financing instrument referred to in recital 2,

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the measure

The Annual Action Programme 2015 in favour of Egypt, as set out in the annexes, is approved.

The programme shall include the following actions:

- Annex 1: Citizen Rights Project
- Annex 2: Promoting Inclusive Economic Growth in Egypt
- Annex 3: Upgrading Informal Areas Infrastructures
- Annex 4: Fostering Reforms in the Egyptian Renewable Energy and Water Sectors through Developing Capacity Building

Article 2

Financial contribution

The maximum contribution of the European Union for the implementation of the programme referred to in Article 1 is set at EUR 59 million and shall be financed from:

- budget line 21.03.01.01 for an amount of EUR 10 million, and
- budget line 21.03.01.02 for an amount of EUR 49 million.

The financial contribution provided for in the first paragraph may also cover interest due for late payment.

Article 3

Implementation modalities

Budget-implementation tasks under indirect management may be entrusted to the entity identified in the attached annex 3, subject to the conclusion of the relevant agreement.

The section “Implementation” of the annexes to this Decision sets out the elements required by Article 94(2) of Commission Delegated Regulation (EU) No 1268/2012.

Grants may be awarded without a call for proposals by the authorising officer responsible in accordance with Article 190 of Commission Delegated Regulation (EU) No 1268/2012.

Article 4

Non-substantial changes

Increases or decreases of up to EUR 10 million not exceeding 20% of the contribution set by the first paragraph of Article 2, or cumulated changes to the allocations of specific actions not exceeding 20 % of that contribution, as well as extensions of the implementation period, shall not be considered substantial within the meaning of Article 94(4) of Commission Delegated Regulation (EU) No 1268/2012, 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 set by this Article.

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

Done at Brussels, 22.7.2015

For the Commission
Johannes HAHN
Member of the Commission



This action is funded by the European Union

ANNEX 1

of the Commission implementing Decision on the Annual Action Programme 2015 in favour of Egypt to be financed from the general budget of the European Union

Action Document for the “Citizen Rights Project”

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following section concerning calls for proposals: Section 5.3.1; in the following section concerning grant-direct award: 5.3.2.

1. Title/basic act/ CRIS number	Citizen Rights Project CRIS number: ENI/2015/038-279 financed under European Neighbourhood Instrument
2. Zone benefiting from the action/location	Egypt The action shall be carried out at the following location: Cairo and country-wide; project team will be located in Cairo.
3. Programming document	Single Support Framework 2014-15
4. Sector of concentration/ thematic area	Priority Area 2: Governance, transparency and business environment
5. Amounts concerned	Total estimated cost: EUR 11.4 million. Total amount of EU budget contribution EUR 10 million. This action is co-financed in joint co-financing by: GIZ for an indicative amount of EUR 1.2 million. Grant beneficiaries for an indicative amount of EUR 200,000.
6. Aid modality(ies) and implementation modality(ies)	Project Modality - Direct management: 1) grants – call for proposal (comp.2/result 2.1); 2) grants – direct award (comp.1); 3) procurement of services (comp.2/results 2.1, 2.2 and 2.3)

7. DAC code(s)	15110 – Public Sector policy and administrative management 15160 – Human Rights 15170 – Women's equality organisations and institutions			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY

Egypt has undergone major political, economic and social changes during the last four years, following the revolution in January 2011 when Egyptians requested social justice and democratic reform. The new Constitution adopted in 2014 provides for the respect of human rights and a rights-based approach to empowering disadvantaged segments of the society. This project responds to priority area 2 of the SSF 2014-15, which covers cooperation to facilitate access of citizens to public services, particularly women and youth in light of these constitutional provisions.

The overall objective of this project is to contribute to the provision of rights by the Government of Egypt to its citizens as provided for in the 2014 Constitution. It will be addressed through two main components: Component 1 will strengthen the National Council for Human Rights (NCHR) towards fulfilling its mandate as National Human Rights Institution (NHRI) with a focus on institutional and operational reinforcement, strengthening the complaints office and improving awareness on Human Rights through external communication. Component 2 aims at strengthening participation of women in public life. It foresees a focus on empowerment of women to increasingly contribute to shaping the society, access to citizen rights and equal provision of specific public services to women and men and their access hereto.

The involvement of EU Member States will be sought in order to transfer EU best practices through peer-to-peer cooperation with national beneficiaries.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Over the last years Egypt has witnessed a clear deterioration of the human rights situation in the country. Human Rights developments have been characterised by a clampdown on Muslim Brotherhood followers and political activists in the name of combatting terrorism, passing of laws restricting freedom of assembly, arbitrary imprisonment and pre-trial detention, as well as further attempts to shrink the space in which civil society organisation and human rights defenders can operate freely. All draft revisions of the Non-Governmental Organisations (NGO) law 84/2002 currently being discussed reflect an even more restrictive approach and aim at increasing control by the Government over civil society's actions. A revision of Article 78 of the penal code in September 2014 tightens the grip of the Government on any entity considered to threaten national security. The developments took place despite the Government's acceptance of several recommendations in the first Universal Periodic Review (UPR) held in 2010 and its partial reflection in the Constitution of 2014¹, as well as the fact that Egypt is signatory to a wide number of international Human rights conventions and treaties. The preparation to the UPR 2014 was characterised by a lack of consultation and dialogue. In March 2015 at the most recent Human Rights Council meeting -HRC28- Egypt adopted 224 out of more than 300 UPR recommendations. While Human Rights activists and organisations did not take part in any of the UPR 2014 proceedings in fear that their participation might result in reprisal or possible persecution, some NGOs were present at the HRC28 proceedings in 2015.

Of particular concern is the situation of women in the country, as they face political, economic, social and cultural barriers which impede them from equal and full participation in the public life, as well as equal access to basic services. Egypt ranked 129 out of 142 in the latest Gender Gap Index² and it still performs poorly towards the Millennium Development Goal (MDG) 3 ('Promote gender equality and the empowerment of women'). In 2013 less than 24% of the total Egyptian labour force were women and the unemployment rate for women is more than twice as high than for men.³ The gender gap is more pronounced at young age, with 13.4% labour participation among females aged 15–29 years as opposed to 61.4% among males.⁴ In 2012/2013 women represented around 30% of all employees in public sectors.⁵ A vast number of women experience verbal and/or physical sexual harassment, and violence against women is widespread, both in the private and public sphere. The prevalence rates of Female Genital Mutilation (FGM) nationwide among ever married women age 15-49 years is over 90%, but the prevalence rate among girls in the age group 15-17 years declined from 74% (2008) to 61% (2014).⁶ A lack of awareness of women rights and socio-cultural factors remain a key challenge to increased women participation in public life, improved status, and security.

¹ It includes articles protecting rights and freedom of citizens: political rights, freedom of thought, opinion, and expressions, freedom of the media, and religious freedom.

² World Economic Forum: Global Gender Gap Report 2014.

³ Statistical Yearbook Labor, 2013-14, CAPMAS.

⁴ World Bank, discussion Paper No. 1201: Micro-Determinants of Informal Employment in the Middle East and North Africa, 2012.

⁵ Statistical Yearbook Labor, 2011/12-2012/13, CAPMAS.

⁶ Demographic Health Survey of Egypt, 2014 – unpublished. Data source is the National Population Council.

1.1.1 Public Policy Assessment and EU Policy Framework

Article 5 of the 2014 Constitution lists human rights among the foundations of the State's political system. It states that citizenship, equality and equal opportunity form the basis of the relationship between the individual and the State. Article 93 (2014 Constitution) reads: "*The state shall be bound by the international human rights agreements, covenants, and international conventions ratified by Egypt (...).*" The Constitution includes specific articles related to human rights⁷, and dedicates several articles (i.e. Articles 9, 11, 80) to address the rights of women, children, persons with disabilities, older persons and expatriates as well as other rights.

The law refers to independent national councils mandated in the field of human rights⁸. Law No. 94 of 2003 defines NCHR's role as to promote and protect Human Rights.⁹ Though the International Coordinating Committee of National Institutions for the promotion and protection of Human Rights (ICC)¹⁰ has deferred its position on the status of the Egyptian NCHR since November 2012, the current rating still allocates an "A" to this institution. Nevertheless, in practice the NCHR does not fully comply with the Paris Principles of international standards that frame and guide the works of NHRIs¹¹. Notably, adequate resource allocation and investigation powers are not entirely satisfactory¹². While autonomy from the Government is formally fulfilled¹³, there are doubts related to its political independence. Political independence is particularly questioned given the varying level of criticism publicly expressed by NCHR with regard to Human Rights violations. According to NCHR a draft law replacing Law No. 94 of 2003 has been prepared, but is pending the election of a parliament to be enacted. The new draft law is expected to strengthen the investigation powers of the NCHR, indeed emphasising one of the six core functions of a NHRI.

Following an increase in media reporting and increased public attention on violence against women and the role of women in society, GoE amended the penal code in June 2014 to tighten legal sanctions for harassment, which includes, for the first time, a broad and detailed definition of sexual harassment. Also, female police officers have been assigned recently and are being deployed regularly to protect in particular women. The Ministry of Interior (MoI) established a new unit to address

⁷ It includes articles protecting rights and freedom of citizens: political rights, freedom of thought, opinion, and expressions, freedom of the media, and religious freedom.

⁸ The law specifies independent national councils including the National Council for Human Rights, the National Council for Women, the National Council for Childhood and Motherhood, and the National Council for Persons with Disability. It sets out their structures, mandates, and guarantees for the independence and neutrality of their members. They have the right to report to the public authorities any violations pertaining to their fields of work. These councils have legal personalities and enjoy technical, financial, and administrative independence. They are to be consulted with regards to draft laws and regulations pertaining to their affairs and fields of work.

⁹ Its functions include a) to issue recommendations and provide advice to Government on issue relating to protecting and promoting Human Rights, b) to monitor the application of international Human Rights instruments, to report on Human Rights issues in Egypt, to assist the State in preparing reports presented to Human Rights review processes in the application of international conventions, and to coordinate at international level on this issue, c) to promote Human Rights within government and with the public, d) to raise awareness and build capacity on the subject, and e) to process complaints coming from citizens on Human Rights issues.

¹⁰ <http://nhri.ohchr.org/EN/Pages/default.aspx>.

¹¹ The Paris Principles identify six main criteria that these institutions should meet to be successful: 1. Mandate and competence: broad mandate based on universal Human Rights standards; 2. Autonomy from Government; 3. Independence guaranteed by statute or constitution; 4. Pluralism, including through membership and/or effective cooperation; 5. Adequate resources; 6. Adequate powers of investigation.

¹² The annual budget allocation to NCHR is around EUR 2.3 million, which does not allow NCHR to engage fully as its mandate requires.

¹³ As per law 94/2003, the NCHR is under the auspices of the Shoura Council. It presents its annual reports to the President of the Republic, the head of the People's Assembly and the head of the Shoura Council.

violence against women. In terms of equality within the public sector, the Government of Egypt has introduced in recent years "Equal Opportunity Units". In close coordination with the National Council for Women (NCW), a number of ministries introduced some institutional and operational mechanism for equal opportunity within their frameworks. Some progress has also been made from a legal reform perspective, including Constitutional provisions and minor legal reforms in areas of citizenship rights and violence against women, however, a holistic vision for operationalisation across the government apparatus is lacking.

Given the above, particularly the provisions of the 2014 Constitution and specific steps taken by the current President towards protecting and promoting women, development partners recognise a certain momentum which allows addressing aspects of women participation in public life through tackling gender inequality, supporting women empowerment and securing citizen rights for women. However, despite the ratification of UN Convention on the Eradication of all forms of Discrimination Against Women (CEDAW) and the fact that social justice and equal accessibility are principles in all government policies recently launched (Plan 2030, administrative reform vision), the above-mentioned constitutional provisions and the long-term plan 2030 are not yet translated into operationalised measures.

The new EU Action Plan for Democracy and Human Rights highlights the support to national human rights institutions as a key priority. The EU Human Rights Country Strategy for Egypt includes in particular a focus on the improvement of the national framework for the protection of human rights and the functioning of the justice system. Equality between women and men is one of the European Union's founding values. In 2010, the European Commission adopted the Women's Charter, in which it renewed its commitment to gender equality and to strengthening the gender perspective in all its policies, including external assistance. The EU Strategy for Equality between Women and Men - 2010-2015 operationalises the Women's Charters and highlights the contribution of gender equality to economic growth and sustainable development.

1.1.2 Stakeholder analysis

Key players among the state actors are the NCHR, the National Council for Women (NCW), the Ministry of Planning, Monitoring and Administrative Reform (MoPMAR) with its National Management Institute, the Central Agency for Organisation and Administration (CAOA) with its Leadership Institute, the Ministry of Local Development (MoLD) with its local training centres, and the Central Agency for Public Mobilisation and Statistics (CAPMAS) with its Central Department for Gender Statistics and Social Studies. The Civil Registry under the Ministry of Interior will be partner with regard to ID card provision. Additionally, a number of Ministries whose operations and services will be benefitting from gender mainstreaming, such as Ministry of Finance, Ministry of Social Solidarity, Ministry of Local Development and those concerned with the sectors selected for gender mainstreaming in public service will be important stakeholders to the project. Other stakeholders are the civil society, citizens, particularly women, suffering from human rights violations, and their respective organisations and associations. Civil Society Organisations and local authorities will also be directly targeted as implementers of project activities and be the end beneficiaries of all actions.

During the formulation phase the EU Delegation consulted with all relevant stakeholders among the Government institutions. In addition to the above

stakeholders, the consultations included the Ministry of International Cooperation (MoIC), selected key actors among the Egyptian society active in the area of human and particularly women rights and empowerment, including Civil Society Organisation and academics. The Delegation also consulted with specific development partners, such as Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), British Council, Spanish Cooperation, UN Women and the United Nations Office on Drugs and Crime (UNODC), who are currently the main development partners active in the area.

1.1.3 Priority areas for support/problem analysis

The sector context reveals a need to strengthen national capacities in order to adopt better protection of fundamental freedoms and human rights in Egypt, a need also expressed by some EU Member States at the recent Human Rights Council (HRC28). Strengthening the National Council for Human Rights in fulfilling its mandate in linking the state with its people appears crucial in the current situation of the country. The NCHR is currently the only available avenue to address human rights with a state agency in Egypt. Though the impact might be limited in the short term, it is politically of strategic importance to engage with NCHR. In order to improve the human rights situation in Egypt it is indeed necessary to engage with the National Human Rights Institution of the country, transfer best practices and improve the functioning and internal governance of this state institution. Reinforcing EU support to human rights under bilateral cooperation will help establishing a regular policy dialogue on human rights with concerned Government entities and will further complement and strengthen the EU-GoE political dialogue on Human Rights. The price of not supporting the NCHR - a state institution which is mandated to hold Egypt accountable to international Human Rights law - would represent a setback in applying the EU's Human Rights policies and maintaining a dialogue on Human Rights issues.

Concerns related to the situation of women in the country reveal an important need to strengthen the role of women in public life and address gender inequalities as one element to achieve progress towards social justice. Social, economic and political empowerment has proven to be at the centre of strengthening the role of women in the society and moving towards gender equality. An important element in this process is the provision of citizenship rights through ID cards, which is the condition for exercising political rights, for accessing subsidised and social security services, direct assistance to the poor and the marginalised, and for claiming one's place in public life. While the provision of ID cards for women progresses and thereby tackles the symptoms, the root causes for the fact that large numbers of women do not access ID cards need to be thoroughly assessed and addressed. The number of Egyptian women without ID cards remains at a high of 5 million.¹⁴ Also, the Government of Egypt does not have an embedded mechanism for ensuring that all its policies and programmes are gender sensitive and that state resources are equally accessible to women and men, which results in a larger number of vulnerable women and girls who are less able to access their right to public services and tailored support by the state.

¹⁴ UN Women, 2012, based on Civil Registrar and Ministry of Administrative Reform's estimated figures.

RISKS AND ASSUMPTIONS

Risk	Level of risk	Mitigation measures
Increased instability at country and/or regional level impacting negatively the political, social and economic conditions in which the project is implemented	High	Instability is partly rooted in the lack of social and economic development prospects. The situation should improve thanks to the commitment of the Government, the alignment of stakeholders around a development agenda and the successful Economic Development Conference organised in March 2015. The situation will be closely monitored by the EU Delegation.
Discontinuation of political support to Human Rights as defined by international instruments	High	The project is designed under the assumption that the state will recognise international human rights instruments and comply with their monitoring mechanisms. This recognition and compliance has been questioned several times in recent history. The project design specifically mitigates this risk as it aims at increasing public pressure on the Government to address human rights violations and comply with international conventions.
Government commitment to address gender equality and protect women discontinues	Medium	Egypt has created a momentum to improve the situation of women in the country by commitments under the constitution towards women's rights and repeated statements by the President as well as recently launched initiatives to support women rights / empowerment. The assumption is that the current momentum will prevail given that the Government does not seem to consider women empowerment as a threat to national security and international pressure. To mitigate the remaining risk the project adopts a two-legged approach by providing balanced support to the Government of Egypt and CSOs: If one leg does not move ahead, the other one can work well. The project also raises awareness of women and the public to voice their rights before the government, thereby increasing internal pressure by domestic stakeholders and externally by the international community.
National Budget allocation to NCHR is reduced	Medium	Although advocacy for an increase in the NCHR budget allocation can be included in the activities under the project, realistic targets should be set, as this is rather unlikely given the political circumstances. This project adds approximately 30% to NCHR's annual budget allocation, which will allow NCHR to better

		fulfil its mandate. The NCHR will remain dependent on external funding as long as the national budget allocation is not increased, however, the purpose of the support is strategic.
NCHR is not politically independent and staff is politicised	Medium	There are doubts related to NCHR's political independence. Political independence is particularly questioned given the varying level of criticism publicly expressed by NCHR with regard to Human Rights violations. The project mitigates this risk by reinforcing the internal governance of NCHR through capacity building activities and technical assistance. Enhancing cooperation with CSO and the transparency of the institutions will contribute to neutral accountability. Being supported by EU Member States can also be expected to result in an increase in NCHR's self-confidence.
Corruption and fraud	High	Overall risk for corruption and fraud in Egypt is considered substantial, as witnessed by low ranking of Egypt in international transparency and corruption perception rankings, high perceived corruption in population corruption surveys, a fragmented institutional framework of anti-corruption entities, incomplete legal framework and inconsistencies in judicial treatment of corruption cases. Procurement practice favours direct award. On the positive side government has adopted an anti-corruption strategy and some streamlining of inspection agencies is underway. The design of the project will mitigate exposure to global corruption risks, through centralised implementation according to EU (/development bank) rules and specific financial procedures.

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Since 2011 the EU finances under the bilateral envelope the "*Promotion and Protection of Human Rights*" project (Decision 19607), which includes support to the Offices of the Ombudsman of the National Council for Women (NCW) and the National Council for Human Rights (NCHR), Institutional strengthening of the National Council of Childhood and Motherhood (NCCM), Economic and Political empowerment of women (UN Women with MoI/NCW/civil society), combatting FGM (UNDP with National Population Council NPC), Mainstreaming Human Rights into Higher Education (UNDP with the Ministry of Higher Education), and support to the Egyptian Environmental Affairs Agency (EEAA) strengthening

environmental rights. The project has been designed based on a thorough analysis of experiences from these various projects, from which strengthening NCHR and supporting women empowerment and gender equality, including combatting FGM and issuance of ID cards, emerge as the most relevant and feasible.

Lessons learned from these projects underline the relevance of the complaints offices, as their functioning is crucial to ensure protection of human rights in Egypt. The long-standing EU support to the Complaints Offices of NCHR and NCW have led to conclude that the Complaints Office of the NCHR is the most relevant of the existing complaints offices and the most likely to be sustained. However, collecting complaints needs to be accompanied by a thorough follow up of each case to provide adequate response to the complainant. Also maximum geographical coverage needs to be ensured. Both Complaints Offices, under NCW and NCHR, could so far not ensure successful referral and follow up of complaints.

Additionally, indirect implementation modalities with United Nations agencies clearly proved to reduce the leverage of EU support to strengthen EU-Government of Egypt policy dialogue in this sector, as it limits direct interaction with the beneficiaries and Government partners and usually does not ensure sufficient visibility. In sensitive and political fields such as human rights and gender equality, direct interaction and dialogue is required and therefore should be preferred if European values, policies and experiences are to be transferred. Experience also shows that while the Government of Egypt is reluctant to engage with the EU in a thorough dialogue on Human Rights, it is open to dialogue and address issues related to specific segments of the society, such as women, children and disabled.

Given the current situation, the main entry point to address human rights issues in its broader perspective with the Government of Egypt is to strengthen relations and support to the National Council for Human Rights as the National Human Rights Institution.

3.2 Complementarity, synergy and donor coordination

The proposed intervention is clearly complementary to the funded actions under the ongoing *"Promotion and Protection of Human Rights"* programme and has been designed based on reflections, lessons learned and experiences from implementing this project. The proposed action particularly follows up on the support to the complaints office at NCHR, which ends in June 2015, and complements activities in support of economic and political empowerment and combatting FGM implemented under the ongoing programme. This action will also complement development and human rights approaches by civil society organisations as it adds a bilateral and structural level of intervention and policy dialogue. The EU Delegation currently supports 58 grant projects implemented by Civil Society Organisations, of which one quarter operates in the field of Human Rights more generally and of which 21% targets specifically women.

In addition, it complements a global European Instrument for Democracy and Human Rights (EIDHR) support which aims at strengthening the capacities of NHRIs around the world as well as their cooperation with regional and international networks in promoting and protecting human rights, in particular on human rights and business, and economic, social and cultural rights.

NCHR currently also receives support from other development partners, to which this action will be complementary. GIZ supports NCHR in the field of capacity

building and communication and recently confirmed its interest to continue its support to NHCR with additional funds in the areas of institutional/operational development and developing state-people relations. Since 2009 and with limited financial resources, Spain supported specifically the Research and Legislative Development Unit of NCHR, a support which ends in 2015 and of which continuation is not secured. These interventions complement other actions funded by UNDP and the OHCHR towards NCHR's independent advisory role to the Government's reporting obligations towards the various international Human Rights monitoring mechanisms.

Major initiatives to address women and gender aspects are currently implemented by UNODC in the field of violence against women, working closely with the Ministry of Justice and the Ministry of Interior. The newly established 'Violence against Women Unit' in the Ministry of Interior (MoI) is supported by UNODC and Spain. UN Women is implementing programmes strengthening economic and political empowerment of women on behalf of other donors, including major contributions from EU and smaller contributions from UNDP, UNICEF and UNFPA. These UN Women-implemented bilateral and regional programmes benefitting Egypt will be complemented by this intervention. This project also complements the EU support to combatting FGM, implemented under a joint programme by the National Population Council, as well as the projects *Institutional Capacity Building for the Central Agency for Public Mobilisation and Statistics (CAPMAS)* and *the Building the Capacity of the Training Sector* of the Central Agency for Organization and Administration (CAOA), both funded under Support to the Association Agreement Programme (SAAP). Important partners for Egypt in the field of gender equality are also some EU Member States, including UK and Spain.

3.3 Cross-cutting issues

The promotion of human rights and citizen rights is at the centre of the proposed action. Furthermore, progress towards gender equality is a main objective of this intervention. While human rights are particularly addressed under component 1, empowerment of women and gender equality is specifically covered under component 2. The project addresses in all its components institutional development and accountability measures. Both components are at the centre of democratic governance and contribute to Egypt's continuing and difficult transition process to democracy. The intervention does not particularly focus on aspects of environmental sustainability, however, in all activities and the capacity-building programmes, environmental and climate change considerations will be mainstreamed as relevant. The Gender Country Profile for Egypt has been finalised in March 2015. An environmental impact assessment is not required.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of the programme is to contribute to the provision of rights by the Government of Egypt to its citizens as provided for in the 2014 Constitution.

Component 1 – Support to the National Council for Human Rights (NCHR)

Specific objective 1: Strengthening NCHR towards fulfilling its mandate as National Human Rights Institution (NHRI)

Result 1.1: NCHR's institutional and operational capacities as well as its internal governance are reinforced

Result 1.2: Complaints services provided by NCHR-Complaints Office are reinforced and their outreach increased

Result 1.3: Awareness on human rights is enhanced

Component 2 - Increase women participation in public life

Specific Objective 2: To strengthen women's role in Egyptian society and increase gender equality in the country

Result 2.1: Capabilities of women and their environment are enhanced to enjoy their rights in the Egyptian society

Result 2.2: Women's access to citizenship rights is improved

Result 2.3: Equal access of women and men to public services is enhanced

4.2 Main activities

Component 1:

Result 1.1: NCHR's institutional and operational capacities as well as its internal governance are reinforced

Envisaged activities:

- Provide management trainings to NCHR leadership and upper/middle management;
- Assist in establishing a human resource management unit and in developing NCHR's human resource management capacities;
- Strengthen the NCHR internal referral and work-flow processes between different departments;
- Strengthen NCHR-internal communication systems between its centre and local branches;
- Assist in establishing a legal aid department in line with the provisions of the 2014 Constitution and strengthen the research and legislative development unit.

Result 1.2: The complaints services provided by NCHR-Complaints Office are reinforced and their outreach increased

Envisaged activities:

- Determine the needs to improve the current complaint system with a focus to increasing geographical coverage and reaching out to specific stakeholders;
- Implement at the central and local level an action plan for reinforcing complaint services, including analysis and reporting;
- Determine the needs to improve the existing process for referral of complaints to relevant departments/services;
- Develop and implement relevant measures to improve case-processing and the institutionalised follow-up procedure with complainants and concerned departments.

Under this result of the project also falls the purchase of two additional mobile units to allow for operations in a larger number of Governorates. Mobile units are small buses transformed into 'mobile offices', which move regularly to the most remote areas in Egypt, where they provide the opportunity to the people to easily file a complaint. The NCHR-mobile unit teams work with the staff of the NCHR local branch, if available, and always in close cooperation with local civil society organisations. Focus will be on increasing outreach in the 7 local NCHR branches and to identify specific stakeholders, such as the youth and children.

Result 1.3: Awareness on human rights is enhanced

Envisaged activities:

- Design and implement an action plan for strategic communication with the Government, civil society and the general public;
- Train concerned NCHR staff on the role of communication and communication-related skills;
- Develop and implement a comprehensive awareness campaign on human rights and the role and services provided by the NCHR;
- Develop and implement a comprehensive training programme on awareness activities at the national and local level to multiply awareness activities.

Component 2:

Result 2.1: Capabilities of women and their environment are enhanced to enjoy their rights in the Egyptian society

Envisaged activities:

- Design and implement a national tailor-made training programme to increase access and participation of women in decision making process in the Egyptian public administration and in relevant sectors;
- Support community-based initiatives aiming at economic and social empowerment of women;
- Support community-based initiatives aiming at combatting all forms of violence against women.

Result 2.2: Women's access to citizenship rights is improved

Envisaged activities:

- Assess obstacles for women's access to national IDs and relevant citizenship documentation and formulate recommendations;
- Propose and launch implementation of specific measures for process and capacity improvements to increase women's access to issuance services;
- Design and launch campaigns to raise awareness on women rights, including the right and added value of having a national ID.

Result 2.3: Selected public services are gender-sensitive and are equally accessed by women and men

Envisaged activities:

- Prepare and implement an action plan to improve institutional and human capacities to collect, analyse, and disseminate gender-disaggregated data;
- Identify public services for embedding gender mainstreaming functions with the aim to improve gender sensitivity of the services' cycle and to ensure equal accessibility
- Launch implementation of processes and tools to operationalise a gender sensitive approach across the cycle of public services (budget allocation, design, delivery of service);
- Implement a capacity building and awareness programme for a gender-sensitive approach and gender mainstreaming in the delivery of the public services/sectors;
- Assist in developing a strategy for upscaling the integration of gender mainstreaming and gender sensitive approaches into the delivery of public services and resource allocation.

4.3 Intervention logic

Support to the National Council for Human Rights is based on the assumption that a strong National Human Rights Institution will better allow the citizens of Egypt, the 'right holders', to access rights-based services and find an avenue to take the state on charge. It also assumes that a strong NCHR will be in a better position to advocate for Human Rights with the Government. To strengthen NCHR across all departments and units institutionally and operationally, the intervention will focus on ensuring functioning work processes implemented by adequately trained staff and qualified leadership, and will focus on putting in place an appropriate institutional structure to fulfil the Council's mandate. NCHR particularly envisages the establishment of a legal aid department on the basis of Article 99 of the 2014 Constitution¹⁵ to add legal investigation to its mandate. Institutional and operational improvements across NCHR combined with a particular focus on increasing the geographical outreach of the complaints office's services as well as the institutional follow-up process will allow an enhanced monitoring of human rights violations and addressing individual cases. This combination is also expected to improve NCHR-internal cooperation and effectiveness, and consequently to increase the quality of the core tasks of NCHR. This approach is complemented by a particular focus on external communication, thereby strengthening NCHR's function as a link between the state and its people, through the implementation of a comprehensive awareness campaign.

The project will implement a 'national women empowerment programme' for women who have the potential to be influential in public life. This intervention will focus on improving women's capabilities, knowledge and skills in leadership, public policy and management as well as other relevant areas. The purpose is to capacitate women to be promoted to leadership and top management posts as well as to increasingly affect decisions in the society. Women in government sectors and civil service at central and local level will be targeted, as well as particular young women from all walks of life, including media, businesses and SME, civil society organisations, social activists, etc., who have a potential to become 'women champions' and an example for others. Well-defined criteria for selecting targeted women will be

¹⁵

Art. 99/constitution 2014: 'The national Council for Human Rights may file a complaint with the Public Prosecution of any violation of these rights, and it may intervene in the civil lawsuit in favor of the affected party at its request.'

developed. An added-value of the project will be that it supports the GoE in establishing the tools for the identification of talented women and women with potential to lead and shape the society. Additionally, specific support to community-based approaches towards social and economic development of women as well as support to combatting violence against women will contribute to empowering women to increasingly shape their social and economic life and play a role in public life.

Increasing the number of women possessing ID and citizenship documents will also contribute to strengthening their participation in public life. Targeted are those women, who have difficulties accessing the service due to the process and/or cultural impediments, or who are unaware of the necessity to have an ID as a constitutional right. The increase in provision of ID cards for women, a citizenship right to anyone born to an Egyptian father or an Egyptian mother, will contribute to women increasingly accessing their political rights and socioeconomic services, especially subsidised services, social security, pension schemes, public health, etc. The proposed intervention will be closely linked to the national citizenship initiative ("Securing Rights and Improving Livelihoods of Women") (SRILW) not only through increasing its outreach to an additional number of poor and marginalised women, but also by developing sustainable capacities through which national partners process and deliver ID issuance.

The project will also support Egyptian women to increasingly access public services and state-allocated resources which are fair, equitable, and tailored to their needs related to their demographic and socioeconomic characteristics. A mechanism for gender mainstreaming will be operationalised in selected sectors and will be introduced into the entire cycle of public services. This will cover institutional development and human capacity building to produce gender-disaggregated data, to introduce gender analysis, gender impact assessment, gender-responsive budgeting, and to adopt a gender-sensitive approach in services design and evaluation.

In this sub-component the project will focus on key sectors of priorities linked to specific public services for adopting gender sensitive approaches. Priority will be given to public services/sectors which serve large number of women and/or which have special features that should be tailored to women, such as health and educational services, pension schemes, infrastructure and housing services. Dimensions which affect the fairness of distributing resources will be considered, such as equality between women and men in distributing subsidised price-exempted services to specific segments such as those with limited or not income. In addition to the sectorial focus, geographical targeting will also be considered to focus on those women in poor and informal areas. Linked to the above, Egypt needs to avail gender disaggregated data and analysis. The project will support the development of the existing national capacities in this respect.

5 IMPLEMENTATION

5.1 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 Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1 Grants: Call for proposals (direct management): 'Support to economic and social empowerment of women and combatting violence against women'

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The Call for proposal will be launched towards the achievement of result 2.1 under section 4.1. Its objectives will be two-fold: To support the implementation of community-based initiatives aiming at increased economic and social empowerment of women and to support the implementation of community-based initiatives resulting in a reduction of all forms of violence against women. The types of actions to be eligible for financing are envisaged to cover the following among others: income-generating activities for women, economic skills development for women, provision of education and health services for women, such as literacy and general awareness, awareness raising on rights of women related to domestic violence and violence in public, legal, medical and social support to victims of violence, etc. Expected results include an increase in the number of women playing a more prominent role in public life, covering their specific work and family environment as well as local communities, thereby increasing their capabilities, access and participation in the Egyptian society.

The geographical scope will be defined jointly with the Government during the process of preparing the guidelines for the Call for Proposal.

(b) Eligibility conditions

Applicants will be eligible for funding if they are a legal person and are non-profit-making. They must be established in a Member State of the European Union or any state covered under the European Neighbourhood Instrument and be directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity(ies), not acting as an intermediary.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 50,000 to EUR 400,000 and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is 24 months.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 95% as the auto-financing capacity of the targeted beneficiaries is weak.

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call

The call is envisaged to be launched in the first trimester of 2017.

5.3.2 *Grant: direct award (direct management)*

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The grant will cover all interventions foreseen under component 1 in support of the National Council for Human Rights. The action will cover result areas 1.1, 1.2 and 1.3, which include institutional and operational development of NCHR, particular support to the functioning of the NCHR Ombudsman Office and support to increasing awareness on human rights.

(b) Justification of the direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposal to the German *Gesellschaft für Technische Zusammenarbeit* (GIZ), in consortia with either the Spanish *Agencia Española de Cooperación Internacional para el Desarrollo* (AECID) and/or with other Member States administrations or implementing agencies.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposal is justified because the action to be implemented under this grant has specific characteristics requiring a specific type of beneficiary for its technical competencies, and its established high level of trust with the Council.

The direct award is justified given the political sensitivity of the support to the National Council for Human Rights and the need to apply a prudent cooperation with trusted partners. Over the last years GIZ and AECID have established a relationship based on mutual trust with the Council through long-term support to NCHR. GIZ supported NCHR in the field of institutional strengthening, operational development and all aspects related to communication. Among other actions, GIZ has provided important support in creating a new website, a human resources manual, a handbook for journalists working on Human Rights, and a library. AECID has supported the Research and Legislative Development Unit of NCHR.

The German *Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung* (BMZ) allocated recently an amount of EUR 4 million to a new governance initiative, which among others covers support to Egypt in the areas of operational strengthening and improving state-people relations. Up to EUR 1.2

million is expected to come in support of NCHR, which will contribute in form of joint co-financing to this action, in particular to result 1.1. and 1.3 as per BMZ-programming.

(c) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 80% as the auto-financing capacity of the targeted beneficiaries is weak.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(d) Indicative trimester to conclude the grant agreement

The grant is envisaged to be concluded during the last trimester 2016.

5.3.3 Procurement (direct management)

Subject in generic terms	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Implementation of all activities related to Component 2 'Increasing women participation in public life' (Result 2.1., 2.2. and 2.3) other than those covered under CfP: Service tender targeting EU MS public bodies/MS implementing agencies to work on a peer-to-peer approach with the Egyptian Administration	services	1	03/2016

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other dully substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution (amount in EUR)
5.5.1 Component 1, result 1.1, 1.2 and 1.3	2 500 000	1 200 000
- Grant – direct award (direct management)	2 500 000	1 200 000
5.5.2 Component 2, result 2.1, 2.2 and 2.3	6 500 000	200 000
- Call for proposals (direct management), result 2.1	3 500 000	200 000
- Procurement (direct management), result 2.1, 2.2 and 2.3	3 000 000	0
5.5.3 Evaluation and Audit	300 000	0
5.5.4 Communication and visibility	500 000	0
5.5.5 Contingencies	200 000	0
Totals	10 000 000	1 400 000

5.6 Organisational set-up and responsibilities

Organisational arrangements under each contract with Member State public bodies/implementing agencies will be designed to ensure a clear share of responsibilities and tasks. While MoPMAR will act as main national counterpart under component 2, other entities will be assigned as focal points for specific sub-components, such as MoLD (women empowerment programme at local level as per result 2.1) and CAPMAS for the capacity development in the area of gender-disaggregated data and analysis (result 2.3). The National Council for Women will be closely associated to the implementation of component 2 of the project where ever relevant. The Leadership Institute of CAPMAS and the National Management Institute of MoPMAR will be considered as main partners in the national women empowerment programme. The EU Delegation will maintain a constant policy dialogue with national stakeholders to ensure the highest possible support and political commitment needed for successful implementation.

The programme will be governed by a Steering Committee, which will oversee and guide the overall direction and policy of the programme. It shall meet twice a year as a general principle and can be convened whenever the project's implementation requires strategic decision or changes. The project steering committee shall be chaired by the Ministry of International Cooperation (MOIC) and made up of representatives of the following entities:

- The National Human Rights Council (NCHR);
- The Ministry of Planning, Monitoring and Administrative Reform (MoPMAR);
- The Ministry of Local Development (MoLD);
- The Central Agency for Organisation and Administration (CAOA);

- The Central Agency for Public Mobilisation and Statistics (CAPMAS);
- A representative of the EU Delegation (observer).

The Steering Committee has the right to invite further members of any of the stakeholders whenever deemed appropriate, including representatives of the national administrations and governorates benefitting from the project, the implementing bodies as well as civil society organisations.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular, at least annual, progress reports and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, a mid-term and a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission. The mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to formulate recommendations for adjusting the project activities towards achievement of the results and objectives in light of possibly developments in the sector addressed since the formulation and first phase of implementation. The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that a peer-to-peer approach with MS public bodies is applied as an innovative approach.

The Commission shall inform the implementing partner at least 1 month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in October 2018 (mid-term evaluation) and July 2021 (final evaluation).

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. Indicatively, two (2) contracts for audit services shall be concluded under a framework contract, which will be launched in 2018 and 2020.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

The communication and visibility activities will be implemented through service contracts, making use of one of the Commission's dedicated framework contracts or another applicable procurement procedure. Indicatively, these contracts will be procured in the first semester of 2017 and in the first semester of 2019.

APPENDIX - INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	To contribute to the provision of rights by the Government of Egypt to its citizens as provided for in the 2014 Constitution	Provisions of the 2014 Constitution related to rights of the people are explicitly operationalised in legislation	Existing Penal Code, Personal Affairs and Family Law, and Executive Regulations of the Child Law; Draft of a first VAW Law; new Executive Regulations of the Civil Service law (2015).	Amendments to Penal Code, Personal Affairs and Family Law, Executive Regulations of Child Law adopted; VAW Law adopted; Executive Regulations of the Civil Service Law adopted.	Legislative analysis	National commitment to operationalise the Constitution's provision related to the rights of the people; Parliament in place to adopt new legislation
Specific objectives: Outcomes	SO1: Strengthening NCHR towards fulfilling its mandate as National Human Rights Institution (NHRI)	Perception of Egyptians about NCHR's competence and level of factual independence	Egyptians have doubts about competence and independence of NCHR – baseline survey at inception stage	Perception of Egyptians has improved – final survey	Focus group discussions; Media	National budget allocation for NCHR maintained at the current level or increased
	SO2: To strengthen women's role in Egyptian society and increase gender equality in the country	Gap between male and female unemployment rate % of women represented in Egypt's work force	Unemployment rate (2012): Men: 9.5 %; Women: 24.3 %; Gap: 14.8 23.9 %	Gap: 10.0 percentage points (tbc) 30% (tbc)	CAPMAS periodic report ('Egypt in figures 2014') CAPMAS periodic report ('Egypt in figures 2014')	

Outputs	Specific Objective 1	Output 1.1: NCHR's institutional and operational capacities as well as internal governance are reinforced	% of upper/middle management staff of NCHR trained and applying new management skills	10% (tbc)	80%	- Statistics of HR management unit on training provided - Survey among training participants and other NCHR staff - NCHR institutional reporting - Survey among NCHR staff	NCHR remains committed to improve its capacities and operational functioning
			Number of specific work-processes in NCHR redesigned and functioning	0	tbd		
		Output 1.2: The complaints services provided by NCHR-Complaints Office are reinforced and their outreach increased	Percentage of resolved cases to the total number of cases received	tbd at inception phase	tbd based on baseline	- NCHR reporting on complaints referral and resolution - Survey among a representative selection of complainants	
	Output 1.3: Awareness on Human Rights is enhanced	Percentage among complaints who have heard about the mandate/role of NCHR and the complaint services	0	tbd	Survey among selection of complainants on how they learned about NCHR and the complaint service		
	Specific Objective 2	Output 2.1: Capabilities of women and their environment are enhanced to enjoy their rights in the Egyptian society	Percentage of female civil servants who participated in leadership training	39.3 % (2012) Tbc at inception stage	tbd	Gender-sensitive statistic of CAPMAS ('Men and women in Egypt')	
		Output 2.2: Women's access to citizenship rights is improved	% of Egyptian women having an ID card	80% of all women have an ID card (2012)	84% of all women have ID card (in 2020)	Civil registry/MOPMAR, based on mapping exercise	
Output 2.3: Selected public services are gender-sensitive and are equally accessed by women and men		Number of women accessing the selected service	tbd for specific service at inception stage (pending service selection)	tbd pending baseline	Annual reports by concerned authorities		



This action is funded by the European Union

ANNEX 2

of the Commission implementing Decision on the Annual Action Programme 2015 in favour of Egypt to be financed from the general budget of the European Union

Action Document for the "Promoting Inclusive Economic Growth in Egypt" Programme

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following sections concerning calls for proposals: 5.3.1; and in the following sections concerning grants awarded directly without a call for proposals: 5.3.2.

1. Title/basic act/ CRIS number	Promoting Inclusive Economic Growth in Egypt Programme CRIS number: 2015/038-273 financed under the European Neighbourhood Instrument.
2. Zone benefiting from the action/location	Neighbourhood South, Egypt. The action shall be carried out at the following location: Egypt.
3. Programming document	Egypt-EU Single Support Framework and Multi-Annual Indicative Programme (2014-2015)
4. Sector of concentration/ thematic area	Governance, Transparency and Business Environment
5. Amounts concerned	Total estimated cost: EUR 16 million. Total amount of EU budget contribution: EUR 15million. This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 1 million.
6. Aid modality(ies) and implementation modality(ies)	Project Modality Direct management – grants – call for proposal; grants – direct award and procurement of services.
7. DAC code(s)	16061 Culture 25010 Business support services and institutions 32130 Small and medium-sized enterprises (SME) development

	33210 Tourism policy and administrative management.			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	9. Global Public Goods and Challenges (GPGC) thematic flagships	Flagship 7. Trade integration for green and inclusive growth Flagship 11. Rights-based development for the working poor		

SUMMARY

The "Promoting Inclusive Economic Growth in Egypt" Programme puts forward an innovative framework through which the EU will contribute to the achievement of the employment generation and economic development goals set under Egypt's Sustainable Development Strategy, in particular under the "economy", "transparency and efficient governmental institutions" and "culture" pillars. The **overall objective** of this new programme is to contribute to Egypt's economic recovery by leveraging MSME development and cultural heritage for inclusive economic growth and hence decent job creation. The **specific objectives** are to i) facilitate the development of Micro, Small and Medium-sized Enterprises (MSMEs) in sectors with high potential for inclusive growth, and ii) enhance the protection of cultural heritage for it to become a real driver of local socio-economic development.

The programme is structured in two components: (i) Institutional Development and Capacity Building in the fields of MSMEs, heritage, and tourism (including by mobilising technical assistance and by transferring worldwide leading European public expertise, know-how and best practices in these domains), and (ii) two Grant Facility Schemes that will implement projects of specific added-value in MSME development (sub-component 1), and tourism and cultural heritage (sub-component 2).

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

1.1.1 *Public Policy Assessment and EU Policy Framework*

Economic policies in Egypt in the 2000s (especially from 2004 onwards) achieved relatively high growth but their impacts remained modest in terms of employment creation and poverty reduction. Their implementation left millions of Egyptians trapped slightly above the poverty line, i.e. living on USD 2-4 a day, and provided few opportunities for youth who felt economically and socially excluded. Following the 2011 revolution, a consensus emerged on the need for more inclusive economic policies and improved social justice. A shift away from the long-standing paradigm favouring large and established companies in capital-intensive and resource-based sectors, towards a reinforced focus on the creation and development of small businesses in labour-intensive sectors, could contribute to achieve a more inclusive growth.

This is well recognised in the *"Sustainable Development strategy, Egypt Vision 2030"*, unveiled during the *Egypt Economic Development Conference in March 2015*. The Strategy is composed of twelve pillars on which a modern, democratic and productive society will be built over the coming 15 years. The pillars relevant to this action are the *Economic Pillar* which aims at facilitating private sector led growth that provides sustainable jobs and maximises local value added; the *Transparency and Efficient Governmental Institutions Pillar*; the *Social Justice Pillar*, as well as the *Culture Pillar* which aims to achieve positive cultural awareness and increase economic activities built on Egypt's cultural heritage.

Tourism has traditionally been a key contributor to Egypt's GDP growth, employment, and foreign exchange reserves. However, Egypt's over-reliance on mass tourism, and the limited linkages of the tourism sector to the rest of the economy, have been recognised by the authorities as factors undermining inclusive growth. In particular, tourism does not provide enough avenues for a trickling-down of the revenues to local communities. In light of the country's rich and diverse cultural heritage, and related revenue-generation opportunities (cultural tourists are more likely to spend larger amounts in the country and in particular in local businesses), the Government has decided to put a renewed emphasis on cultural tourism to promote social inclusion and local economic development. Public policy did not involve local communities. There is a need to increase community participation and re-appropriation of Egypt's cultural heritage by the surrounding communities.

The National Tourism Strategy dates back to 2008 and is still being implemented. The Ministry of Tourism (MoT) is actively working on updating this Strategy to increase the number of visitors to 25-30 million per year by 2020 (while 9.5 million tourists visited Egypt in 2014, and 14.7 million in 2010). If attained, this will increase investments as well as employment opportunities. The MoT also aims at (i) maintaining safety and security; (ii) reducing poverty by integrating the local communities in tourism-related activities; (iii) creating new jobs in areas surrounding tourist destinations; and (iv) improving the quality of services. At governmental level, the MoT intends to develop better coordination mechanisms with other ministries.

Egypt has a big untapped potential for developing heritage-based tourism. It has six cultural properties on the UNESCO World Cultural Heritage List, one of which is on the list of endangered sites. 32 properties have also been put on the "tentative" list. Egypt ratified most of the international standards in the field of culture and developed a set of legislative instruments for the protection of its cultural heritage. However, the country does not yet count with an adopted policy to further develop the sector. This hampers the conservation of monuments as well as the development of the sector, which has negative effects on the development of tourism- and heritage-related MSMEs.

Across the economy, MSMEs represent 80% of Egypt's GDP, 75% of the private sector employment, and 99% of the non-agriculture employment. MSMEs are widely recognised as a key source of inclusive growth within the economy. Yet, the MSME policy mandate has traditionally been distributed over several institutional agencies, with a blurred separation between the functions of policy elaboration and policy implementation. Since June 2014 the Ministry of Industry, Trade and SMEs (MoITSME) holds a policy mandate over the key governmental MSME support agencies. A comprehensive national MSME strategy is currently being formulated. This new strategy will introduce a national, unified, definition for MSMEs, and clarify the institutional mandates of public entities with functions related to MSME development.

The MSME agenda can also greatly gain from regulatory changes and improved transparency in enforcement of business related regulations¹. These could partly be brought about through the Egyptian Regulatory Reform and Development Activity programme (ERRADA), tasked to champion business climate reform. ERRADA aims at identifying redundant regulations and at speeding up administrative simplification by systematically reviewing new laws and regulations; as well as at establishing a database service and an electronic registry compiling all such laws and regulations allowing more transparency and clarity to businesses. The EU was identified as a priority partner for ERRADA given its vast experience in business climate reforms in the context of the EU Regulatory Fitness and Performance (REFIT) programme. The tourism sector has been proposed as one of the pilot sectors for regulatory reform given the important dependence of this sector on multiple sectoral regulations as well as on different layers of the regulatory mechanisms of the Government. Improving the enabling environment for tourism-linked small enterprises is likely to have a leveraging effect for many other sectors of the economy.

At the specific request of the Government, the Single Support Framework (SSF) 2014-15 includes the objective to strengthen economic governance, especially to boost the transparency, predictability and fairness of the business environment to foster economic recovery, equitable growth and job creation. It also aims at reducing poverty, promoting social inclusion, and improving people's living conditions.

The proposed "Promoting Inclusive Growth in Egypt" programme is well aligned with the Commission Communication "Stronger role of the private sector in achieving inclusive and sustainable growth in developing countries" (May 2014) and the two related Council Conclusions. Furthermore, it will be aligned to the work programme on Euro-Mediterranean industrial cooperation - in particular in relation

¹ Egypt ranks 112th of 189 economies in World Bank's Doing Business Report 2015.

to the goal to improve the business climate and promote entrepreneurship and SMEs on basis of the Small Business Act (SBA) for Europe. Finally, the Programme builds on the Paris Declaration on "Heritage as a driver of Development" of the International Council of Monuments and Sites and is compliant with the UN Resolutions on Culture and development.²

1.1.2 Stakeholder analysis

The main stakeholders are the Egyptian authorities, Civil Society Organisations (CSOs), the private sector, and local communities (the final beneficiaries of this programme).

The main institutional stakeholders include the Ministry of Industry, Trade and SMEs and Ministry of Tourism (main proponents of the Programme), the Ministry of Antiquities (institution leading the protection of cultural heritage, defined as sites pre-dating 1883), the Ministry of Culture (responsible for intangible heritage as well as for modern/contemporary heritage, defined as sites post-1883), the Ministry of Endowments (owner of many Islamic buildings), the Ministry of Housing, specialised agencies providing support to MSMEs, local governorates, etc. The Authorities do not necessarily work together. In this respect, this project will contribute to a better institutional cooperation and coordination.

Civil society organisations (CSOs) play a role in local development and cultural heritage preservation and promotion, as well as in promoting MSME development. International development partners, such as the Aga Khan Foundation, UNESCO, and USAID, have been working with CSOs active in these fields. CSOs are instrumental not only in sensitising the local communities to relate and identify themselves with their own heritage, but also to foster a more inclusive local economic development.

Among private sector actors, Egypt counts with numerous architectural cabinets with a strong expertise and experience in preserving, studying and promoting heritage areas, including urban areas and archaeological sites. Sectoral or geographical Business Membership Organisation (BMOs), Chambers of Commerce and Industry, as well as Non-governmental Organisation and intermediaries providing MSME support services are also important stakeholders for the programme. To ensure that the actions remain demand-driven, it is essential that relevant private sector representatives are engaged in the formulation, monitoring, and potentially in the implementation of the Programme (through calls for proposals). CSOs and private companies will be beneficiaries of the grants distributed through the Grant Facility. Experience acquired by the USAID and UNESCO highlights an adequate absorption capacity for the implementation of the grants.

The final beneficiaries of the overall Programme will be: the Egyptian authorities, local communities and the private sector at large.

1.1.3 Priority areas for support/problem analysis

The "Sustainable Development strategy, Egypt Vision 2030" sets ambitious targets of decreasing unemployment to 5%, increasing GDP growth to 7%, and having the share of the services sector grow to 70% of the GDP against the current 46%. This

² UN Resolution 65/166 adopted by the General Assembly on Culture and development, 2010; UN Resolution 66/208 adopted by the General Assembly on Culture and development, 2011

can only be achieved by supporting the development of value adding MSMEs, an approach which requires an articulated strategy supported by efficient dialogue mechanisms. Moreover, the Vision will require addressing the absence of a conducive regulatory framework for MSMEs as well as the inefficient ecosystem for enterprise creation. Furthermore, practical solutions will be required to address the lack of coordination of business development services; weak intercompany linkages; the difficulty to access finance and the lack of innovation support.

By the time the programme is launched, it is expected that the SME Strategy currently developed by the MoITSME, will have been adopted and that it will call for capacity building support as regards implementation and intra-ministerial coordination. On the legislative reform side, this could be achieved by supporting the ERRADA programme (launched in 2007 and revived in 2012), which coordinates 11 Ministries to simplify laws and regulations affecting SMEs in particular; as well as by supporting one-stop-shops at Governorate level to enhance the capacity to implement and enforce business related laws and regulations in a transparent and consistent manner³. Business development services could be improved by supporting MoITSME's "Intalaq" initiative, launched in February 2015. This initiative will foster entrepreneurship and SME development through focal points coordinating access to the various existing Governmental support agencies.

Although the MSME fabric is expected to become the backbone of future employment, MSME representation at the level of existing public-private sector dialogue platforms needs to be strengthened. The "Idea Corridor" initiative, developed by the Euro-Mediterranean Charter coordinator in Egypt, sets up a mechanism allowing stakeholders to submit proposals to improve legislation and support services for SMEs along the lines of the 'Think Small First' SBA principle. The Idea Corridor will mobilise and support ad hoc dialogue groups and ensure on-going advocacy to achieve results for improved SBA governance and therefore must have its capacities built to provide such service.

Tourism is also expected to play a critical role in fostering the share of services in GDP. At present, Egypt's share in world tourism is barely one percent despite Egypt's unique, yet underexploited, cultural heritage. One of the first concerns Egypt is facing is the perception of security instability, which made tourism fall drastically and largely contributed to Egypt's current economic situation. Many European countries have issued travel recommendations that hindered tourists from visiting Egypt, mainly due to security concerns. Addressing this situation is a condition for tourism to develop and has been integrated into Egypt's Sustainable Development Strategy (12th pillar on foreign policy and national security).

Egypt's 2008 Tourism Strategy needs to be updated. Egypt's approach to tourism has to shift away from mass tourism and gear towards specific niches that would generate more opportunities for local value addition. There is also a need to ensure adequate coordination mechanisms among the 17 Authorities involved in culture, cultural heritage, and tourism; and to link the sector better to the rest of the economic fabric. The Authorities need to agree on the definition of joint priority plans and on

³ One-stop-shops to facilitate business registration and licensing at governorate level exist but work often ineffectively. World Bank Doing Business Report 2014 was conducted at sub-national level and revealed some good practises across such one-stop-shops and pointed to the potential for replication of these good practises.

ways to improve the management of sites. In this sense, Egypt lacks a comprehensive policy to manage, protect and promote its cultural heritage. As a side effect of tourism policies, local communities are separated from their cultural heritage. A better re-appropriation of cultural heritage by surrounding communities should be promoted.

There is furthermore a need to increase, diversify, and improve, the country's touristic offer (in terms of products) to better include local communities and provide a more complete "Egypt experience". Building on these considerations, the MoT would like to put more emphasis on a renewed cultural tourism. This requires empowering the communities and taking their needs into account in the development of the tourism development plans, as well as support initiatives aimed at strengthening local value chains and clusters, and at developing innovative approaches. Indeed, this could allow for a greater redistribution of tourism-related revenues (for instance through employment or business opportunities), which could trigger a more inclusive development and promote a stronger bond between the communities and their heritage. Developing heritage- or tourism-related MSMEs would improve the ownership of the cultural heritage by the local communities and increase social cohesion, while also ensuring a better protection of Egypt's heritage. Finally, to unlock Egypt's tourism potential, human resources working in these sectors, particularly MSME staff, need to be strengthened.

More generally, heritage- and tourism-related MSMEs, also suffer from the shortcomings that affect the entire private sector in Egypt. In particular small business creation and growth, and therefore opportunities for employment growth, is greatly hampered by heavy presence of regulations that are unfit for purpose, as well as from lack of predictability and transparency in implementation of business related laws and regulations.

2 RISKS AND ASSUMPTIONS

The following mitigating measures have been formulated for the identified risks:

Risks	Risk level (H/M/L)	Mitigating measures
Increased instability at country and/or regional level impacting negatively the political, social and economic conditions in which the project is implemented	H	Instability is partly rooted in the lack of social and economic development prospects. The situation should improve thanks to the commitment of the Government, the alignment of stakeholders around a development agenda and the successful Economic Development Conference organised in March 2015. The situation will be closely monitored by the EU Delegation.

Change in policy after the upcoming Parliamentary elections	M	There is a broad consensus on the need for securing stability, undertaking reforms and increasing the role of SMEs to generate inclusive growth through the private sector. The Government agenda is not expected to be reversed after the Parliamentary elections due in 2015, but this will be closely monitored in the framework of the dialogue with Authorities.
Weak coordination between stakeholders	M	The programme will strengthen coordination in the legislative and policy reforms, dialogue and business development service fields by supporting improved national strategies and implementation mechanisms.
Insufficient ownership, incl involvement of the private sector	L	Continuous dialogue with representatives of the concerned Ministries and Governorates during implementation: EU Delegation-led monitoring missions and high-level meetings as required. The support to strategies implementation will be aimed at securing a greater participation of the private sector both through the dialogue platforms and through calls for proposals co-funding projects with strong private sector involvement
Corruption and fraud	H	Overall risk for corruption and fraud in Egypt is considered high, as witnessed by low ranking of Egypt in international transparency and corruption perception rankings, high perceived corruption in population corruption surveys, a fragmented institutional framework of anti-corruption entities, incomplete legal framework and inconsistencies in judicial treatment of corruption cases. Procurement practice favours direct award. On the positive side government has adopted anti-corruption strategy and some streamlining of inspection agencies underway. The design of the project will mitigate exposure to global corruption risks,

		through centralised implementation according to EU rules and specific financial procedures.
Assumptions		
<ul style="list-style-type: none"> • Regional instability does not affect Egypt and national political stability is secured. • The social and economic development agenda, including support to MSMEs, cultural heritage and tourism is implemented and not reversed. • Momentum within the Government to strengthen inter-institutional co-operation as well as policy and regulatory reforms is maintained after Egypt's Economic Development Conference. • The dialogue with the private sector, notably with the representatives of MSMEs, remains a priority. • All concerned administrations will collaborate during the programme's implementation and will grant all required permissions, particularly on the Grant Facility. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The formulation phase of the new Promoting Inclusive Economic Growth in Egypt programme builds on the Paris Declaration on "Heritage as a driver of Development" of the International Council of Monuments and Sites (2011)⁴, and on the experiences gathered by the EU-funded Euromed Heritage Programmes, most particularly the Fes Declaration, which calls for the implementation of a heritage policy tied to a strategic vision that includes, in particular, public authorities' capacities building, raising citizens' awareness and the training of practitioners. The Declaration also called for policies that go beyond the conservation aspects and improve the quality of life of the people by promoting the use of heritage as a source of employment and wealth creation. Local communities will be involved in the project implementation so as to increase local ownership and sustainability, and to further promote the re-appropriation of Egypt's cultural heritage by the local communities.

The Programme also builds on the "Historic Cities" Programme implemented by the Aga Khan Foundation, which highlighted, as a main lesson learned, the need to work at the policy level and build the capacities of the National Authorities from the beginning of the project to ensure a smooth transfer of knowledge and responsibilities at the end of the project.

The Programme takes into account the experience acquired by EU Member States and other international donors such as the Agence française de Développement (AfD) - which financed a project to improve the site management of Sakkara, also with a tourism development perspective - or the UN System - which was in charge of the implementation of a Spanish-funded project to "Mobilise the Dahshour as World Heritage Site as a lever for Community Development". More particularly, the evaluation report of the UN-led Dahshour project pointed out the need of: ensuring a

⁴ http://www.international.icomos.org/Paris2011/GA2011_Declaration_de_Paris_EN_20120109.pdf.

coordination of all relevant implementing partners; exchanging ahead with the local communities (by the grant beneficiaries); adopting a particular gender-based approach and ensuring that there is a monitoring and evaluation system in place with good indicators of achievement that go beyond the activities' outputs.

A thematic evaluation on EU support to private sector development (over period 2004 - 2010 across several countries) pointed out that the EU global approach of delivering aid for the private sector through the public sector entailed missed opportunities in selecting the best implementation partners. It also stressed that the successful support initiatives combined support to macro level improvements of business enabling environment with meso and micro level support for access to business development as well as financial services. This proposal includes activities at the three levels. Besides, the Grant Facility proposed under this initiative will create opportunities for a wider set of players to participate in the project implementation.

As such, MSME dimension of the programme builds on the experience of the EU support to Industrial Modernization Center (IMC) during 2000's when one single quasi-governmental entity was entrusted with implementation of the full programme, allegedly leading to potential market distortions. Furthermore, the design of the Inclusive Growth Programme takes account of the challenging experiences faced in commencing implementation of the recent decentrally managed initiatives, including with MoITSMEs, and therefore a centralised management mode is proposed.

3.2 Complementarity, synergy and donor coordination

The EU is implementing the Med Culture Programme, a four year (2014-2018) regional programme to support South Mediterranean partner countries in the development and reform of their cultural policies. The development of cultural heritage and tourism industries is part of the mandate of the Technical Assistance financed by the programme at the regional level. Complementary actions at the bilateral level remain nevertheless a need given the enormous disparities in the needs of the different partner countries.

Other European Institutions, such as the EIB or the AfD, participated in the preparation and financing of activities involving cultural heritage as part of their urban development strategies. Most particularly, the EIB developed the Medinas 2030 Initiative and the AfD started the preparation of urban development projects with a cultural heritage dimension in Alexandria.

USAID is currently financing an Annual Programme Statement (Call for Proposals) to promote the conservation and management of cultural heritage tourism resources in Egypt. Given uncertainties related to funding availability, it is unclear whether the USAID will continue to finance this type of initiatives annually. It is proposed to build on their experience and work with a Call for Proposals model.

The lack of appropriately skilled labour, as well as out-of-date labour and competition laws, create constraints for the development of MSMEs in Egypt. Therefore skills related projects create important complementarities with this EU proposed initiative. The International Labour Organization (ILO) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) support the adoption of improved labour law provisions. The EU is currently financing the Phase II of the bilateral programme "Technical and Vocational Education and Training Reform" (TVET II). This Programme aims at improving the structure and performance of the

TVET system to better respond to Egypt's socio-economic needs, and in particular at boosting the employability of youth and increasing the country's competitiveness. TVET II has a particular emphasis on tourism, given the importance of this sector in the Egyptian economy and labour market (both internal and external) and the shortage of adequate TVET programmes.

The new EU initiative on promoting inclusive economic growth in Egypt will also have important synergies with the Trade and Domestic Market Enhancement Programme, Research and Development Programme – Phase II. It will complement the Support to Agriculture SMEs (SASME) project by supporting a wider set of economic sectors beyond agriculture, while a new EU-funded twinning will focus on strengthening the competition policy and regulatory environment as well as the capacity of the Egyptian Competition Authority. Finally, synergies will be built and complementary ensured with regional programmes focusing on improvement of business enabling environment (the ongoing "Enhancement of the Business Environment in the Southern Mediterranean" and the forthcoming "Enhancing Investment, Innovation and Growth in South Neighbourhood" programmes in particular).

Finally, the initiative will complement EU Development Finance Institution (DFI) funded SME global loans and NIF supported regional finance facilities by providing business development services to MSMEs to enhance the quality of demand for finance and by facilitating access to finance.

3.3 Cross-cutting issues

It is expected that the programme could have a positive impact on the improvement of the decision-making processes and governance of the heritage, MSME, and tourism sectors.

The project will mainstream gender considerations and promote gender equality in the implementation of the activities. As significant economic opportunities are vested in the deeper involvement of women in economic activities, the new project will pay specific attention to facilitating gender equity in the MSME sector.

Relations between CSOs, private sector bodies, and the Egyptian Authorities, are instrumental for the success of the programme. Taking into consideration that MSME development, cultural heritage and tourism are not controversial areas of cooperation, the programme could have a positive effect on the governments' cooperation with CSOs and the private sector.

An environmental impact assessment (EIA) will be carried out for each intervention under Component 2, if appropriate.

The project will also support the current Government's efforts to develop green and sustainable tourism by encouraging the tourism sector to use new and renewable energy sources, maintain the biodiversity, reduce solid and liquid waste, reduce carbon emissions, as well as to activate the environmental laws and regulations and adopt standard criteria for tourism development.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The general objective of the programme is to promote Egypt's economic recovery by improving the business environment and by capitalising on its rich cultural heritage.

The specific objectives are to

- i) facilitate the development of MSMEs in sectors with high potential for inclusive growth and contributing to decent job creation,
- ii) enhance the protection and promotion of cultural heritage for it to become a real driver of local socio-economic development.

These specific objectives will be addressed through two components as follows:

- 1) strengthening the capacity of the stakeholders to implement business climate, MSME, and cultural tourism, development strategies, and
- 2) Grant Facility Schemes that will implement projects of specific added-value by
 - i) facilitating the access of MSMEs to business development services in sectors with high potential for inclusive growth, and
 - ii) fostering local development through tourism and cultural heritage, and supporting the link between heritage and socioeconomic development.

Expected results of the project include:

For component 1:

R1 MSME-**strategy** aimed at boosting inclusive growth and contributing to decent job creation is implemented in a comprehensive way, with **regulatory** impediments to the involvement of MSMEs in economic development, including in the offering of innovative and diversified touristic experiences, are identified and related adjustments made; and **capacities** of the Egyptian Authorities to **facilitate** the access of MSMEs to business development services (BDS) are strengthened.

R2 New inclusive and sustainable Tourism and Cultural Heritage **strategies** are elaborated, adopted and implemented in a synergistic way, with **regulatory improvements** made in heritage-related legislations (particularly to align the current legislation to international standards and to allow private-sector investments); and **capacities** of the Authorities to implement the respective strategies strengthened.

For component 2:

R3 The **capacities** of the private sector and the civil society to **deliver support services** to MSMEs engaged in innovative and creative economic activities, including in cultural tourism projects are strengthened, leading to improved performance of the MSMEs who have benefited from business development services (BDS).

R4: The **link between heritage, tourism and socioeconomic development** is demonstrated and there is an increased awareness about the importance of gathering public and private investments in this sector. The re-appropriation by local communities of their heritage is increased and contributes to a better sustainability of the management of Egypt's cultural resources.

4.2 Main activities

The main activities are hereby presented per result area.

Activities to achieve the result 1 will include:

A1.1. Technical support to MoITSME in implementation of the National SME Strategy in particular by building on the governance principles of the Small Business Act of Europe, and strengthening policy monitoring capacities⁵.

A1.2. Technical support to selected one-stop-shops for MSMEs at Governorate⁶ level to enhance the consistency in implementation of business related regulations.

A1.3. Technical support to support to ERRADA to champion reforms impacting positively on MSME business environment

A1.4. Technical support to facilitate a demand driven nature of business enabling environment reforms⁷.

A1.5. Technical support to Intalaq initiative to improve the co-ordination of the public BDS instruments.

Activities to achieve the result 2 will focus on:

A2.1. Support the MoT, the MoA and the Ministry of Culture in the preparation and implementation of joint strategies conducive to: (i) an increase of cultural tourism and (ii) a greater impact of heritage in socioeconomic development⁸.

The involvement of EU MS public expertise will be sought for the implementation of the activities 1.1 – 2.1 in order to **facilitate peer-to-peer cooperation and transfer EU experience and know-how**.

Result 3 will be achieved through specific activities which will foster MSME development in sectors with high potential for inclusive growth.

Under the subcomponent 1 of the Grant Scheme, the Programme will support MSME development initiatives to foster local development, generate decent employment and foster business linkages. The themes of the related calls for proposals are expected to revolve around ‘entrepreneurship and innovation’, ‘cluster development’ and ‘value chains upgrading’ in sectors with high potential for inclusive growth. These themes will be jointly agreed with the programme beneficiaries and will, notably, take advantage of the potential of cultural heritage to exert demonstrative effect.

The grants will support the extension of already existing business development services, tailored training for entrepreneurs and business start-ups through local intermediaries, and access to services, such as management skills training, accounting and legal advice, access to technological know-how, and access to finance. The calls for proposal will also be a catalyst for greater coordination between the local stakeholders and will provide a feed-back of duplicable experience at the institutional level (supported under Component 1); this is expected to

⁵ This activity will focus on implementing the recommendations of the EU funded SME Policy Index assessment of 2013/14, conducted in the context of the Euro-Mediterranean Charter of Enterprises.

⁶ The selection of one-stop shops will be informed by the target locations of the CfPs under component 2 of the programme in order to enhance impact of the EU financing at local levels. The activities will focus on supporting adoption of best practice approaches identifies by the sub-national Doing Business Report 2014 (see footnote 3 for further reference).

⁷ This activity will build on the analysis of the SBA Policy Index assessment of 2013, in particular for dimensions 3 (public-private dialogue) and 4 (policy governance).

⁸ This activity will build on UNESCO's Culture for Development Indicators⁸. More particularly it will build on the analysis achieved for the Cultural heritage indicators developed by UNESCO under contract ENPI/2012/290-011 (The UNESCO Culture for Development Indicators suite – Egypt).

contribute to a more inclusive economic growth and the sustainable creation of decent jobs.

The grants may also support initiatives that help SME internationalise and increase their activities in other markets. This can be done by facilitating business cooperation and matchmaking activities. Synergies should be sought with other EU initiatives in this area, such as the Enterprise Europe Network offices in Egypt.

Result 4 will be achieved through Integrated Cultural Heritage projects with specific added-value in socioeconomic development, including in Tourism.

Under this Grant Scheme sub-component, the Programme will finance initiatives particularly selected on the basis of their potential to demonstrate a strong link between heritage and socioeconomic development. They will include the financing of projects with an innovative approach that will combine in a virtuous circle:

- Activities on highly visible cultural tourism sites or monuments;
- Activities focusing on improving a more balanced socioeconomic development, decent employment creation and poverty reduction through heritage-related occupations and/or tourism.

Selection criteria could include the improvement of the tourism infrastructure, the development of income-generating activities, and/or the raising of the touristic profile of the selected area. Local communities will be actively involved during the project preparation and implementation. During implementation, other stakeholders such as universities with dedicated study programmes, and particularly Egyptian students and young professionals, will also be involved to promote the creation of a new expertise in the conservation, renovation, restoration, and promotion, of cultural heritage. All actions will mainstream gender equality and promote inclusiveness.

4.3 Intervention logic

The Programme proposes an innovative approach that will combine interventions at the strategic policy level with local initiatives supporting local socioeconomic development.

Actions will include policy and regulatory reforms aiming at improving the impact of MSMEs, tourism and cultural heritage related activities on Egypt's overall development. Actions will finance innovative flagship interventions on the ground to foster inclusive growth contributing to decent job creation and local socioeconomic development.

This is the first time since the 2011 uprising that the EU engages at this scale on these sectors in Egypt, while the needs and the opportunities in the sectors in concern are substantial. In this context, the Programme will focus on financing Flagship Projects that will deliver "quick wins", high impact at local level and great visibility to the EU, thus demonstrating the added-value of the approach. The monitoring framework of the Programme will aim to capture lessons learnt and facilitate the capturing of good practice examples to inform future policy making processes on one hand, and to contribute to EU future programming on the other.

The approach aims for the actions to be complementary and enhance impact both at the national and local levels, by feeding successful practices, approaches, projects, stories, etc. into the policy decision-making processes.

This approach assumes that there will be a continuation of Egypt's commitment to improve the economic recovery and the socioeconomic development of the country, as presented under the "Sustainable Development strategy, Egypt Vision 2030". Secondly, the Programme assumes that there will be a sufficient level of cooperation between the different partners involved in the implementation of Components 1 and 2 of the project, particularly between the Egyptian authorities and the grants beneficiaries.

5 IMPLEMENTATION

5.1 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 Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of where financing agreement is concluded.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1 Grants: call for proposals "Supporting Inclusive Economic Growth through SMEs, Tourism and Cultural Heritage" (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The interventions will promote Egypt's socioeconomic development, particularly at the local level, capitalising on opportunities, including in the added-value of tourism and cultural heritage, to promote a more inclusive socioeconomic development as well as the wider productive participation of the MSMEs in the country's economy.

The expected results will be:

- The capacities of the private sector and the civil society to deliver support services to MSMEs engaged in innovative and creative economic activities, leading to improved performance of the MSMEs who have benefited from business development services.
- The link between heritage, tourism and socioeconomic development is demonstrated and there is an increased awareness about the importance of gathering public and private investments in this sector. The re-appropriation by local communities of their heritage is increased and contributes to a more sustainable management of Egypt's cultural resources.

At least two Calls for proposals will be launched, one per sub-component (MSMEs and Cultural Heritage).

(b) Eligibility conditions

The Calls for Proposals might be open to applicants who are:

- legal persons and
- specific types of organisations such as: non-governmental organisations and other Non-State actors, public sector operators, local authorities, international (inter-governmental) organisations as defined by Article 43 of the Implementing Rules to the EC Financial Regulation, or economic operators working in fields such as: tourism, MSME development service and cultural heritage development, and
- effectively established in an eligible country as defined for the European Neighbourhood Instrument : the Member States of the European Union, the partner countries benefitting from the European Neighbourhood Instrument (Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority of the West Bank and Gaza Strip, Syria, Tunisia, Ukraine), the contracting parties to the Agreement on the European Economic Area (Iceland, Lichtenstein, Norway), the Developing countries and territories, as included in the list of ODA recipients published by the OECD-DAC, which are not members of the G-20 group, the overseas countries and territories covered by Council Decision 2001/822/EC, or in the former Yugoslav Republic of Macedonia, Turkey, Albania, Bosnia and Herzegovina, Montenegro or Serbia, including Kosovo. This obligation does not apply to international organizations, and
- directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity(ies), not acting as an intermediary.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 250,000 – EUR 1 million and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is **48** months.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

Due to the existing constraints of potential beneficiaries to ensure co-financing, the maximum possible rate of co-financing for grants under this call is **90%** of the eligible costs of the action.

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call

The call might be published in one or two rounds during the 1st trimester of the year 1 and 2 following the adoption of the Financing Decision.

5.3.2 *Grant: direct awards (direct management)*

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The grants will contribute to demonstrating the link between heritage and tourism or socioeconomic development. They will promote the awareness of the importance of gathering public and private investments in these sectors as well as the re-appropriation by local communities of their heritage, thereby contributing to a better sustainability of the management of Egypt's cultural resources.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to beneficiaries with good track-record to implement innovative Flagship Projects on tourism and cultural heritage. Activities would entail working on upgrading of major heritage institutions such as the Egyptian Museum, the Islamic Museum, the National Museum of Egyptian Civilisation, the Grand Egyptian Museum, or sites of great value for Humankind such as Historic / Khedivial Cairo, the Giza/Saqqara Pyramids, Luxor, Aswan or Alexandria. Given the invaluable nature of these sites and monuments, any intervention would require bodies that count with a specific added-value, technical competence, high degree of specialisation and administrative power that are able to deliver the highest level of quality and ensure the preservation of Egypt's heritage.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified on the basis of Article 190 (f) of the Rules of Applications of the Financial Regulations.

(c) Eligibility conditions

The circle of potential beneficiaries consists of EU Member States specialised bodies/agencies in the field of cultural heritage and archaeology as well as international partners, such as the Aga Khan Development Network, or Egyptian entities working in these fields or particularly mandated by the Egyptian Authorities. Capacities and the track records of the respective potential beneficiaries will be further assessed by the EU Delegation ahead of commencing the implementation of the Programme. The selection of flagship projects to be funded will be done on the basis of selection criteria emphasising the socio-economic development potential, and the ownership by surrounding communities, of the cultural heritage initiatives under consideration.

The potential beneficiaries are required to be:

- legal persons and
- specific types of organisations such as: non-governmental organisations and other Non-State actors, public sector operators, local authorities, international (inter-governmental) organisations as defined by Article 43 of the Implementing Rules to the EC Financial Regulation, or economic operators working in the field of cultural heritage development, and
- effectively established in an eligible country as defined for the European Neighbourhood Instrument : the Member States of the European Union, the

partner countries benefitting from the European Neighbourhood Instrument (Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority of the West Bank and Gaza Strip, Syria, Tunisia, Ukraine), the contracting parties to the Agreement on the European Economic Area (Iceland, Lichtenstein, Norway), the Developing countries and territories, as included in the list of ODA recipients published by the OECD-DAC, which are not members of the G-20 group, the overseas countries and territories covered by Council Decision 2001/822/EC, or in the former Yugoslav Republic of Macedonia, Turkey, Albania, Bosnia and Herzegovina, Montenegro or Serbia, including Kosovo. This obligation does not apply to international organizations and

- directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity(ies), not acting as an intermediary.

(d) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

Due to the existing budgetary constraints to ensure co-financing, the maximum possible rate of co-financing for grants under this call is 90% of the eligible costs of the action.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to conclude the grant agreement

Second Trimester of the Year 1 following the adoption of the Financing Agreement.

5.3.3 *Procurement (direct management)*

Subject in generic terms	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Institutional Development and Capacity Building for MoITSME	Services	1	1 st trimester
Institutional Development and Capacity Building for MoT/MoA	Services	1	1 st trimester

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased

as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
<i>Component 1: the capacities to promote an inclusive economic growth are promoted ,</i>		
Procurement (direct management) – Call for tenders: Institutional and Capacity Building (MSMEs)	2 500 000	N/A
Procurement (direct management) – Call for tenders: Institutional and Capacity Building (Heritage and Tourism)	1 500 000	N/A
<i>Component 2: more inclusive socioeconomic development is achieved in selected sub-sectors of the economy and/or specific locations.</i>		
Grants on MSME development (direct management)	5 000 000	500 000
Grants on Heritage and Tourism development (direct management)	5 000 000	500 000
Evaluation and Audit	500 000	N/A
Communication and Visibility	500 000	N/A
Contingencies	N/A	N/A
Totals:	15 000 000	1 000 000

5.6 Organisational set-up and responsibilities

The Programme will be centrally managed by the European Commission through its Delegation in Egypt. All contracts and payments are made by the Commission on behalf of the Beneficiary. In order to ensure leadership and ownership, the technical assistance teams will be located at relevant beneficiary administrations and these administrations will be consulted in all stages of programme implementation.

The programme will be governed by a Steering Committee, which will oversee and guide the overall direction and policy of the programme. It shall meet twice a year as a general principle and can be convened whenever the project's implementation requires strategic decision or changes. The project steering committee shall be

chaired by the Ministry of International Cooperation (MoIC) and made up of representatives of the following entities:

- The Ministry of Industry, Trade and SMEs;
- The Ministry of Antiquities;
- The Ministry of Tourism;
- The Ministry of Culture;
- Representative of the EU Delegation (observer).

The Steering Committee has the right to invite further members of any of the stakeholders whenever deemed appropriate, including the implementing bodies, representatives of the private sector, the Governorates benefiting from the action, as well as civil society organisations.

A Development Partners Group (DPG) on Cultural Heritage and Tourism might be created to ensure coordination with all development partners during the Programme implementation. In a similar manner, implementation of the MSME aspects of the programme will be co-ordinated with the DPG-sub group on MSMEs.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of the Programme will be a continuous process and part of the implementing partner's responsibilities / the grant beneficiaries. To this aim, the implementing partner/beneficiaries shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the nature of the action, a(n) mid-term and/or final and/or ex-post evaluation(s) will be carried out for this action or its components via independent consultants, contracted by the Commission.

The mid-term evaluation may be carried out for problem solving and learning purposes, in particular with respect to the gathering of indicators, review the logframe and assessing project's implementation progress towards the objectives.

A final or ex-post evaluation might be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the impact and the sustainability of the Programme.

The Commission shall inform the implementing partner at least 15 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, 4 contracts for evaluation services shall be concluded under a framework contract during the second year (mid-term evaluation) and sixth year (final evaluation) of the implementation of the Programme.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract in during the sixth year of implementation of the Programme.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations. This Plan will detail how specific communication and visibility actions will help the Programme achieve its objectives and disseminate its results and lessons learnt. This will also include the production of reference material for distribution and visibility activities geared at reinforcing the message that each grant project will deliver through its own activities.

The grant and procurement contracts will contain a budget for the visibility of the respective actions. The Programme foresees an independent provision for the promotion of the Programme, its results, lessons-learnt and good practices. Indicatively, two contracts shall be concluded under a framework contract during the first year of implementation of the Programme.

6 PRE-CONDITIONS

N/A.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)⁹

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Promote Egypt's economic recovery by improving the business environment and by capitalising on its rich cultural heritage.	GDP growth rate Service sector share of GDP Unemployment rate Youth unemployment rate Improvement of the SBA policy index Total number of tourism arrivals in Egypt per year Increase of revenues linked to tourism in Egypt	3.5%e (2014/15) 46% 13.3 % (2014/ Q2) 29% (2014 Q2) 2.6 (2013) 9.5 million (2014) 72\$/night/person (2012)	6% (2019 for all) 55% 10% 18% 3.2 TBD 85\$	CAPMAS Vision 2030 targets (intrapolated for 2019) CAPMAS SBA (D1,3, 4, 5, 8.2) EG Tourism Satellite Account Report EG Tourism Satellite Account Report	Regional and domestic stability Commitment to reforms Implementation of the Vision 2030 Commitment to SME development

⁹ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

Specific objective(s): Outcome(s)	i) facilitate the development of MSMEs in sectors with high potential for inclusive growth and decent job creation, and	SBA Policy Index on: - Entrepreneurship - SME policy making 3 - Enterprise creation - BDS - Innovation	Dim 1: 1.6 Dim 3: 3.4 Dim 4: 3.8 Dim 5: 2.8 Dim 8.2: 3.6	2.0 3.8 4.2 3.5 4.0	SBA Policy Index (2013 for the baseline)	Commitment to the Vision 2030 GOE committed to coordinating reform efforts / agencies
	ii) enhance the protection / promotion of cultural heritage for it to become a real driver of local socio-economic development	- Master-plans for heritage sites are prepared with an embedded community development dimension	1 (Cairo)	6 (Word Heritage sites / number of sites of intervention)	UNESCO reports / Government information	

Outputs	Review / drafting of legislation, strategies (MoA, MoT, MoC); incl. a law on heritage	Number of laws and regulations exerting a burden on SMEs revised and submitted to relevant decision-making bodies with facilitation of EU funding	0 (2015)	6	GoE reporting	
		Number of laws and regulations exerting a burden on the cultural heritage sector revised and submitted to relevant decision-making bodies with facilitation of EU funding	0 (2015)	4	GoE reporting	
		Number of relevant sector strategies revised/adopted with facilitation of EU funding	0 (2015)	3 (Tourism, Heritage and MSME)	GoE reporting	
	Public/private dialogue mechanisms to implement MSME strategy reforms in place	Number of dialogue platforms established with facilitation of EU funding	0 (2015)	5	Project monitoring data	
	Training and capacity building of officials	Total number of officials trained on strategic needs of the beneficiaries with EU support				
	Raising awareness on heritage and development	Number of people reached through the awareness-raising activities at community level	0 (2015)	TBD	Project monitoring data	
		Number of projects on heritage and tourism led jointly by the MoT/MoC/MoA	0 (2015)	TBD	GoE annual progress reporting	
	Upgrading of heritage protection and promotion	Number of sites / monuments and surrounding communities supported,			Grants' monitoring and final reports	
		Number of community members reached	0 (2015).	3		
		Number of BDS projects supported by grants	0 (2015)	Min 6;	Grants' monitoring and final reports	
	Number of enterprises benefitting from BDS support	0 (2015)	TBD5	Grants' monitoring and final reports		
Upgrading of MSME performance through provision of BDS		0 (2015)	TBD (N° of enterprises)			
	Financing raised as a result of BDS delivered		1:4 leveraging effect	Grants' monitoring and final reports		
		0 (2015)				
		0 (2015)				

EN



This action is funded by the European Union

ANNEX 3

of the Commission implementing Decision on the Annual Action Programme 2015 in favour of Egypt to be financed from the general budget of the European Union

Action Document for “Upgrading Informal Areas Infrastructures”

1. Title/basic act/ CRIS number	Upgrading Informal Areas Infrastructures CRIS number: ENI/2015/038-272 financed under European Neighbourhood Instrument			
2. Zone benefiting from the action/location	Egypt The action shall be carried out at the following location: in the three Governorates of the Greater Cairo Region: Cairo, Giza and Qalyubeya.			
3. Programming document	Egypt-EU Single Support Framework and Multi-Annual Indicative Programme (2014-2015)			
4. Sector of concentration/ thematic area	Poverty alleviation, local socio-economic development and social			
5. Amounts concerned	Total estimated cost: EUR 28 million Total amount of EU budget contribution EUR 26 million. This action is co-financed in parallel co-financing by: - <i>Gesellschaft für Internationale Zusammenarbeit</i> (GIZ), on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), for an amount of EUR 2 million			
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management with the <i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> (GIZ)			
7. DAC code(s)	43030 Urban Development and Management.			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

	Women In Development)			
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY

The proposed intervention aims at contributing to the local socio-economic development in the informal areas of the Greater Cairo Region (GCR) by enhancing the delivery of services through the upgrading of basic community infrastructures.

It will complement the ongoing two phases of the "Upgrading Informal Areas project in the GCR" implemented by the GIZ and mostly financed by the EU. These phases are part of a wider intervention of the *Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)* called the Participatory Development Programme in Urban Areas (PDP).

While the ongoing intervention is successful in improving access to basic services in informal areas including small scale interventions on local infrastructures, it does not address the pressing need for additional quality basic infrastructures of these informal areas expressed by both the local communities and authorities.

Adding an infrastructure component will help to improve:

- The living condition of the populations in informal areas.
- The quality and quantity of services provided by the public administration.
- The management of the infrastructure by the local administration and the communities.
- The environmental conditions in the informal areas.

It is proposed that this intervention is also implemented by the GIZ, taking advantage of its well established cooperation with all the relevant stakeholders and using its recognised expertise in the implementation of work projects. This will add a new phase to the ongoing project.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

1.1.1 *Public Policy Assessment and EU Policy Framework*

Egypt's cities have been rapidly growing over the past 50 years. Today, out of a total of 82 million inhabitants, about 43% of the Egyptian population live in cities and around 20 million in the GCR. It is estimated that 60% of the inhabitants of this region, i.e. 12 million people, live in informal, underserved and densely built areas. Although there is no agreed standard definition of informal areas, these can be described as areas where no urban planning exists and where people have built their dwelling outside building permit regimes. They are characterised by a lack of basic social services (health, education, recreation), inadequate access to public utilities (sewage, waste disposal, public lighting) and limited physical and socio-economic integration into the wider metropolitan area. Combined with the absence of related services, the high population density results in high environmental pollution. Their population is mostly poor, with a low level of education. Public administration and civil society organisations do not provide sufficient services to improve the living and environmental conditions of the residents.

The Ministry of Housing, Utilities and Urban Development (MoHUUD), through the General Organisation for Physical Planning (GOPP) follows a programme-based approach - rather than a long-term development policy - in the form of the National Housing Programme. This approach has been an “expansionist” one, consisting in the construction of social housing schemes in new areas (generally in desert land around existing cities). Unfortunately, in many instances, these housings are too expensive for poor people. Therefore, they have often attracted the middle class instead, when they attracted people at all (the proportion of vacant urban housing units is reported to be in excess of 20 to 30% of the housing stock¹).

Nevertheless, over the past decade, a growing policy attention has been given to informal urban areas. This includes the establishment, by decree, of the Informal Settlements Development fund (ISDF) in 2008. However, since its creation, the ISDF focused mainly on informal areas considered as unsafe (“slums”), which only represent 5% of all informal areas in the GCR. In unsafe areas, the policy solution applied by the Government consists of evictions and relocations of residents. For the other informal areas (also called “unplanned” areas²), the expectation was that the National Housing Programme would contribute to stop their expansion.

In July 2014, a further step has been taken to address the specific problems and increasing concerns about informal areas with the creation of the Ministry of State for Urban Renewal and Informal Settlements (MoURIS). The mandate of the new Ministry is to design a development strategy for informal areas and to provide a safe and healthy environment to their population while avoiding their expansion. A paradigm shift can be observed in the discourse, away from containment or eradication of informal areas, towards promoting their upgrading. Another important

¹ "Cairo: A City in Transition", UN-Habitat, 2011. During the 2006 census, the Central Agency for Public Mobilisation and Statistics (CAPMAS) estimated the number of vacant housing units at 3.7 million.

² As the EU will not be involved with interventions linked to possible evictions in unsafe areas, the use of "informal areas" in this document is to be understood as "unplanned areas", unless specified otherwise.

aspect of the mandate of the MoURIS is the organisation of the collection and disposal of municipal waste. The ISDF has been integrated into the newly formed Ministry.

In this context, the PDP implemented by the GIZ since 2004 has been the main intervention to explicitly target the improvement of living conditions in informal areas. It has been supported by the *Kreditanstalt für Wiederaufbau* (KfW), the *Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung* (BMZ), the Bill and Melinda Gates Foundation and the Government of Egypt. Before receiving EU financial support, about EUR 30 million had already been invested in the programme. The ongoing phase of the PDP (“upgrading informal areas in the GCR”), mostly financed by the EU (contribution of EUR 40 million in addition to EUR 6 million from the BMZ), was initiated in 2012 in 4 informal areas and expanded to another 5 areas in late 2013. These two phases address the improvement of the living conditions of the 2 million strong poor population living in 9 areas. In particular, it aims at offering better quality services via public administration and civil society organisations to satisfy the needs of the population and improve the environmental conditions in these areas. While infrastructure improvements are not excluded from the scope of the current project, the ongoing actions in this field are so far of a small-scale.

1.1.2 Stakeholder analysis

The stakeholders of the project can be grouped in three levels:

- National Level:

While the Ministry of Planning, Monitoring and Administrative Reforms is the identified beneficiary of the ongoing intervention, a request to shift the project to the newly established Ministry (MoURIS) has been received in March 2015. MoURIS will become the main national level stakeholder of the new project as well as of the ongoing project.

The intervention also relates to the mandates of other ministries. These include the Ministry of Housing, Utilities and New Urban Communities, and in particular the GOPP, and the Holding Company for Water and Wastewater (HCWW) and its 26 affiliated companies. The HCWW is in charge of operating and maintaining water and sanitation infrastructures.

Furthermore, collaboration with other ministries is also established (ISDF, Ministry of Local Development, Ministry of Education, Ministry of Industry, Trade and SMEs, Ministry of Environmental Affairs and Ministry of Youth) through the project steering committee.

- Regional level:

The three Governorates (Cairo, Giza and Qalyubeya) of the GCR will be the main partners of the project.

- Local level:

The district administration, including executive administration, will be involved in the direct implementation of interventions, in particular in the participatory process of identifying the priorities of the communities. The Urban Upgrading Units (UUUs) will be the main partners for identification and monitoring. These units, established by governors’ decrees and capacitated by the GIZ, act as focal points within the local

administration. Their general role is to provide strategies and implement mechanisms for the development of informal areas at the Governorate level. They are also coordinating the project activities horizontally (with other departments of the governorates) and vertically (with district administration) and play an active role in monitoring the implementation of the project activities.

As grant beneficiaries for interventions providing basic services to the communities, civil society organisations are the main implementing partners of the ongoing project (about 60% of the total budget is allocated through grants). They also participate actively in the participatory needs assessments and are the main recipients of capacity building activities.

The private sector, essentially represented by small local contractors, will play an important role in the works for construction and rehabilitation of infrastructures. They will be specifically targeted in the tendering process.

All residents of the selected informal areas, but most particularly the poorest among them, are the final beneficiaries of the project.

The GIZ is successfully implementing the first two phases of the project and has accumulated over 10 years of experience in the development of informal areas in Egypt. During these years, it has established strong working relations with all stakeholders. Finally, the GIZ's know-how in works-related programmes will be another asset for this new phase.

1.1.3 Priority areas for support/problem analysis

Informal areas have grown as a result of the unavailability of other cheap housing options for the poorest urban population. Developed by individuals to respond to their housing needs, informal areas have a very low density of public services and infrastructure compared to more formal settlements. Moreover, the quality of the services, when they are available, is generally low. Public spaces are limited, unpaved narrow alleys are the norm, the density of schools and health facilities is low. In the absence of formal planning, the development of public utility networks is lagging behind the increasing needs resulting from the continuous growth of the population.

As such, informal areas can be a fertile terrain for social protest. This was evidenced during the 2011 events, which were triggered in cities. Inhabitants of informal areas played a seminal role, revealing the deficiencies of governmental policies in these areas³. There are fears that the situation in some areas could lead to a radicalisation of groups of the population living there if the many promises made in the last few years on social justice and the improvement of living standards for the poorest are not fulfilled.

The allocation of public resources to fill the gap is insufficient. First, because the improvement of informal areas has not been among the priorities of the Government. Second, because a number of services (such as garbage collection) or infrastructure (such as local market, road paving) are the remit of the local authorities, which depend on a centralised allocation of resources, a system by definition unfit to address the development needs of informal areas.

³ David Sims intervention during the “Egypt Urban Futures” workshop series, 11 March 2013.

As part of the ongoing phase of the PDP, detailed participatory needs assessments have been conducted in 9 informal areas. Consultations between local communities, civil society organisations and local authorities (in particular the UUs) were embedded into this process. The results show that in all areas, issues related to the lack of public infrastructure are steadily mentioned among the top 10 development priorities. These priorities include in particular roads, solid waste collection, sewage system, transport, and electricity.

The intervention would address two priorities of the Egypt-EU Single Support Framework: local socio-economic development by enhancing the access to basic services, and improvement of the quality of life and the environment by developing community infrastructures such as sewage and sanitation infrastructures.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Increased instability at country and/or regional level impacting negatively the political, social and economic conditions in which the project is implemented.	H	Instability is partly rooted in the lack of social and economic development prospects. The situation should improve thanks to the commitment of the Government, the alignment of stakeholders around a development agenda and the successful Economic Development Conference organised in March 2015. The situation will be closely monitored by the EU Delegation.
Change of decision-makers or personnel working in the local administration (governorates, districts, UUs) could lead to delays in the implementation of the project.	M	Mitigation measures include taking full advantage of the reinforced institutional coordination supported by the ongoing phase of the project. When necessary, and as already done by the PDP, cooperation agreements with different stakeholders will be concluded to identify the roles and responsibilities of the relevant authorities, to increase their ownership and their commitment. This has helped prevent delays or halt the programme's activities when counterparts changed.
Limiting the infrastructure component to the 9 informal areas in which the project is currently operating could create	L	The project is designed to increase the impact in the 9 areas but is also open to other areas of the GCR. However, the dilution of

some imbalances within the districts.		impact which could result from geographically dispersed interventions should be avoided.
Corruption and fraud	H	<p>Overall risk for corruption and fraud in Egypt is considered high, as witnessed by low ranking of Egypt in international transparency and corruption perception rankings, high perceived corruption in population corruption surveys, a fragmented institutional framework of anti-corruption entities, incomplete legal framework and inconsistencies in judicial treatment of corruption cases. Procurement practice favours direct award. On the positive side government has adopted anti-corruption strategy and some streamlining of inspection agencies underway.</p> <p>The design of the project will mitigate exposure to global corruption risks, through centralised implementation according to EU rules and specific financial procedures.</p>
Assumptions		
<ul style="list-style-type: none"> • New or improved infrastructures contribute to the improvement of services to the community and are perceived as such by the population. This, in turn, contributes to the improvement of the living conditions. • Dysfunctionalities are reduced when infrastructures are of a good quality and when they are adequately operated and maintained. • Cleaner streets and effective sewage systems contribute to the improvement of the health of the local residents. • Infrastructure corresponding to the priorities of the local residents, and identified in cooperation with local authorities are better operated and maintained, and thus more sustainable. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The intervention will build on the lessons learned from the ongoing intervention implemented by the GIZ and from the experience gained through the PDP.

One of the main lessons learned from the PDP is that the governorate level is the right and effective intervention level for the development of informal areas: It is

sufficiently high in the administration to have the required authority, yet sufficiently close to the communities to understand them, in particular through the newly created UUs.

A participatory approach is an efficient methodology for integrated urban planning and development, in particular to identify the communities' needs. It is primordial to increase ownership by the community and the local authorities which results in a better sustainability of the intervention. Given adequate capacity building, local authorities recognise the value of the participatory approach.

Integrating physical and social aspects in development activities was highly appreciated by the beneficiaries of earlier phases of the PDP. While activities targeting social improvement mostly impact the direct beneficiaries, physical improvements target a wider audience and are extremely well perceived by the different layers of the local administration. Physical improvements are generally a factor contributing to increase the "buy-in" from the authorities, thus improving sustainability. The PDP approach will continue to combine the implementation of concrete measures with policy advice. Furthermore, the diversification of partners strategically chosen by the PDP team as well as the focus on maintaining strong relationship with all stakeholders are other success factors of the programme.

3.2 Complementarity, synergy and donor coordination

This project is designed to complement the ongoing PDP intervention. Although one of the specific objectives of the ongoing intervention is "to improve environmental and socio-economic services in targeted informal areas as well as physical and social infrastructure in both quality and quantity", resources allocated to infrastructure are limited in amount and scope. In addition, actions implemented during the first 2 phases are mostly undertaken by small local NGOs (following calls for proposals), which only have the capacity to set-up relatively small scale-infrastructures.

Apart from the ongoing PDP, two other projects supported by the EU include components to improve the living conditions in informal areas: the "Integrated and Sustainable Housing and Community Development Programme in EGYPT-Pillar I and II". These programmes, implemented respectively by the *Agence Française de Développement* (Afd) and the European Investment Bank (EIB) in partnership with the Social Fund for Development (SFD), will cover other informal areas of the GCR and other main cities. To a lesser extent, the Emergency Employment Investment Project implemented by the World Bank in partnership with the SFD, with a EUR 70 million contribution from EU, also contributes to the improvement of living conditions in informal areas. The project provides short-term employment opportunities in 2 districts located in informal areas (out of a total of 51 districts covered by the project).

No other donor is currently active in the participatory urban development of informal areas. Several organisations are, however, active in other urban development interventions:

- The ISDF has just signed with the army an EGP 350 million (EUR 40 million) agreement to develop 30 "unsafe" areas in the Cairo and Giza Governorates to improve the efficiency of drinking water and sanitation networks, to establish fire-fighting networks, to provide street lighting, and to pave roads.
- The UN-HABITAT is involved in various projects supporting the Government's planning efforts. This includes in particular the support (in partnership with the

UNDP) to the GOPP for the elaboration of a strategic urban development plan for the GCR.

- The USAID has been involved in solid waste management and has recently concluded an integrated solid waste management project in the Cairo Governorate which aimed at privatising the services.
- The EU, the KfW, the GIZ and the Swiss Cooperation and Development Office (SDC) are jointly implementing the National Solid Waste Management programme (EUR 61.9 million with an EU contribution of EUR 20 million) aiming at sector policy and legislative reform as regards solid waste management in Egypt, coupled with pilot investments in the governorates of Qena, Kafr El Sheikh, Assiut and Gharbia.

Finally, some organisations intervene in very specific sectors which partially cover informal areas. These include: the AfD (transport, energy, and waste water treatment), the Japan International Cooperation Agency (transport, energy), and the World Bank (gas connection- with an EU contribution, sanitation, power generation).

3.3 Cross-cutting issues

The Action will address the following crosscutting issues:

Good Governance: All activities are contributing to good governance as they promote participation of the local communities in local development, in cooperation with the authorities. The intervention is also a good opportunity to use the local capacity-building activities implemented in the previous and ongoing phases.

Gender: PDP has drawn up and formulated Local Area Dialogue Committees to represent women (as well as youth, civil society organisations and the private sector) in local decision-making processes (e.g. in the Participatory Needs Assessments). It has also developed tools such as the action guide "maximising use value" that proposes some practical actions to be taken by local government, capitalising on the practices of local communities and, in particular, of women.

Environmental Sustainability: A number of infrastructures to be upgraded have as direct purpose to improve the environmental conditions. These include infrastructures linked to solid waste collection and/or processing, and improvement of the sewage network.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective is to contribute to the local socio-economic development in the informal areas of the GCR by enhancing the delivery of basic services. The specific objective is to upgrade basic infrastructure in informal areas in the GCR.

The action will focus in particular on infrastructure mostly benefiting the poor populations of the informal areas and will be conducted in collaboration with the local authorities (including holding companies when necessary) and communities. To maximise the impact on this target group, labour-intensive construction methods will be prioritised, as long as technology permits it, and without compromising the quality of the infrastructures. Small local contractors with the necessary skills and experience will also be targeted.

Hence, the proposed project will contribute to the national efforts to develop informal areas.

The intervention will pay special attention to the direct involvement of the local communities through participatory approaches in the identification and selection of projects to ensure ownership.

In line with the general and specific objectives the project expected results are:

- The number and quality of community infrastructures is increased.
- Operation and maintenance of infrastructures is improved.
- The occurrence of dysfunctional services is reduced.
- Residents of informal areas live in a healthier environment.

Indicatively the intervention will target: the paving of streets (including production of paving bricks), infrastructures and equipment related to garbage collection and processing, sanitation (main lines of sewage networks), street lighting and fire hydrants. Social infrastructures such as community schools, health centres or recreational facilities could also be targeted, mostly for their upgrading. A multi-step methodology will be developed to select the infrastructures to be supported (long list, prioritised short-list, final list). Each step will include a set of criteria to be met to qualify for the next step. These criteria will include: cost, located on public land, public response, environmental impact, socioeconomic impact, sustainability, etc.

4.2 Main activities

The project will focus geographically in the Governorates of Cairo, Giza and Qalyubeya in Greater Cairo Region to capitalise on the existing successful cooperation between PDP/GIZ and these governorates in the framework of the ongoing intervention.

To achieve the expected results, the main activities to be implemented will include:

A) Quantity and quality of infrastructures increased

- Participatory identification and selection of the infrastructures to be constructed or upgraded: To this end the participatory needs assessments conducted during the previous phases of the project will constitute a starting point. This preliminary assessment will be completed as needed, in particular for infrastructures located outside the 9 informal areas in which the project is currently being implemented.
- Detailed feasibility studies will be conducted to confirm the potential of the pre-selected projects. Particular attention will be paid to the operation and maintenance of the infrastructures to ensure their sustainability. The entity(ies) responsible for operation and maintenance (local administration and/or community-based organisations) will be identified at an early stage to ensure their active participation in all implementation stages. The regulatory environment in which the infrastructure will be operated will also be taken into consideration during these initial stages. Preference will be given to High Labour Intensive methods of construction.
- The tendering process will be the responsibility of the GIZ. It will be conducted in consultation with the local authority competent for the infrastructure

concerned. The process will include the preparation of tender dossiers, the evaluation of the offers and the awarding of contracts.

B) Operation and maintenance of infrastructures is improved; and

C) Occurrence of dysfunctional services reduced and

- External independent technical expertise will be contracted to oversee the construction works to ensure the quality of the works and compliance with the technical specifications. All stakeholders concerned will be involved in the monitoring activities.
- Capacity building will be provided to the entities responsible for the operation of the infrastructures. They will also be supported to set-up maintenance plans.

D) Residents live in a healthier environment

- Particular attention will be paid to ensuring that infrastructures that contribute to the improvement of the environment are adequately addressed. These include in particular an improved sewage system and garbage collection and disposal.

Horizontal activities contributing to the achievement of all results will include:

- A package of technical assistance will be made available to provide technical support and capacity development for the local administration, the private sector and the civil society. This could include training in the following areas: participatory methodology and tools, support to structures and processes, enforcement of legislation, as well as management skills (planning, finance, monitoring and evaluation, etc.).
- Coordination between the different stakeholders and policy advice for upgrading informal areas. Part of the GIZ management team will be hosted in the MoURIS premises.

4.3 Intervention logic

This new phase of the project builds on the ongoing intervention which also aims at improving the living conditions of the residents of informal areas in the GCR. It complements the objective of improving environmental and socio-economic services and reinforces the objective of improving physical and social infrastructures. It will also benefit from the increased participation of the civil society and private sector in the development of informal areas, which is one of the specific objectives of the ongoing intervention.

Developing the infrastructure component, in particular by offering the possibility to address the needs for medium-scale infrastructure, will substantially increase the impact of the whole intervention. The mobilisation of local population for the execution of works will provide as well direct economic benefits to the communities.

The intervention will focus on the construction and rehabilitation of basic infrastructures. Mechanisms for operation and maintenance will also be put in place to ensure the viability and sustainability of these infrastructures.

As a result, the range and quality of services available to the population will be increased (health, education, recreation facilities), safety will be improved (street lighting, fire hydrants) and the environment will be healthier (sewage, garbage collection).

Because the project will continue to use and to promote an integrated participatory approach to informal areas development (particularly important in some sectors such as garbage collection), the buy-in by local authorities and residents will be obtained and will result in a better sustainability of the action.

Ultimately the improvement of the services offered in informal areas, both in quantity and quality, will improve the living conditions of their residents.

Additionally, the physical infrastructures put in place will offer several new opportunities to increase the visibility of the EU.

5 IMPLEMENTATION

5.1 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 Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement. This timeframe takes into consideration the fact that participatory needs assessments in the 9 areas will be completed by the ongoing project by the time the new intervention starts.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1.1 Procurement (direct management)

Subject in generic terms	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Evaluation and audit	services	2	5 th and last
Communication and visibility	services	1	2 nd

5.3.1.2 Indirect management with a Member State

This action may be implemented in indirect management with the *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the development of basic community infrastructures. This will be done by constructing new infrastructures or by rehabilitating /upgrading existing ones. This intervention complements the ongoing intervention focusing on the improvement to service delivery. This implementation is justified because of GIZ previous and ongoing

successful experience in managing infrastructures projects. Since August 2012 GIZ is implementing the "Upgrading Informal Areas Project", financed by EU.

The entrusted entity would carry out the following budget-implementation tasks, following its own procedures, covering several contract-management steps of the project cycle: needs assessment and identification of priorities, launching calls for tender; definition of eligibility, selection and award criteria; evaluation of tenders, award of contracts; acting as contracting authority concluding and managing contracts, carrying out payments and recovering moneys dues.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

Categories	EU contribution (amount in EUR)	Indicative third party contribution (amount in EUR)
– Indirect management with <i>Gesellschaft für Internationale Zusammenarbeit</i> (GIZ)	25 000 000	2 000 000 (BMZ/GIZ)
– Evaluation and Audit	300 000	N.A.
– Communication and visibility	200 000	N.A.
Contingencies	500 000	N.A.
Totals	26 000 000	2 000 000

5.6 Organisational set-up and responsibilities

The Egyptian partner of the project will be the Ministry of Urban Renewal and Informal Settlements (MoURIS). Since July 2014, the MoURIS is the Ministry with the mandate to address development issues in informal areas.

The management of the project will be integrated into the existing management structure put in place for the "upgrading Informal Areas Project". This structure is multi-levelled:

- The programme management, located within the MoURIS premises, will provide overall managerial, administrative and technical support for the project as well as ensure the coordination with other national and international stakeholders.

- Governorate management units set-up in the Cairo, Giza and Qalyubeya Governorates will ensure the management of the activities and coordination with the Governorate administration.
- Implementation and monitoring at the local level will be carried out by the GIZ in coordination with the local authorities, in particular the UUs.

The project will be governed by the existing steering committee, which will oversee and guide 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 implementation requires strategic decisions or changes. The project steering committee will be chaired by the representative of the MoURIS, and include representatives of the following entities:

- The Ministry of International Cooperation (MoIC);
- Other Ministries associated to the project;
- GIZ (also acting as secretariat for the steering committee);
- EU Delegation (as observer).

The Steering Committee has the right to invite further members whenever deemed appropriate.

Local management committees – comprising representatives of the district authorities, civil society and the communities – are being set-up by the ongoing intervention and will continue to operate throughout the present intervention.

Additionally, the EU Delegation will be invited to participate in the periodic project implementation meetings held with the Egyptian authorities and other stakeholders.

The audit and evaluation of the project will be implemented by the European Commission through its Delegation in Egypt. All related contracts and payments will be made by the Commission on behalf of the beneficiary.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the main mandate of the beneficiary Ministry is to design an informal areas development strategy. The lessons learned for the project will inform this process.

The Commission shall inform the implementing partner at least two months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in the last three months of the implementation period.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded in the second year of the project.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

A comprehensive strategy has already been established by the GIZ for the ongoing project and approved by the EU Delegation. It will be reviewed and further extended to encompass additional activities covered by the new project. A specific visibility budget for this component will be included in the Delegation Agreement.

Nevertheless, to retain some control of the communication and visibility measures, a specific budget has been earmarked to be contracted under direct management by the Commission.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ⁴

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	To contribute to the local socio-economic development in informal areas of the GCR by enhancing the delivery of basic services	Percentage of the population in the intervention area satisfied by the improvement of services quality Number of residents using the facilities	0% 0	70%	Qualitative and quantitative survey (baseline and final) on representative sample of the population	Better infrastructure contribute to improved services, which in turns contribute to improved living conditions
Specific objective: Outcome	To upgrade basic infrastructure in informal areas in Cairo	Percentage of infrastructure operational and used by residents	0	70%	Project monitoring documents and final evaluation	Infrastructure projects are corresponding to the real needs of the residents
Outputs	Increased number and quality of community infrastructure	Number of infrastructures constructed / improved			Project monitoring documents and final evaluation	Community priorities are identified
	Improved operation and maintenance of infrastructures	Number of “operation and maintenance plans” in place			Project monitoring documents and final evaluation	Community priorities are identified
	Reduced occurrence of dysfunctional services	Number of service interruptions			Project monitoring and local	Dysfunctionalities are reduced when

⁴ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

					administration records	infrastructure are of a good quality and when they are adequately operated and maintained
	Healthier environment in informal areas	Number of environment related infrastructure constructed /improved (sewage, sanitation, garbage collection) Prevalence of diseases related to unhealthy environment			Project monitoring documents and final evaluation. Ministry of Health data.	Cleaner streets and effective sewage system contribute to the improvement of the health of the local residents

EN



This action is funded by the European Union

ANNEX 4

of the Commission implementing Decision on the Annual Action Programme 2015 in favour of Egypt to be financed from the general budget of the European Union

Action Document for “Fostering Reforms in the Egyptian Renewable Energy and Water Sectors through Developing Capacity Building”

1. Title/basic act/ CRIS number	Fostering Reforms in the Egyptian Renewable Energy and Water Sectors through Developing Capacity Building CRIS number: ENI/2015 / 038-275 financed under the European Neighbourhood Instrument			
2. Zone benefiting from the action/location	Egypt.			
3. Programming document	Egypt-EU Single Support Framework and Multi-Annual Indicative Programme (2014-2015)			
4. Sector of concentration/ thematic area	Improved quality of life and the environment			
5. Amounts concerned	Total estimated cost: EUR 8 million.			
6. Aid modalities and implementation modalities	Project Modality Direct management: Procurement of services.			
7. DAC code(s)	31120 Agricultural development 31140 Agricultural water resources 23068 Renewable Energy			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY:

This project aims to support the ongoing reform process of two key sectors of the Egyptian economy, **the water and renewable energy sectors**. The specific objective is to contribute to improve the management and the use of these resources by improving operational efficiencies of concerned stakeholders and beneficiaries.

The project is in line with EU-SSF third pillar of intervention for Egypt, *Quality of life and environment*. In particular, the project will contribute to enhancing and building capacities in water and energy, through availing adequate support for the Ministry of Electricity and Renewable Energy and the Ministry of Water Resources and Irrigation as well as the institutions working under their respective umbrellas.

The EU is contributing with grants to different infrastructure projects in energy and water, implemented by the European International Financial Institutions. The EU has also traditionally played an important role in supporting the reforms of these two sectors through budget support operations. In view of the challenges these sectors are facing, maintaining EU at the forefront of the national sector policy dialogue is of strategic importance. Indeed, such approach will constitute an important platform for policy dialogue in two crucial sectors of the Egyptian economy and will sustain other EU investments.

In the framework of this action activities will cover support to the government in fields related to continuing institutional and legislative reforms, financial sustainability, proposing new schemes for maintenance and operation of infrastructure, communication and awareness raising, technical capacity building as well as technical studies as means of investments prioritisation.

This support will mobilise, to the extent possible, relevant expertise of EU Member States in corresponding fields to share experience and know-how. The Total budget for this action amounts to EUR 8 million. This project will be implemented in a direct management.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Water and Energy are essential to Egypt's ability to achieve sustainable development and provide adequate quality of life and satisfy the needs of its increasing population. Current physical development planning policy until 2052¹ depends on water and energy infrastructure. The Egyptian Government is endeavouring to create synergies through the integration of water and energy policies, planning and management,

¹ The National Urban Planning Strategy developed by the General Organisation for Physical Planning (GOPP) <http://gopp.gov.eg/plans/>.

while encouraging conservation, motivate innovation and ensure sustainable use of water and energy.

However, Egypt is exposed to numerous challenges. Today the country has severe deficits in its resources of energy and water. Overexploitation and lower precipitation patterns due to climate change threaten the balance of water available for agriculture and development. At the same time, fossil fuels are becoming a less viable source of energy, due to depletion, cost, and environmental damage. In fact, both sectors face similar challenges such as scarcity of resources, heavy subsidies, high investment cost, weak management, need for strengthened institutional reforms and coordination, as well as operation and maintenance challenges.

Egypt is experiencing one of its most serious energy crises for decades. Parts of its own natural gas reserves, most of which are used as combustible in combined cycle power plants, were exported at marked-down prices. It still has untapped gas fields, but these have traditionally been mined by foreign companies which are currently reluctant to extract more until they are paid overdue debts owed by the Egyptian government. This in turn has led to a crisis in availing gas to power plants, in addition to other problems such as lack of proper maintenance of the different plants, due to the revolutions and an unstable social background over the last 3 years. Therefore, the country has a current estimated shortage of 3000 MW according to the Ministry of Electricity and renewable Energy. The gap between supply and demand will worsen with the expected increase in GDP in the coming years based on faster economic development. This is currently pushing the government to search for immediate solutions such as allowing some industries to use coal to secure energy supply. Meanwhile, large coal fired power plants option is seriously considered with a number of investors from the Gulf already proposing such projects on PPP to the Government based on Chinese technology. These challenges should be overcome through a combination of reductions (and eventual elimination) of energy subsidies combined with institutional reforms over the next 5 years, together with broadening the variety of energy sources in the Egyptian energy mix. It is clear that the deployment of Renewable Energies is part of the solution although not the least costly one. Due to the level of subsidies in Egypt the gap between the prices of conventional types of energy and renewables, making the use of renewable energy expensive, this is particularly true for wind energy.

In the Water Sector, current water deficit reaches up to 18 Billion Cubic Meters per year (30% of its water resources), which is mainly covered in irrigation by reuse of agricultural drainage water through mixing stations, or illegal direct reuse of drainage water for irrigation that have a significant bad impact on health and environmental conditions. Water-use efficiency is low, due to high water losses: the efficiency of field irrigation systems is estimated at only 50%. As for drinking water, the average inhabitant of Egypt uses around 300 litres of per day (based on a total intake of 9.2 Bm³/year)². In a wet country like the Netherlands the average water use per person has come down to only 120 litres per day, whereas the unaccounted for water is less than 5%. Awareness is therefore one of the key issues to change this wasteful behaviour and saving precious resources.³ As for sanitation, from 2009,

² According to HCWW design criteria of 350 l/c/d for urban populations and 200 l/c/d for rural population, 84 million inhabitants in 2010, and average 32% unaccounted for water.

³ From: State of Water in Egypt 2009-2010, Ministry of Water Resources and Irrigation, November 2013.

total needs for sanitary sewer services reached 21 million m³ daily, while the current sanitary sewer services capacity is 13.7 million m³ daily, representing 65% of the required capacity. The main challenge is expanding the sanitary sewer coverage in rural areas to reach 100% of the villages. In agriculture the increasing scarcity of water, is exacerbated by poor water quality, while organic and chemical pollution of water has reached alarming levels. Poor management in irrigation and drainage techniques and the overuse of chemical inputs have largely contributed to the environmental degradation of agricultural areas. Improper waste disposal has also become a national problem in Egypt as well as an issue of debate and conflict at local and national levels. For small landholders income from agricultural activities is not sufficient to meet their needs.

1.1.1 Public Policy Assessment and EU Policy Framework

Following the Egyptian Economic Conference that took place in March 2015, it became even more obvious that the government's emphasis will be put on water and energy related infrastructure development.

In the **Energy Sector**, and in order to satisfy the increasing electricity demand, the installed capacity needs to increase rapidly to a level of almost four times the 33 GW currently installed. The Egyptian Energy Strategy is being updated until 2035 with the support of a Technical Assistance provided by the European Union in the framework of the Energy Sector Policy Support Programme. The updated strategy that should shortly be approved by the Egyptian Authorities includes different scenarios for an energy mix and a medium term action plan. The least cost scenario in the strategy foresees a renewable energy share of 30% (49% from only wind) of the Egyptian energy mix in 2035. The share of wind in the installed capacity reaches 16% by 2035, the share of PVs is close to 9% and the share of Concentrated Solar Power (CSP) is limited to around 2%. The government takes the view that a more diverse energy mix provides more security as the country will be less vulnerable to fluctuations in the availability of any fuel. Moreover, KfW is carrying out an EU funded (under the Neighbourhood Investment Facility –NIF) master plan for renewable energy which confirms the amount of Renewable Energy Sources (RES) in the mix. This Master plan is currently being discussed by the Egyptian Government. A white book based on the updated overall national energy strategy and a medium term action plan to translate the renewable energy master plan is being finalised.

In the **Water Sector**, the Government of Egypt's is already taking many measures to cover the increasing water requirements related to the rise in population and the improvement of living standards as well as the expansion of agricultural land. The objective is better use of existing resources, improving water reuse techniques, enhanced management of existing irrigation and drainage. Additional measures aim to properly plan an integrated management of water resources, taking many different aspects into consideration such as water resources, water requirements of the various sectors, and water quality. This has already been addressed in the preparation of the Egypt National Water Resources Plan for Egypt 2017-2037 (**currently funded by the EU**). As for urban water and sanitation, the amount required to finance the full coverage is of 150 billion EGP (close to EUR 18 Billion) and it is expected to require three 5-years plans to complete this task. The integrated Master plan prepared by the HCWW (**funded by the EU**), includes providing water to 500 villages sanitary sewer utilities, roads, schools, sanitary utilities, services, social programs, training on development skills, micro loans, and investments of industries and private sector

companies. However, after almost two years, the first phase included only 150 villages where some infrastructure was improved.

1.1.2 *Stakeholder analysis*

The main beneficiary of this action **in the energy sector** will be the **New and Renewable Energy Authority (NREA)**, which operates under the umbrella of the **Egyptian Ministry of Electricity and Renewable Energy**. NREA was established in 1996 as a state authority responsible for supporting and developing renewable energies and for planning and implementing projects in the field. NREA is a focal point for knowledge and technical expertise in the field of renewable energies in Egypt. It generates own revenues mainly from the feed-in fees for wind energy paid by the Egyptian Electricity Transmission Company (EETC), as well as from research and development assignments. It can freely dispose of the funds allocated to it in the budget, using them to cover the running expenses associated with operating its own wind farms, but any surplus must be transferred to the Ministry of Finance.

Other institutions involved in the planning, implementation, monitoring and evaluation of the process related to Renewable Energies include the Egyptian Electricity Holding Company (**EEHC**), the Egyptian Electricity Transmission Company (**EETC**), the Electricity Distribution Companies, the Electricity Regulator, Egyptian Organization for Standardization, the Private Public Partnership Unit at the Ministry of Finance, the Ministry of Investments, the General Authority For Investments, the Ministry of Education and Universities as well as the Ministry of Environment. The project will certainly sustain and build on the close ties and links created in the past between the government on one side and the private sector and non-governmental organizations on the other. Such organisation working in the field of energy efficiency, renewable energy promotion and raising awareness will certainly benefit from the policy dialogue platform created in the framework of the present initiative.

In the Water Sector, the **Ministry of Water Resources and Irrigation (MWRI)** is in charge of water resource development and distribution and plans and implements water resources development projects, including the River Nile, surface water, and groundwater and drainage water. It undertakes construction, operation and maintenance of irrigation and drainage network and is responsible for the basic infrastructure and pumping stations in new agricultural lands. The ministry is also responsible for studies and research through the National Water Resources Centre.

The other main public entity for drainage issues is the **Egyptian Public Authority for Drainage Projects (EPADP)**. EPADP is a public authority under the MWRI, established in 1973 by Presidential Decree No. 158. It is vested with power over the financial, technical and administrative aspects of implementation, operation and maintenance of drainage systems. Its activities involve field investigation, planning, designing and procurement of equipment for civil works, budgeting and operating budget accounts. The main features of EPADP's activities are surface and subsurface drainage projects, their maintenance and rehabilitation. While, the **drainage user associations (DUA)** are playing a role in decision making and the operation and maintenance of the local drains and flush pumps by themselves, with significant assistance from the Drainage unit staff. Farmers are informally organised to carry out simple maintenance work in pipe collector drainage schemes. DUAs have been active supporting implementation plans and preventing damage to the system once

installed. There are about 2,881 DUAs,. However, DUAs are struggling to survive, because they had no legal basis and, more importantly, they had too little to do.

The main institution involved in the urban water and sanitation sub sector is the **Ministry of Housing, Utilities and Urban Communities (MHUUC)**; MHUUC is concerned with Egypt's comprehensive urban, communal and economic development comprising housing, roads, bridges, potable water and sewerage plants. With regard to the Water and Sanitation sector MHUUC's responsibilities are the following:

- Implementation of the reform process;
- Securing financial resources for investments & operations, including PPP;
- Developing Policies, as well as clearance of legislation, regulations, decrees;
- Planning and programming of investment and O&M budgets;
- Facilitating tariff, staffing and debt management reforms;
- Establishing and supervision of Egyptian Water Regularity Agency (EWRA);
- Supervision of Holding Company for Water and Wastewater (HCWW);
- Supervision of National Organization for Potable Water and Sanitation (NOPWASD);
- Managing and coordinating the work plans among NOPWASD, HCWW, and EWRA.

In addition, MHUUC is responsible for setting rules, standards and technical specifications, control of execution and follow up of the design / execution / operation / management of potable water and sanitary drainage plans, projects and programs.

The Ministry of Environment has also been identified as a potential stakeholder as it has responsibilities on specific elements of water management.

1.1.3 Priority areas for support/problem analysis

While the Egyptian Government is planning for increasing its GDP in the coming years through adding massive public and private investments in different sectors of the economy, the country is facing a problem of water and energy supply, which could hamper its development.

It is clear that Egypt is both in a position and a need to exploit solar and wind energy for electricity generation. Furthermore, it is understood that there exists fundamental drivers for Egypt to pave a way towards producing electricity from renewable energy sources. However, significant challenges exist towards the large scale deployment of Renewable Energy (RES) technologies in the country.

The existing and planned support mechanisms form a more than adequate environment for the involvement of public and private sector in the development of RES projects in Egypt. Nevertheless, most of these mechanisms cannot work efficiently unless a stable and rational economic environment is established and the financial situation of the state-owned energy companies is drastically improved. The deployment of Renewable Energies and improving the demand side management are part of the Egyptian energy dilemma. Taking into account the level of subsidies in

Egypt the gap between the prices of conventional types of energy and renewables, wind and solar energies are still expensive.

The following measures are being taken by the government:

- Incentives to increase Renewable Energy capacity through a new Feed-in-tariff programme increase in electricity tariffs - as laid out in a 5 year plan;
- Gradual increase in gas tariffs over the same period;
- To increase greater private sector participation in the electricity sectors allowing power plants fired by different sources of energy to be constructed and operated to add to base-load and mid-merit capacity.

In the Water Sector, the need for innovative techniques for reuse of wastewater and drainage is a necessity as the country faces a huge deficit in its water resources. The development of agricultural land in Egypt suffers from waterlogging and salinity due to irregular use and overuse of irrigation water, low soil hydraulic conductivity, over-irrigation on newly reclaimed lands and intrusion of saline groundwater from the high lying lands to the old lands of the Nile Delta and Valley. Out of an irrigated area of 3,150,000 hectares, 1 million hectares would be affected by salinity and 600,000 hectares would be waterlogged. Agriculture remains the main activity in rural areas, representing 13.5% of the total Gross Domestic Product (GDP) and 18.3% of Egypt exports. It also employs more than 25% of the population and it is the main source of income for about 55%. For small landholders income from agricultural activities is not sufficient to meet their needs. As a consequence there is an increasing urgent need to support building the capacities within the MWRI, and final user bodies (Drainage Users Associations) to be closely involved in the implementation and management of the drainage sector, for better operation and maintenance of the network, thus increasing the agricultural production and improving rural incomes.

In the Urban water sector the current high water losses rate (35% of produced water, 2.8 Billion Cubic meters/year of treated water are lost) constitutes a heavy burden on top of an existing heavy debited and subsidised sector. Thus innovate measures to lower this percentage and increasing water usage efficiency is a must. However, none of the above challenges can be addressed unless an integrated national strategy is established and the financial situation of the state-owned Water Holding Company (HCWW) is improved. The deployment of decentralised rural sanitation strategies, sub-surface drainage, improved irrigation techniques, and improving the demand side management are part of the Egyptian water predicament. Taking into account the existing level of subsidies in Egypt the gap between the prices of the service delivery and existing tariff rates, the government has taken measures to gradually increase the tariffs in the sector, and increase private sector participation in the construction and operation of desalination, and wastewater treatment plants through PPP schemes.

The main issues currently facing the sector and addressed by the project are as follows:

In the Energy Sector the main challenges are:

Legislative, Institutional, economic and financial, mainly related to:

- Lack of good governance principles in the renewable energy sector
- Slow implementation of the institutional reforms in particular redefining the role of NREA and other public administration;

- Public funding constraints in conjunction with limited participation of the private sector;
- Low electricity prices compared to cost, which lead to limited cash generation within the market;
- High indebtedness of state entities dealing with RES development such as EEHC and NREA;
- Fiscal uncertainties.

Technological and institutional, mainly related to:

- the current limited experience for integration at a large scale of RES-E technologies in the Egyptian electricity system;
- Limited experience in operation, maintenance and in sustaining investment in Renewable Energies;
- The harsh environmental conditions under which solar and wind energy plants are expected to operate.

In the Water Sector the main challenges are:

- Egypt lacks the implementation of proven and countrywide transferable drainage reuse strategy, oriented to maximise water efficiency and related income generating activities;
- Improper implementation of hygiene activities at the level of rural areas considerably affects the health conditions of the population;
- Inadequate waste-water management (WWM) and citizens' access to sanitation, lacking participatory measures at local level and income generating activities;
- Little or no effective coordination mechanisms at field level between relevant agencies and other ministries and agencies potentially interested in water-related programs.

The above-mentioned challenges will be addressed in the framework of this project through support to continuing institutional and legislative reforms, enhancing the financial sustainability through reshaping the roles of the public bodies working in energy and water, maintenance and operation of infrastructure, communication and awareness raising, technical capacity building as well as pre-feasibility studies as means of investments prioritisation. Such steps would not be viable without putting in place the necessary accompanying legislative, institutional, sustainable financial reforms as well as through the provision of the needed capacity building.

In Egypt the EU is in the forefront of energy and water planning and development. The ongoing EU funded sector policy support programmes offer a real platform and opportunity for policy dialogue at national level. This project aims to continue and build on the existing achievements and success in this respect. Moreover, this project will provide the needed support to implement the agreed steps included in the strategic document geared towards the massive deployment of renewable energies and infrastructure throughout the country. The current project will also aim to support institutional capacity building to relevant governmental and non-governmental actors to establish and operate a sustainable demand-oriented and

cost covering wastewater system. This will allow as well pursuing the efforts already started at more general levels in the framework of the EU Sector Policy Support Operations.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Weak coordination	M	The programme will strengthen coordination in the legislative reform, dialogue in energy and water by supporting the implementation of national strategies and mechanisms. The programme will also be focused on the needed institutional, legislative and financial sustainable reforms and solutions in renewable energies and the sustainable use of water which will lead to bringing about homogenous type of stakeholders ready and motivated to cooperate for the best interest of the country.
Insufficient ownership	L	Continuous dialogue with representatives of the concerned Ministries and Governorates during implementation: EU Delegation-led monitoring missions and high-level meetings as required. A Steering Committee including the involved Institutions will be set up at central level while local committees will be established at Governorates level to guarantee all the needed measures of coordination and coherence of implementation
Corruption and fraud	H	Overall risk for corruption and fraud in Egypt is considered substantial, as witnessed by low ranking of Egypt in international transparency and corruption perception rankings, high perceived corruption in population corruption surveys, a fragmented institutional framework of anti-corruption entities, incomplete legal framework and inconsistencies in judicial treatment of corruption cases. Procurement practice favours direct award. On the positive side government has adopted anti-corruption strategy and some streamlining of inspection agencies underway
Increased instability at country and/or regional level impacting	H	Instability is partly rooted in the lack of social and economic development prospects. The situation should improve thanks to the commitment of the Government, the alignment

negatively the political, social and economic conditions in which the project is implemented		of stakeholders around a development agenda and the successful Economic Development Conference organised in March 2015. The situation will be closely monitored by the EUD.
Sustainability Risk	M	Notwithstanding the fact that the Government started already addressing tariff structure reforms, tariffs remains below the economic cost of supply. These sector distortions contribute to high electricity and water demand, reduce the incentives for energy and water efficiency, hamper the development of renewable energies and sustainable use of water and would lead to an unsustainable financial position for the sectors. To mitigate this risk, the project will create a platform for information sharing and policy dialogue about ongoing reforms including adequacy of tariffs to meet the full cost of electricity supply and capital and operational cost of water infrastructure while further proposing tariff adjustments or other necessary financial measures to be applied.
Assumptions		
<ul style="list-style-type: none"> • All concerned authorities and stakeholders will collaborate during the programme's implementation • The social and economic development agenda, including energy and water strategies, is implemented by the Egyptian Authorities and is not halted due to social or political instability. • Momentum to strengthen inter-institutional co-operation as well as policy and regulatory reforms within the Government is maintained after Egypt's Economic Development Conference. • Policy dialogue with private sector and non-governmental organisations in energy and water sectors remains a priority. • A strong and stable senior management team at the concerned Egyptian authorities willing to collaborate in close cooperation with the TA expert. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The programme at hand will take stock of the European Union's wide experience in the field of delivering capacity building in Egypt, notably through the TA already provided to foster policy dialogue and accompany intuitional reforms in water and energy in the framework of the Energy and Water Sector Policy Support Programs. The support at hand will also be sustained by our current blending operations in the field of water and energy infrastructure, which contribute to the transfer of technology and know-how as well as availing innovative techniques in addressing challenges related to these sectors. This includes the good governance of the

technical assistance which takes the form of commitments from the Government of Egypt in nominating high level decision makers in the steering committees established to this effect. This was not the case in other technical assistance in the water and energy sectors which delayed the implementation of measures and reforms. The EU Delegation Staff will have hands on approach on the service delivery through the organisation of ad-hoc meetings with the Egyptian counterparts and the experts working on implementing the action and through insuring regular presence among the team of consultants.

The assistance to the Government of Egypt will be implemented, to the extent possible, through mobilising EU Member States expertise of institutions which have a large experience in implementing reforms in the relevant sectors through exchange of experiences in the relevant fields between European and Egyptian institutions. This could take the form of technical visits which will enhance knowledge and build ties in the energy and water sectors.

The contribution to the programme of specialised European institutions capable of delivering capacity building could as well be considered, as it could enhance the implementation of reforms. Indeed some highly specialised capacity development schemes can only be delivered by such institutions. It was not possible to hire such institutions in ongoing capacity building support (as sub-contracting was not authorized), which somehow limited the positive impact of the training delivered.

3.2 Complementarity, synergy and donor coordination

This requested TA will come as a continuation to what was achieved under the Budget Support **Sector Policy Support Programmes** in Energy and Water, in particular under the respective linked TA contracts. For instance, the national energy strategy was updated under the current Budget Support TA. It is therefore foreseen that the TA implemented under this programme will continue this support by assisting the government in implementing the part related to renewable energy in the strategy. In the case of the water sector, the required TA will build on the current TA and complement strategy development and capacity building activities in progress.

Supporting the reform through these TA and Capacity Building activities represents as well the complementary soft support needed to sustain **the ongoing and upcoming NIF Funded Investment projects** in energy and water by providing the needed support to related sector reforms and to foster policy dialogue. A number of blending operation are currently being implemented in both sectors such as wind farm projects and in the field of improving water and waste water services projects.

The main donors' coordination between donors and IFIs in the sector takes place in the framework of **Development Partner Group (DPG)** through the thematic groups on energy and environment and the, on water resources and irrigation, co-chaired by the EU. Both groups are very active and maintain a close policy dialogue with the government with respect to fostering implementation reforms in the concerned sectors.

The Energy Sector Policy Support Programme (ESPSP) amounting to EUR 60 million was signed in 2011. It aims to improve the energy policy and regulatory framework, the sector financial transparency and performance and to promote development of renewable energy sources energy efficiency.

A EUR 3 million technical assistance is provided in the framework of this programme to update the Egyptian Energy Strategy until 2035, to produce a white

book, to establish a gas regulator and a gas law. It also aims to strengthen the institutional capacity in the field of energy efficiency. A smaller contract is supporting the establishment of an energy information system.

A EUR 3 million **Renewable Energy and Energy Efficiency Master Plan** funded by the EU through the NIF (with KfW) will prioritise key potential investments and suggest a number of institutional reforms.

Moreover, the EU is co-funding the 200 MW **Windfarms in Gulf of El Zayt**, which will add 200 MW of wind power to the existing capacity of 540 MW.

The EU is also contributing with a EUR 16 million grant to the **Egyptian Power Transmission Project**, amounting to EUR 500 million and aiming at reinforcing the Egyptian National grid. 545 MW of wind farms are operating since 2009 in the Red Sea (Zaafarana Site) mainly financed through governmental cooperation with Germany, Denmark, Spain and Japan.

The Institutional Capacity Building of Egyptera Twinning (EUR 1.225 million) awarded to the Italian and Greek Regulatory Agencies will assist the Energy Electricity and Consumer Protection Regulatory Agency Regulator (Egyptera) in initiating and implementing the power sector reform process in accordance with EU best practices. In addition, the EU has also been providing support for opening the Egyptian Gas Market through the preparation of market regulation, the establishment of a gas market regulator and a transitional market plan.

The Southern Mediterranean Regional Sustainable Energy Finance Facility established by the EU, the EBRD and AFD in the framework of NIF will extend EUR 180 million of credit lines to Financial Institutions in the region including Egypt. Such credit lines will provide technical assistance and incentives to financing energy efficiency and sustainable energy investments in industry, SMEs, agribusiness, commercial services and residences.

The Energy Efficiency in the Construction Sector Project (MED ENEC) managed by the Delegation in Cairo and amounting to EUR 6.5 million aims to accelerate market development in services, technologies and measures in the area of energy efficiency in buildings. Egypt benefited from a large number of activities and training in energy audits and the preparation of Its National Energy Efficiency Action Plan (NEAP) among others.

The Water Sector Reform Programme-Phase II (WSRP-II) followed the success of WSRP- Phase I with EUR 80 million as a grant, both the Government of Egypt and the European Commission agreed to allocate an additional grant of EUR **120 million** to the phase two of Egypt's WSRP (WSRP-II) to be disbursed on the basis of a new set of jointly agreed reform benchmarks. The overall objective of the WSRP-II is to support the GoE in continuing the reform programme of the water sector. Three (3) technical assistance service contracts are provided in the framework of this programme to support: (a) the NWRP until 2037, (b) Creation of the National Rural Sanitation Strategy, Integrated Losses Reduction Strategy and Desalination plants Brine Disposal Codes, and (c) To establish the financial reform roadmap for the Urban Water sector. A smaller contract is supporting the preparation of the pre-feasibility studies for Desalination water treatment plants using PPP schemes.

Improved Water and Wastewater Programme (phase I): The project aims to rehabilitate and expand existing water and wastewater treatment plants as well as sewer networks in some of the most deprived areas. Through this initiative, the water

supply to households is significantly increased, with over three million people gaining access to water and sanitation in Gharbia, Sharkia, Damietta, and Beheira; also pollution from discharge of untreated wastewater in the environment was reduced. The project is co-financed by the KfW, EU, EIB, and AFD with KfW as the Lead Financing Institute (LFI).

Improved Water and Wastewater Programme (phase II): A new phase of the programme increases the coverage to additional four (4) governorates in Upper Egypt (Qnea, Sohag, Assuit, and Minya). Through this initiative, the water supply and sanitation coverage to households will significantly increase, to additional 4 Million Inhabitants. The project is co-financed by the KfW, EU, EIB, and AFD with KfW as the Lead Financing Institute (LFI).

Main **donor coordination** in the Water Sector is done through the DPG, with a specific sub-DPG on Water, in which wastewater is included. The sub-DPG is co-chaired by the EU Delegation and KfW. In addition close contacts are in place with key donors active in the water sector namely KfW, AFD, EIB, the WB and Swiss Development Cooperation. Policy dialogue with the two water-related ministries namely Ministry of Water Resources and Irrigation and Ministry of housing, utilities and urban communities together with the Ministry of Finance has been on-going since 2005 and continues through the on-going EU Water Sector Reform Programme. Moreover, the EU Delegation had confirmed its intention to proceed with the co-signature on behalf of the EU Delegation of the JISA memorandum of Understanding as a sign of EU full support to the donor coordination and investment harmonisation in the water sector led by Ministry of Water Resources and Irrigation

EUR 46 million of **Egypt's 2015 bilateral allocation** have been transferred to the NIF.

It is foreseen that this bilateral contribution to the NIF will support funding the **200 MW windfarm of Gulf of Suez** project together with KfW and that other wind energy relevant projects could be considered in the future. It has to be noted that in the least cost scenario of the Egyptian Energy Strategy 2035 the energy mix includes 20 GW of wind energy. The potential of Gulf El Suez is of 15 GW.

Also, through the above mentioned funds transferred to the NIF it is foreseen to co-fund the **National Drainage Program (NDP) III**. This project aims to increase agriculture productivity and production, food security and rural income by improving crop yield through improved soil quality attained through improved drainage systems for approximately 650,000 acres. The total costs for (NDP) III are estimated at EUR 260 million. The project is to be co-financed by IDB, AFDB, KfW and EU for a total funding of 160 Million EUR, EU total foreseen contribution to the budget is EUR 40 million, out of which EUR 29 million to be financed by the EU SSF bilateral envelope for Egypt, The project comes as the top priority investment pilot project identified in newly created integrated mechanism for co-ordination of external funding to this sub-sector. This mechanism is referred to as the Joint Integrated Sector Approach (JISA).

3.3 Cross-cutting issues

Environmental sustainability: The Project will address environment related issues in line with environmental regulations law 48 of 1982 and its by-laws on re-use of wastewater in agriculture and law on protection of the environment no of 1994, and executive regulations decree no 38 of 1995, Annex 2: Establishments subject to

environmental impact assessment and others) including ornithological recommendations.

Governance: It is expected that the programme could have a positive impact on the improvement of the decision-making processes and governance of the water and energy sectors.

Gender equality: The action is expected to contribute to the gender equality, since energy and water directly impacts the gender and influence areas such as household uses, health and hygiene, education and recreation, income generation, disposable income. Specific activities will be addressed in order to support gender equality and to improve living conditions and opportunities for women, such as: training, support to the development of income generating activities.

Local participatory approaches: Relations between CSOs, private sector representative bodies, and the Egyptian Authorities, are instrumental for the success of the reform agenda. Taking into consideration that energy and water are not controversial areas of cooperation, the programme could have a positive effect on the governments' cooperation with CSOs and the private sector.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/ results

The **general objective of the programme** is to support the ongoing reform process of two key sectors of the Egyptian economy, **the water and renewable energy sectors**.

The **specific objective** is to contribute to improve the management and the use of these resources by improving operational efficiencies of concerned stakeholders and beneficiaries.

The expected results are as follows:

- Institutional and legislative reform in the water and energy sectors is implemented;
- Capacity Development for the relevant institutions is carried out;
- Communication and information plans for public awareness in resources conservation, and the dissemination information about reform plans and strategies are developed;
- Technical studies on innovative conservation approaches are developed;
- Institutional Financial Reforms are implemented;
- An appropriate participatory approach for planning and implementation of program activities is developed;
- Communication and awareness about the efficient use of energy and water including improving nationwide participation in preserving existing resources are implemented.

4.2 Main activities

1-Institutional and legislative reform in the water and energy sectors

Substantial institutional support will be provided at the central level, including for assistance in the implementation of strategies and plans and in the review and reformulation of existing legislation for rational sources use and reuse, helping the definition and implementation of the standard policy monitoring indicators for water and energy sectors.

2- Capacity Development for the relevant institutions

The capacity building activities will address but are not limited to the following:

- (a) Improving the institutional capacity;
- (b) Improving the managerial capacities of the beneficiary organisations in the fields of planning, investment prioritisation and promotion;
- (c) Elaborating adequate operation & maintenance (O&M) schemes;
- (d) Economic and financial modelling used in sectorial planning (such as Markal), project development (such as ret screen), or on a more macro level in order to measure the mutual impact of sectorial development (such as the General Equilibrium Model). Such activities will enhance the level of decision making process, based on accurate and informed data.

3 - Developing communication and information plans for public awareness in resources conservation, and the dissemination information about reform plans and strategies

The activities carried out under this task will target relevant stakeholders including NGOs concerned with support for enhancing quality of life, companies, donor agencies, academia, industry representatives, financial institutions, media and various Governmental stakeholders. This will encompass, but not limited, the following:

- Designing adequate campaigns to inform about projects and reforms agenda and measure to be taken in energy and water including TV spots, films and other media;
- Arranging technical meetings with relevant institutions to ensure their awareness of the Project and to confirm their support for and participation in the Project;
- Developing and implementing information and public awareness with detailed dissemination activities for the purpose of demonstrating results of project implementation and/ or reforms.

4 - Preparing technical studies

The ultimate purpose is to enable all partner agencies of the Government of Egypt (including governorates) to effectively elaborate and implement plans for integrated resources management. This could be best achieved through carrying out sectorial studies about the efficient use of resources and infrastructure projects.

Activities under this component will focus on use of existing resources by improving operational efficiencies, increasing the efficient use of energy, reducing water losses and reusing treated wastewater and; protect public health and the environment.

5 - Financial Sustainability Reform

Activities under this component will focus on aspects related to the establishment of transparent and efficient budgetary procedures, improved expenditure planning and monitoring systems. In addition the component will focus in:

1) Undertaking a technical, commercial, staffing and financial diagnosis of the relevant ministries; 2) Identifying and evaluating the technical improvements required to optimise operations, including staffing reassignment; 3) Drafting financial roadmaps with different scenarios, in agreement with the beneficiary; 4) Drafting business plans and models including staffing plan, subsidies reduction and other options to enable the achievement of financial sustainability; 6) Support the beneficiaries to make a case with GoE relevant authorities (Cabinet, Parliament, MoF...) in advocating sustainable financial management of water and energy. Cost recovery analysis will be also carried out in order to detail the level of subsidies in each sub-sector, thus paving the way for reaching the breakeven point.

Throughout the implementation of the above-mentioned activities the following measures will be ensured:

- An appropriate participatory approach for planning programme activities is developed;
- An innovative communication plan is agreed for the efficient use of energy and water including improving nationwide responsiveness to campaigns aiming to preserve existing resources;
- An active strategic/sector policy dialogue platform is established around the main challenges faced in each sector.

4.3 Intervention logic

In a context where the regulatory and institutional framework appears as a key factor to a sound governance and development of the energy and water sectors and where the Authorities are committed to improving service delivery, the Programme intervention at the strategic, regulatory and dialogue levels is expected to produce tangible impact through the implementation of concrete reform measures agreed in the strategic documents. Regarding implementation, as the momentum already exists at the level of existing institutions, the support to on-going initiatives by the transfer of EU expertise appears as the most efficient way to generate additionality. The emphasis on coordination enhancement is also critical as many institutions could be involved in the various projects considered (in particular with respect to energy efficiency and integrated water resources management) and the role of an external assistance supporting good practices and governance can be conclusive. Several good practices already exist in the region notably in fields of wastewater re-use and the development of clean energy mechanisms. Such good practice should be capitalised on.

5 IMPLEMENTATION

5.1 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 Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2. will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of where financing agreement is concluded.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.2.1.1 Procurement (direct management)

Subject in generic terms	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Enhancing capacities in the water sector	Services	1	2 nd trimester
Enhancing capacities in the Energy sector	services	1	2 nd trimester

5.3 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.4 Indicative budget

	EU contribution (amount in EUR)
Component 1: Strengthening the capacities at central and local levels in the water sector	4 600 000
Component 2: Strengthening the capacities at central and local levels in the Energy sector	2 800 000
Evaluation, Audit	100 000
Communication and visibility	500 000
Totals	8 000 000

5.5 Organisational set-up and responsibilities

The implementation of the project will follow direct centralised management. A financing Agreement will be signed between the Commission and Egyptian Government. The Commission will conclude 2 service contracts on behalf of the beneficiaries. The implementing beneficiaries will be Ministry of Water Resources and Irrigation, and the Ministry of Electricity and Renewable Energy who are the beneficiaries of the programme.

Two Steering Committees, one for water and one for energy will meet on a regular basis, to be defined established by governmental decrees. The Steering Committees will oversee and guide the overall direction and policy of the programme. It shall meet twice a year as a general principle and can be convened whenever the project's implementation requires strategic decision or changes. The committees will be chaired by the respective Ministries and will meet regularly on 6- Monthly basis. Each steering group will be composed of the relevant stakeholders in the water and renewable energy sectors. The European Union Delegation will participate as observer.

Responsibilities of the Steering Committee:

- Overseeing the implementation of the different components;
- Monitoring and controlling (cost, quality, timing);
- Taking decisions with regard to major changes in the general programme set-up of the project (including procedures and their further harmonisation) compared to the set-up agreed with all stakeholders before;
- Approving of major changes in the selection of projects to be contracted;
- Initiating special audits regarding the project;
- Initiating and reviewing regular independent monitoring of the project.

The Steering Committee has the right to invite further members including members from CSO or any other stakeholder whenever deemed appropriate.

5.6 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.7 Evaluation

Having regard to the importance of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

The Commission shall inform the implementing partners at least three months in advance of the dates foreseen for the evaluation missions. The implementing partners shall collaborate efficiently and effectively with the evaluation experts, and inter alia

provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.8 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Expenditure verification is foreseen as a part of the service contracts.

5.9 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

EUR 500,000 is earmarked for programme's communication and visibility purposes. These will be implemented through service contracts, making use of one of the Commission's dedicated framework contracts. Indicatively, these contracts could be procured in the third semester of 2016.

The action shall encompass a Communication and Visibility Plan for each sector to be elaborated developed at the start of each specific assignment. The communication and visibility will address as well issues related to the efficient use of resources (i.e. promotion of energy/water efficiency, the organization of energy/ water days etc.), through which the visibility of the EU will be increased. The initial communication and visibility measures are identified on the log frame (outputs) under communication and information plans.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ⁴

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	The general objective of the programme is to support the ongoing reform process of two key sectors of the Egyptian economy, the water and renewable energy sectors .	<ul style="list-style-type: none"> - Number of additional Megawatts in the national grid produced from renewable Sources*. - number of persons with access to improved sanitation facilities (WHO standards)*. 	<ul style="list-style-type: none"> - The Energy Sector strategy until 2035, the master plan on renewable energy and energy efficiency ; - and the national water resources plan for Egypt until 2037. 	<ul style="list-style-type: none"> -At least 500 MW of renewable energy generation launched or commissioned before the end of the project. - At least 100,000 additional connections to the sanitation network have been created before the end of the project. 	<ul style="list-style-type: none"> -Report from the New and renewable Energy Authority, data from the Energy Information system that is currently being implemented in e Information and Decision Support Centre at the Cabinet -MWRI Report on the rehabilitation/reconstruction of high priority pumping stations. 	Willingness of the government is maintained to pursue implement innovative techniques in the fields of generation of energy from renewable sources and wastewater reuse as mean for ensuring security of supplies through diversification of sources.
Specific objective(s): Outcome(s)	The specific objective is to contribute to improve the management and the use of these resources by enhancing operational efficiencies of concerned stakeholders and beneficiaries.	<ul style="list-style-type: none"> - Recommendations regarding the legislative and institutional reforms are agreed and adopted at Ministerial levels -Number of net of direct temporary and permanent jobs created in the Water and Energy sectors.* 	<ul style="list-style-type: none"> -The baseline is the prevailing situation in 2015 in the energy and the water sectors. - Current staffing reports available in beneficiary institutions. 	<ul style="list-style-type: none"> - At least 4 legislative and institutional recommendations in the water and energy sectors are adopted at Cabinet level - At least 100 Permanent jobs created in energy and Water related to the infrastructure 	<ul style="list-style-type: none"> - Ministerial decrees and other legislative texts - National Statistics of Central Agency for Public Mobilization and Statistics (CAPMAS) 	The approval of the parliament of such reform measures and recommendations.

⁴ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

				projects. -At least 500 Temporary jobs created in energy and Water related to the infrastructure projects.		
Outputs	Institutional Financial Reforms are implemented	Approved financial and institutional restructuring plans in relevant administration based on good governance principles.	The current financial and institutional set up prevailing in 2015.	- Institutional and financial reforms of NREA approved at ministerial level - Establishment of the national water council and approving its mandate.	Ministerial decrees and other legislative texts	Reforms supported and agreed by the majority of involved stakeholders.
	Capacity Development for the relevant institutions is carried out	- Number of training sessions provided and initiatives implemented to increase Capacities in the Water and Energy sectors. (e.g. on the job training, provision of targeted TA, seminars, workshops)*	- Current training plans available in beneficiary institutions.	- Approved training needs assessment carried out by the project, and the implementation of the relevant number of trainings.	- Training plans and evaluation sheets in the beneficiary institutions HR departments.	Based on the assumption that the Government will provide the trainees with good salary packages, limited to none turnover rate of the trained staff.
	Institutional and legislative reform in the water and energy sectors is achieved	- Relevant sector strategies are drafted and endorsed by the Government of Egypt*.	The current arsenal of laws and bylaws governing the water and energy sectors.	- Drafting of bylaws of draft sectors act (Electricity act, Water act, law 84/1982).	The Egyptian official journal	Sufficient willingness from the government and parliament to pursue and implement legislative reforms

	An appropriate participatory approach for planning and implementation of program activities is developed	Number of Public Hearing sessions organised during strategy implementation/ prior to investment project execution.	The current Number of Public hearings held in 2015.	- The relevant number of public hearings held in the lifetime of the project based on the number of projects launched.	- Project reports and surveys.	Willingness of the Egyptian Government to conduct public hearings and inform the public. Public motivation for active participation in the hearings
	Communication and information plans for public awareness in resources conservation, and the dissemination information about reform plans and strategies are developed	- Number of awareness campaigns at local or national levels (TV broadcasts and bulletins). -Number of articles and reports in the local newspapers and TV programmes.	The current number of awareness campaigns at local/national media	- Implementation of the relevant visibility events in the relevant media as per the communication and visibility plan of the project. - Creation of social media platforms for dissemination of project achievements.	- Egyptian Radio and Television Union (ERTU) number of recorded news. -Number of press releases, articles related to project published on the media websites.	Active citizen participation in awareness and advocacy campaigns Willingness of the government, public and private media, and other private actors to participate in funding and organising such awareness campaigns