COMMISSION IMPLEMENTING DECISION

of 18.12.2020

amending Commission Implementing Decision C(2018) 8187 of 29.11.2018 on the multi-
annual action programme in favour of Egypt for 2018, 2019 and 2020
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THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the
Council of 18 July 2018 on the financial rules applicable to the general budget of the Union,
283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No
966/2012\(^1\), and in particular Article 110 thereof,

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 of the implementation
of the Union’s instruments for financing external action\(^2\), and in particular Article 2(1)
thereof,

Whereas:

(1) By its Decision C(2018) 8187 of 29.11.2018, the Commission adopted the multi-
annual action programme in favour of Egypt for 2018, 2019 and 2020 including three
actions.

(2) The three Financing Agreements relating to the three actions under the Annual Action
Programme 2018 were not signed by the Government of Egypt.

(3) It is now necessary to suspend selected actions and reduce the allocated budget
therefore the appropriations from the 2018 budget of EUR 56 million is to be returned
to the general budget. As a consequence, the actions “EU for fair access to basic
services” (Annex II) and “Complementary support for capacity development and civil
society in Egypt” (Annex III) shall be cancelled. On the contrary, the action “EU4
Energy & Water” (Annex I), being a multi-annual action, may still be implemented
using the 2019 and 2020 budgetary allocations (EUR 20 million), but its scope must be
reduced because of the loss of the 2018 funds.

(4) Therefore, Decision C(2018) 8187 should be amended accordingly.

(5) The envisaged assistance is to comply with the conditions and procedures set out by
the restrictive measures adopted pursuant to Article 215 TFEU\(^3\).

(6) This amendment is in accordance with the opinion of the ENI Committee set up by
Article 15 of Regulation (EU) No 232/2014\(^4\).

\(^2\) OJ L 77, 15.03.2014, p. 95.
\(^3\) www.sanctionsmap.eu. Note that the sanctions map is an IT tool for identifying the sanctions regimes.
The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of
discrepancy, the OJ prevails.
HAS DECIDED AS FOLLOWS:

Sole Article

Commission Implementing Decision C(2018)8187 of 29.11.2018 on the multi-annual action programme in favour of Egypt for 2018, 2019 and 2020 is amended as follows:

1) Article 1, second paragraph, is replaced by the following:
“\(\)The programme shall include the following action:
- Annex I: “EU4 Energy & Water”.

2) Article 2, first paragraph, is replaced by the following:
“The maximum Union contribution for the implementation of the programme for 2019 and 2020 is set at EUR 20 million, and shall be financed from the appropriations entered in the following lines of the general budget of the Union:
a) budget line 22.040102: EUR 10 million for 2019;
b) budget line 22.040102: EUR 10 million for 2020.”

3) Annex I is replaced by the Annex to this Decision.

4) Annexes II and III are cancelled.

Done at Brussels, 18.12.2020

For the Commission
Olivér VÁRHELYI
Member of the Commission
ANNEX


Action Document for EU4 Energy & Water

<table>
<thead>
<tr>
<th>1. Title/basic act/CRIS number</th>
<th>EU4 ENERGY &amp; WATER</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRIS number:</td>
<td></td>
</tr>
<tr>
<td>ENI/2019/42120</td>
<td></td>
</tr>
<tr>
<td>ENI/2020/42736</td>
<td></td>
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<tr>
<td>financed under the European Neighbourhood Instrument</td>
<td></td>
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<thead>
<tr>
<th>2. Zone benefiting from the action/location</th>
<th>Neighbourhood South, Egypt</th>
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<tbody>
<tr>
<td>The action shall be carried out at the following location: Egypt.</td>
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<thead>
<tr>
<th>4. Sustainable Development Goals (SDGs)</th>
<th>SDG 6: Ensure access to water and sanitation for all;</th>
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<tbody>
<tr>
<td></td>
<td>SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all.</td>
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<table>
<thead>
<tr>
<th>5. Sector of concentration/thematic area</th>
<th>Sector 1: Economic modernisation, energy sustainability and environment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DEV. Aid: YES</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>6. Amounts concerned</th>
<th>Total estimated cost: EUR 20 million.</th>
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</table>

1 Within the maximum contribution of the European Union, the authorising officer responsible may adjust the allocation to the respective budget years subject to the availability of the commitment appropriations.
The contribution is for an amount of EUR 10 million from the general budget of the Union for financial year 2019, following the adoption of the relevant budget and for an amount of EUR 10 million from the general budget of the Union for financial year 2020, subject to the availability of appropriations following the adoption of the draft budget and the budget.

<table>
<thead>
<tr>
<th>7. Aid modality(ies) and implementation modality(ies)</th>
<th>Project Modality, implemented through direct management of procurement of services.</th>
</tr>
</thead>
</table>
| 8 a) DAC code(s)                                    | 31120  Agricultural development  
14010 - Water sector policy and administrative management  
14022 - Sanitation - large systems  
23068 - Renewable Energy |
| b) Main Delivery Channel                           | 10000 - PUBLIC SECTOR INSTITUTIONS |
| 9. Markers (from CRIS DAC form)                     | General policy objective | Not targeted | Significant objective | Main objective |
|                                                      | Participation development/good governance | ☐ | ☐ | ☒ |
|                                                      | Aid to environment | ☐ | ☐ | ☒ |
|                                                      | Gender equality (including Women In Development) | ☒ | ☐ | ☐ |
|                                                      | Trade Development | ☒ | ☐ | ☐ |
|                                                      | Reproductive, Maternal, New born and child health | ☒ | ☐ | ☐ |
|                                                      | **RIO Convention markers** | Not targeted | Significant objective | Main objective |
|                                                      | Biological diversity | ☒ | ☐ | ☐ |
|                                                      | Combat desertification | ☒ | ☐ | ☐ |
|                                                      | Climate change mitigation | ☐ | ☐ | ☐ |
|                                                      | Climate change adaptation | ☐ | ☒ | ☐ |

**SUMMARY**
The general objective of the action is to support the stabilisation of Egypt through enhancing water and energy security. The specific objective is to improve the sustainable management of these resources through enhancing operational efficiencies of concerned stakeholders and beneficiaries.
This action is relevant for the SDG Agenda 2030. It contributes primarily to the progressive achievement of SDG Goals 6, and 7, but also promotes progress towards Goals 9, 11, 13, and 16. This does not imply a commitment by the country benefiting from this programme.

The expected results are clustered under two main components as follows:

2. Improving the Investment Climate in the water and energy sectors.

This action is in line with the 2017-2020 SSF first pillar of intervention for Egypt: economic modernisation, energy sustainability and environment. It will support Egypt’s Energy Strategy 2035. On the one side it will contribute to improved management of national energy resources and promoting renewable energy and energy efficiency as well as increasing security of energy supply and sustainable energy sources. On the other side it will provide support to the water and sanitation sectors, including providing potable water and sanitation to under-served urban and rural areas, through a more efficient and integrated Water Resources Management, and the adoption and implementation of the relevant national strategies.

This action is aligned with the European Neighbourhood Policy (ENP) review priority of supporting energy security and climate action, and promotes of the implementation of the Paris Climate Agreement and its subsequent developments. In this framework, it is foreseen that the present action will be complemented at a later stage with successive interventions addressing this priority in Egypt as a holistic and sequential package of EU support to the socio-economic stability of Egypt through enhancing quality of life and water, and energy security, capitalising on a broad array of support modalities. Furthermore, this action builds on the results of ENPARD initiative that is part of the EU’s commitment to inclusive growth and stability in its Neighbourhood, recognising the importance of agriculture in terms of food security, sustainable production and rural employment.

1 CONTEXT
1.1 Context Description

Water and energy are essential to Egypt's ability to achieve sustainable development and to provide adequate quality of life and satisfy the needs of its increasing population. Current physical development planning policy until 2052 depends on water and energy infrastructure. Both sectors of intervention are expressly included in the EU-Egypt Partnership Priorities, which define common challenges and areas of joint interest between the two parties and aim to guarantee long-term stability in line with the revised ENP. Both

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4 European Neighbourhood Programme for Agriculture and Rural Development.
sectors are aligned with key strategic government planning documents, namely Egypt’s "Sustainable Development Strategy – Vision 2030 (SDS 2030)" and related water and energy sector strategies outlining the development objectives and plans for the coming years.

The Egyptian Government is endeavouring to create synergies through the integration of water and energy policies, planning and management, while encouraging conservation, motivating innovation and ensuring sustainable use of water and energy. However, Egypt is exposed to numerous challenges, including in best managing its energy and water resources.

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 and or depletive of conventional resources, subsidies, high investment costs, weak management, need for strengthened institutional reforms and co-ordination, as well as operational and maintenance challenges.

In its response to the considerable challenges currently faced in the Egyptian energy sector, the Egyptian Government’s strategy for the energy sector realises the great potential of renewable energies in the country and has attributed a substantial role to renewable energy production in its energy mix in addition to gas resources. However, a substantial part of electricity supply is assured by old and inefficient fossil power plants with low levels of technical availability and insufficient fuel supply. Increasing electricity demand (7% p.a.) due to considerable growth of population and economy is yet another main challenge. In addition, supply of energy not only represents major challenges for the Egyptian economy; it also strongly affects quality of life and citizens’ perceptions of the state’s ability to deliver public services. Therefore, energy security is currently at the top of policy makers’ agenda. The current reforms aiming at reducing subsidies could be challenging with respect to the country’s stability. In July 2014, the Government has introduced a plan to ensure the development of a self-sustaining electricity sector by 2019 and continues since then to slash spending on energy subsidies.

A little over 50% of Egypt’s current population of 100 million live in rural areas and nearly 50% of those living in rural areas are engaged in agriculture, which accounts 18% of Gross Domestic Product (GDP) and 20% of total exports. In the Nile valley, yields are among the highest in the world, with agriculture dependent almost entirely on irrigation and concentrated primarily in the areas of the Valley, Delta, Fayoum and their desert fringes. Egypt depends entirely on the Nile River where more than 90% of its water resources come from the Nile. The Egyptian energy sector currently faces severe challenges with regards to availability of resources, budgetary constraints and threatened water security. The increasing demand for water, coupled with increasing risks and uncertainties due to upstream dam infrastructure (i.e., the Grand Ethiopian Renaissance Dam) add an additional element of risk and instability to this finite resource. This means that the current available quota of 675 litres per capita per year could go down by nearly 30% to 475 litres per capita per year in 2025, which is under the absolute scarcity level of 500 litres per capita per year. To sum up, both sectors suffer similar challenges, which need to be addressed at institutional and policy level, as well as require urgent considerable amount of investments. Indeed, the lack or an

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7 http://sdsegypt2030.com/?lang=en
inefficient action to address these challenges could lead to increased resource scarcity and possible unrests due to either increase in service provision tariffs or inequality in service provision.

1.2 Policy Framework (Global, EU)

The programme is aligned with EU priorities on the Green Deal in terms of **sustainable energy and climate change** and is coherent with the EU-Africa Energy Partnership and the new Africa-Europe Alliance on sustainable investments and jobs. The programme is also in line with the Clean Energy for All Package which aims to facilitate the transition away from fossil fuels towards cleaner energy and to deliver on the EU’s Paris Agreement commitments for greenhouse gas emissions.

It contributes to the achievement of the UN 2030 Agenda, in particular the achievement of SDGs 7 and 13 while mainstreaming job creation to address SDG5, and thus contributing to the people, planet, prosperity and partnerships dimensions of the European Consensus on Development. By providing access to clean and reliable electricity to health facilities and schools and integrating clean solutions to fight household air pollution, the Action also contributes to SDG 3 and 4.

In addition, **water** is essential for life and an indispensable resource for the economy (especially within the agricultural sector) and it is becoming an increasingly scarce resource in many of the ENP-South countries, and especially in Egypt. The European Union is the world’s biggest provider of development assistance, and a major contributor to the achievement of clean water and sanitation facilities for all in the struggle to end global poverty. Water co-operation remains a major imperative, and the integrated, cross-border management of water resources is increasingly necessary to achieve sustainable water use, water efficiency and the safeguarding of water ecosystems. Water is intimately connected with the production and consumption of energy and with the production of food, sectors which are themselves under increasing strain in a growing and developing world. It worth mentioning that, this action builds on the results of ENPARD initiative that is part of the EU’s commitment to inclusive growth and stability in its Neighbourhood, recognising the importance of agriculture in terms of food security, sustainable production and rural employment.

Furthermore, the EU’s commitment to the water sector was reinforced during the 2012 Rio +20 Conference on sustainable development where water was acknowledge to be at the core of sustainable development. The EU Communication “A Decent Life for All” (2014) underlined the need to promote access to safe drinking water and sanitation among the key priority areas in the post-2015 framework because of their contributions to poverty eradication and sustainable development. The Communication stressed that water and sanitation are a basic living standard, while water resources are essential drivers for sustainable growth, **Blueprint to Safeguard Europe’s water** provides a strategy to reinforce water management in the EU. Its time horizon is closely related to the Europe 2020 strategy and, in particular, to the resource efficiency roadmap, although it is also expected to drive EU water policy over the longer-term through to 2050.
Also, the first UfM Ministerial Meeting on Regional Co-operation and Planning (June 2016) resulted in stronger commitment of partner countries to regional co-operation frameworks with an emphasis on concrete, tangible initiatives and projects. An UfM Ministerial meeting on Water took place in April 2017 and approved the preparation of UfM Water Agenda for the region. A roadmap with concrete proposals to revise existing priorities and to increase synergies was endorsed by the UfM Water Expert Group in 2018. Finally, this action shall support the 3rd Mediterranean Water Forum and its conclusions falling under the Ministerial Declaration of the UfM Water Ministers.

1.3 Public Policy Analysis of the partner country

The Sustainable Energy Strategy 2035 that was approved in October 2016 by Egypt’s Supreme Energy Council includes different scenarios for an energy mix and a medium term action plan. However in all scenarios dependence on gas is substantial. The strategy has been developed in consultation with all relevant stakeholders including scenarios for developing the countries energy mix until 2035. A least cost scenario based on the Markal optimisation model of the International Energy Agency has been developed. Moreover, the Kreditanstalt für Wiederaufbau (KfW) carried out the EU funded master plan for renewable energy which confirms the amount of Renewable Energy Sources (RES) in the mix. 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.

Recent gas discoveries in the Eastern Mediterranean basin point towards an increase in the availability of Egypt's energy resources. However, the use of such resources must be optimised. Besides, a modernisation programme which includes a large number of areas for reforms in the energy sector has been agreed in the framework of the International Monetary Fund (IMF) programme in November 2016. The East Med Gas Forum and co-operation between Egypt and countries such as Israel, Cyprus and Greece with respect to electricity interconnection and gas transit and exports is currently providing a good momentum to advance with reforms. One of the most promising areas included in the programme focuses on the establishment of an energy hub in Egypt (electricity, gas and oil). Challenges in the energy sector should be overcome through a combination of reductions (and eventual elimination) of energy subsidies combined with institutional reforms over the next five years, together with broadening the variety of energy sources in the Egyptian energy mix. The optimisation of use of fossil fuels and the deployment of renewable energies is part of the solution. Egypt's energy intensity, or the amount of energy that a country needs to produce a measure of GDP, is the highest in the region. To meet the demand, Egypt has long favoured production over energy efficiency or conservation, even if it is now starting to shift its emphasis. Demand is also raising in Egypt because of population growth, but also because prices for consumer fuels are still subsidised. Subsidies have been cut significantly, but consumers still pay well below actual costs.

In the Water Sector, the National Water Resources Plan for Egypt 2017-2037 (NWRP - 2037) (funded by the EU) that was approved in June 2017 by the Supreme Council for Nile River Protection. The NWRP- 2037 aims at organising, at the national and governorate level,

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8 Under the Neighbourhood Investment Facility – NIF.
the optimal water resource allocation. The scarcity issue emphasises the need for certain actions. The Ministry of Water Resources and Irrigation (MWRI) is moving forward to adopt an integrated national policy, as the water issue must be addressed at a high political level and become the shared responsibility of the entire Government. In this regard, 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 to ensure 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. The EU had supported the preparation of the NWRP, and ensured the presence policy co-ordination mechanism for the implementation and monitoring of its key indicators. Furthermore, as part of the new NWRP, key staff within the MWRI are assigned to co-ordinate and monitor the implementation of the agreed upon action plans. In addition, the Government agreed in 2009 to establish the Supreme Council for Nile River Protection (SCNRP) at ministers' level with the mandate to oversee the NWRP implementation.

As for urban water and sanitation, the amount required to finance the full coverage is of 200 billion EGP (close to EUR 12 billion) and it is expected to require three five-year plans to complete this task. In this regard, The Government of Egypt launched in 2015 the National Rural Sanitation Programme (NRSP), which aims at providing universal access to sanitation in rural Egypt, through financing investment in the areas deprived of sanitation infrastructure (waste water treatment plants, sewage networks and pump stations). The National Rural Sanitation Strategy (NRSS) from which the NRSP stems from has been developed, through an EU funded (the Technical Assistance component of the ongoing Water Budget Support programme). Finally, Egypt has been an active member in the field of regional co-operation in both water and energy sectors. Among which, Egypt had participated and supported both the Union for the Mediterranean (UfM) Ministerial meeting on energy (December 2016) and the UfM Ministerial meeting on water (April 2017). This action shall support the 3rd Mediterranean Water Forum and its conclusions falling under the Ministerial Declaration of the UfM Water Ministers

1.4 Stakeholder analysis

The main beneficiaries of this action in the energy sector will be:

In the energy sector all institutions involved in the planning, implementation, monitoring and evaluation of the process related to energy are part of the action. This includes the Egyptian Electricity Holding Company (EEHC), the Egyptian Electricity Transmission Company (EETC), the Electricity Distribution Companies, the Electricity Regulator, Egyptian Organisation for Standardisation, the Private Public Partnership Unit at the Ministry of Finance, and the New and Renewable Energy Authority.

The Egyptian Ministry of Petroleum and Mineral Resources, and in particular, the Egyptian General Petroleum Corporation (EGPC), the Egyptian Gas Holding Company (EGAS), acts as a joint venture partner to the foreign investors responsible for exploration and production. EGPC and EGAS now share responsibility for upstream gas, with the former

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retaining control over older sites in the Red Sea and Western Desert areas and the latter overseeing the faster growing areas offshore in the Mediterranean Sea and in the Nile Delta region. EGPC and EGAS are the exclusive buyers of output for the domestic market and responsible for downstream activities such as refining and transportation. The gas regulator created under a previous EU funded Technical Assistance, will continue benefiting from the EU support in terms of capacity building and support the opening of the Egyptian gas market.

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. Finally, Water User Associations (WUA), and Governorate Water Resources Councils (GWRC) will be engaged under the appropriate action components.

The main institution involved in the urban water and sanitation sub sector is the Ministry of Housing, Utilities and Urban Communities (MHUUC); the MHUUC is concerned with Egypt’s comprehensive urban, communal and economic development comprising housing, roads, bridges, potable water and sewerage plants. In addition, with regard to the water and sanitation sectors MHUUC is responsible for setting rules, standards and technical specifications, control of execution and follow up of the design, execution, operation, and management of potable water and sanitary drainage plans, projects and programmes. As for the Holding Company for Water and Wastewater (HCWW), an autonomous public sector body with all public water authorities, transferred as affiliates of the holding company to purify, desalinate, transfer and sell drinking water, and collect, treat and safely dispose of wastewater. The HCWW as an umbrella organisation is primarily an asset management company, supporting the operating local utilities to be financially viable businesses. The framework allows for performance management (each utility is a profit/cost center), thus giving an incentive for bill collection.

The main institution involved in developing and co-ordinating a complete strategy for implementing decentralisation on short and long terms, is Ministry of Local Development; Finally, the Ministry of Environment has also been identified as a potential stakeholder as it has responsibilities on specific elements of water management.

Civil Society Organisations (CSOs) working in the field of integrated water resources management, water efficiency promotion and raising awareness, will benefit from the policy dialogue platform created in the framework of the present action. A sense of ownership will be developed by ensuring high-level government Inter-Ministerial Steering Committee (ISC) in order to co-ordinate on a more regular basis and at a more technical level.

The Ministry of Finance develops the budget in close co-ordination with the line ministries. Therefore, its role in implementing reforms and investment plans is crucial. The involvement of the Ministry of Finance in all Steering Committees should benefit the programme implementation.

The action will certainly build on the close links created in the past between the government on one side and the private sector and civil society organisations, such as business organisations and users and consumer associations, on the other. The capacity of all above-
mentioned stakeholders has been confirmed through previous technical assistance programmes funded by the EU. Counterparts in the Egyptian line ministries have sound capacities in implementing reforms. However, there is a need in general to know the best practices in dealing with certain challenges and issues. Technical needs such as the capacity to make sound economic modelling, business planning, and strategic long term analysis based on exogenous factors could be further strengthened. It should be highlighted that this will be the third wave of technical assistance and capacity building programmes in both sectors, where activities have been identified based on several rounds of consultation that have taken place with all above-mentioned stakeholders, including representatives of the civil society. All stakeholders in water and energy confirmed a very high level of ownership during the identification phase of the programme.

1.5 Problem analysis/priority areas for support

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 while optimising its fossil energy resources. The Egyptian oil and gas industry should be encouraged to exert more efforts to mitigate the adverse impacts of oil and gas development. Among the challenges, the most acute are the industry’s environmental footprint on biodiversity, and climate change and its associated impacts on communities.

Existing and new fossil energy resources should be developed based on efficiency and optimisation, including the potential creation of a hub in the country for better and more rational use of the Eastern Mediterranean Gas. The optimisation process encompasses a large institutional and legislative modernisation programme that is put in place by both concerned ministries as part of the policies and objectives of the Egypt – International Monetary Fund (IMF) programme.

Taking into account the level of subsidies in Egypt there is still a gap between the prices of conventional types of energy and renewables which makes wind and solar energies costly. Therefore, working on the financial and institutional modernisation and optimisation of the fossil fuel sector should go hand in hand with supporting the development of renewable energies and demand management.

In the water sector, there are many challenges facing Egypt, mainly related to severe water scarcity with an average yearly per capita share of less than 650 m³. Demand on this fixed amount of water resources drastically increases due to the high rate of population growth, at an average of more than 2% annually. Consequently, there are growing domestic needs of water for human uses and a continued strong demand for agricultural uses. Demand and use of water from the Nile by other countries in the Nile Basin may complicate this situation further. The current water deficit reaches up to about 20 billion m³/y, mainly covered by reuse of agricultural drainage water in irrigation, including the important part of illegal direct reuse, which has a significant impact on health and environmental conditions. Another factor contributing to intensifying Egypt’s water challenges is environmental pollution, affecting public health and impairing the safe use of significant water resources for many purposes. Awareness is therefore one of the key issues to change. 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.

In the urban water sector, the current high water losses rate (32% of produced water, three billion m³/y of treated water are lost) constitutes a heavy burden on top of an existing highly indebted and subsidised sector. Thus, innovative measures aimed at lowering this percentage and increasing water usage efficiency must be put in place. Taking into account the existing level of subsidies in Egypt the gap between the prices of the service delivery and 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 public-private partnerships schemes.

Meanwhile, water resources management remains highly centralised in Egypt with a major role played by the Ministry of Water Resources and Irrigation. A unified and formalised policy document on water is not yet available, however a Water Law is being prepared, while various initiatives are under way to update or implement strategies and plans to give a priority to this issue and support government policies towards decentralisation, accountability of service providers and engagement of local communities. The sector is undergoing a transitional stage, transferring into a cost recovering sector. Therefore, strengthening policy dialogue, while securing financing for sustainable investments, is a key prerequisite for achieving water sector objectives. The EU is supporting the development of key strategies in the water sector in Egypt to address these challenges.

The main cross-cutting challenges currently facing the sector and addressed by the action are as follows:

- Weak co-ordination mechanisms between relevant agencies and other ministries and agencies and lack of channels for public consultation at sectoral policy level;
- Standard monitoring and reporting systems which would affect the possibility to assess achievements as well as the level of ownership;
- Lack of estimation of costs of implementation and alignment with the national annual and multi-annual budget.

**In the energy sector the main challenges are:**

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

- Lack of good governance principles in the energy sector;
- Pace of implementation of the institutional reforms in particular redefining the role of the different public institutions such as Egyptian General Petroleum Corporation (EGPC), the Egyptian Gas Holding Company (EGAS), Egyptian Electricity Holding Company (EEHC), Egyptian Electricity Transmission Company (EETC) and the New and Renewable Energy Authority (NREA), which currently ensure a double role leading to conflicting interests. Such institution should not be involved in operations. Their role should restricted to policy making in order to ensure the establishment of transparent market;
- Public funding constraints in conjunction with limited participation of the private sector;
- Low electricity and gas prices compared to cost, which lead to limited cash generation within the market;
– High indebtedness of state entities dealing with oil and gas, conventional electricity and Renewable Energy Sources for Electricity (RES-E) development such as EGPC, EEHC and NREA.

**Technological and institutional, mainly related to:**

– The challenges caused by the integration at a large scale of RES-E technologies in the Egyptian electricity system;
– Upgrading and modernisation of the technical, financial, institutional and legislative frameworks of the downstream, midstream and upstream oil and gas activities to encompass the energy efficiency dimension;
– Limited experience in operation, maintenance and in sustaining investment in the energy sector, including in renewable energy and energy efficiency;
– The harsh environmental conditions under which solar and wind energy plants are expected to operate.
In the water sector the main challenges are:
Legislative, institutional, economic and financial, mainly related to:

- Limited application of good governance principles in the Water sector;
- Slow implementation of the institutional reforms in particular integrating the different sectorial strategies and lack of an integrated investment planning;
- Little or no effective co-ordination mechanisms at field level between relevant agencies and other ministries and agencies potentially interested in water-related programmes/strategies;
- Public funding constraints in conjunction with limited participation of the private sector;
- Limited cost recovery schemes for infrastructure projects compared to cost, which has led to limited cash generation within the market.
- Difficult and complicated co-operation with the Nile Basin countries, which affects the sustainability of long-term water management planning.

Technological and institutional, mainly related to:

- 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 co-ordination mechanisms at field level between relevant agencies and other ministries and agencies potentially interested in water-related programmes.

In Egypt the EU is in the forefront of energy and water planning and development. The ongoing EU funded Fostering reforms in water and energy programme offers a real platform and opportunity for policy dialogue at national level. Moreover, this action will provide the needed support to implement the agreed steps included in the SDS 2030 geared towards the implementation of sustainable energy solutions and the expansion of sustainable water and wastewater infrastructure throughout the country. The current project will also aim to support the European External Investment Plan (EIP)\(^1\) through providing the needed support in institutional capacity building to relevant governmental and non-governmental actors to design bankable projects and improving the investment climate through providing the needed sector policy support, and sector reforms.

2 RISKS AND ASSUMPTIONS

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk level (H/M/L)</th>
<th>Mitigating measures</th>
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<tbody>
<tr>
<td>Increased instability</td>
<td>H</td>
<td>Instability is partly rooted in the lack of social and</td>
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\(^1\) https://ec.europa.eu/commission/eu-external-investment-plan_en.
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<thead>
<tr>
<th>Risks</th>
<th>Risk level (H/M/L)</th>
<th>Mitigating measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>at country and regional level impacting negatively the political, social and economic conditions of the project</td>
<td></td>
<td>economic development prospects. The situation should improve thanks to the commitment of the Government to and the alignment of stakeholders around the SDS 2030. The situation will be closely monitored by the Delegation of the European Union to Egypt.</td>
</tr>
<tr>
<td>Weak co-ordination</td>
<td>M</td>
<td>The programme will strengthen co-ordination 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 energies and the sustainable use of water and adequate service delivery of wastewater which will lead to binging about homogenous type of stakeholders ready and motivated to co-operate for the best interest of the country.</td>
</tr>
<tr>
<td>Insufficient ownership</td>
<td>L</td>
<td>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 co-ordination and coherence of implementation.</td>
</tr>
<tr>
<td>Corruption and fraud</td>
<td>H</td>
<td>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.</td>
</tr>
<tr>
<td>Sustainability Risk</td>
<td>M</td>
<td>Notwithstanding the fact that the Government started already addressing tariff structure reforms, tariffs remains below the economic cost of supply. 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</td>
</tr>
</tbody>
</table>
Risks | Risk level (H/M/L) | Mitigating measures of water infrastructure while further proposing tariff adjustments or other necessary financial measures to be applied.

Assumptions

- Regional instability does not affect Egypt and national political stability is secured.
- Momentum within the Government to strengthen policy reform and co-ordination is maintained.
- All concerned authorities and stakeholders will collaborate during the action's implementation and will grant all required permissions.
- 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 and committed in support to the SDS 2030.
- Policy dialogue with private sector and non-governmental organisations in energy and water sectors remains a priority.

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

This action will build on EU Energy/Water experience in fostering dialogue, while ensuring full co-operation in blending, technology transfer and technical assistance. A positive governance approach, by ensuring high-level government representation in steering committees develops a sense of ownership. The technical assistance in general will capitalise on the availability of high quality EU knowledge and practices, while also facilitating skills transfer to Egyptian institutions and staff.

The action will take stock of the European Union's wide experience in the field to provide capacity building in Egypt. This has been provided notably through the technical assistance to foster policy dialogue and accompany intuitional reforms in water and energy in the framework of the Energy and Water Sector Policy Support Programmes and the Fostering Reforms in water and energy programme. The support will also be sustained by current blending operations in the field of water and energy infrastructure, which contribute to the transfer of technology and expertise as well as availing innovative techniques in addressing challenges related to these sectors.

Previous technical assistance projects in energy and water served as platforms for enhanced policy dialogue between different stakeholders, thus substantially contributing to deal with problems resulting from lack of co-ordination at national level. Specific assignments such as the Sustainable Energy Strategy, involved a large number of consultations amongst stakeholders, capacity building on economic modelling and on numerous technical issues resulted in a very high ownership of the document which was discussed and approved by the Supreme Energy Council headed by the Prime Minister in October 2016. Also, during the
preparation of the NWRP (supported by the EU), several rounds of consultations with all key stakeholders had been conducted for over than a year, and ensured the presence policy co-ordination mechanism for the implementation and monitoring of its key indicators. Furthermore, as part of the new NWRP, key staff within the Ministry of Water Resources and Irrigation were assigned to co-ordinate and monitor the implementation of the agreed upon action plans. Finally, the Cabinet had agreed to establish the Supreme Council for Nile River Protection (SCNRP) at ministers' level with the mandate to oversee the NWRP implementation which resulted in a very high sense of ownership of the plan.

The involvement of the EU Delegation in Egypt in aspects related to the implementation was essential when key EU experts in particular were unable for various reasons to establish sound working relations with their counterparts in the administration or outside it. Other issues encompass the delays in obtaining security clearance for International Experts and information sharing. In both cases the involvement of the EU Delegation in Egypt was essential to overcome the challenges through direct communication with relevant authorities at high level.

Raising awareness on issues related to reforms through the Delegation or through concrete actions with other donors was also a very efficient way of advancing with reforms. Examples of concrete actions include the Feed in Tariff Programme where a joint action by all International Financial Institutions (IFIs) and the EU resulted in advancing with the second round of Solar Feed-in Tariff FIT programme. Also, the joint agreement between all EFIs and the Ministry of Water Resources and Irrigation on the Joint Irrigation Sector Approach memorandum of understanding (JISA MoU) resulted in the support of high priority investment programmes resulting for this study (e.g., National Drainage Programme- Phase III (NDP-III)).

In this regard, this action will contribute to strengthen the policy-making process by supporting (regulatory/fiscal) impact assessments of proposed laws and policies, creating policy dialogues at ministerial level to support Inter-Ministerial co-ordination; while ensuring adequate external (public) stakeholder consultations.

3.2 Complementarity, synergy and donor co-ordination

The Action is fully in line with the ongoing and planned interventions in the area of Water and Energy. The requested Technical Assistance 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 technical assistance contracts. Furthermore, it shall complement the initiated support under the Fostering Reforms in water and Energy Programme.

With respect to Energy, it shall sustain the fruitful high level dialogue in Energy that started in 2017 and materialised in the Memorandum of Understanding for Strategic Co-operation in Energy signed in Cairo in April 2018 (MoU). The MoU is expected to open up new horizons for co-operation in energy to ensure the security of supply of Egypt and Europe.

With respect to water the action shall sustain the agreed upon principles and high level co-ordination indicated in the Memorandum of Understanding for the Joint Integrated Sector Approach (JISA) in water signed in Cairo in June 2016 and the NWRP 2037.

Furthermore, the action shall work as anchor to support the newly launched European External Investment Plan (EIP), specially its second and third pillars. The action shall
assist in providing the required technical assistance in the form of the provision of sector analysis, support human capacities, and establishing structured dialogue with the government and stakeholders. Also, the Action shall aim at improving the business environment by removing regulatory barriers to investment both nationally and at EU levels.

Supporting the reform through these technical assistance and Capacity Building activities represents as well the complementary soft support needed to sustain the ongoing and future Neighbourhood Investment Platform (NIP) funded projects in energy and water by speeding up the pace of implementation of reforms through policy dialogue that would help identifying future European Fund for Sustainable Development (EFSD) programmes in water and energy under the new guarantee windows. The current discussions and studies undertaken by the World Bank to establish an energy hub in the country will complement areas of needed reforms covered by the programme. This would support Egypt in materialisation of the concept.

The Energy Sector Policy Support Programme (ESPSP) amounting to EUR 60 million was signed in 2011. It aims at improving 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 was provided in the framework of this programme and served 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 at strengthening 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) prioritised 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 up to 250 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 co-operation with Germany, Denmark, Spain and Japan.

The Southern Mediterranean Regional Sustainable Energy Finance Facility (Renamed Green Energy Fund – GEFF) established by the EU, the European Bank for Reconstruction and Development (EBRD) and the Agence Française de Développement – French Development Agency (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 Water Sector Reform Programme-Phase II (WSRP-II) The overall objective of the WSRP-II is to support the government of Egypt in continuing the reform programme of the water sector. Three technical assistance service contracts are provided in the framework of this programme to support: (a) Creation of the National Water Resources Plan until 2037 (NWRP 2037), (b) Creation of the National Rural Sanitation Strategy (NRSS), 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 at rehabilitating and expanding existing water and wastewater treatment plants as well as sewer networks in some of the most deprived areas in the delta.

**Improved Water and Wastewater Programme (phase II)**: A new phase of the programme increases the coverage to additional four 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.

**Kafr el Sheikh Wastewater Expansion Programme (KSWWE)**: This initiative aims at providing water and sanitation services to 250,000 people in Kafr El Sheikh, and at reducing the pollution from discharge of untreated wastewater in the environment, improving Nile water quality. The overall budget is EUR 165 million, of which the EU contribution is EUR 32 million.

**National Drainage Programme - Phase III (NDP-III)**: This project aims at increasing agricultural production by providing adequate drainage infrastructure and enhancing the capacities of different stakeholders to rehabilitate and extend subsurface drainage network. It will cover 250,000 acres and benefit nearly 100,000 families. Total costs are estimated at EUR 260 million, out of which the planned EU contribution will be EUR 40 million.

**EU-Water STARS (EUR 4.25 million)**: This technical assistance aims at supporting the ongoing reform process of the Water Sector through assisting the country to achieve its National Water Resources Plan 2017-2037 (NWRP-2017-2037) targets, and Egypt overall sustainable development plan 2030 (SDP 2030) While developing local participatory approaches and income generating activities at local level.

**EU Support to the National Rural Sanitation Programme (SNRSP)**: This Programme aims at supporting the establishment and improvement of sanitation infrastructure and ensuring its proper operation in deprived rural areas, while enhancing the capacities of different stakeholders to rehabilitate and extend sanitation network. In the framework of the operationalization of the NRSP, the EU will contribute to fund top priority investment projects. The first project is, Fayoum Wastewater Expansion Programme (Lake Quaron Programme) with an estimated budget of EUR 455 million. The EU total contribution from the bilateral envelope for this Action is of EUR 38 million.

The second project is Integrated De-pollution of Kitchener Drain (Kitchener), with an estimated budget of EUR 480 million. The EU total contribution from the bilateral envelope for this action could reach up to EUR 45 million.

The action will also seek synergies and co-operation with the following programmes, among others:

- **EU for Green MED III and sustainable transport 2018**: This action contributes to promoting resource efficiency and sustainable consumption and production, with a view to decoupling economic growth from environmental degradation and enabling the transition to a circular economy.

- **SwitchMed II**: The SwitchMed initiative aims at supporting and connecting stakeholders to scale up social and eco innovations in the Southern Mediterranean.

- **MEDREG IV** (Association of Mediterranean Regulators for Electricity and Gas) Support to co-operation between the Euro-Mediterranean energy regulators (2018-2019; budget: EUR 1.9 million). The project aims at promoting a transparent, stable
and harmonised regulatory framework in the Mediterranean Region fostering market integration and infrastructure investments, as well as aiming to consumer protection and enhanced energy co-operation.

- **Mediterranean Project II** (MED TSO II) for Transmission Systems Operators (2018-2019; budget: EUR 1.1 million) aiming at contributing to modernising, strengthening, expanding and integrating the electricity networks and markets in the Neighbourhood region, through the support to reforms of the legislative and regulatory frameworks, promotion of projects of common Mediterranean interest, exchange of information on best practices.

- **Towards a mutually beneficial regional dialogue and co-operation in the Euro-Mediterranean gas sector** (2017-2019; budget: EUR 1 million): The overall objective is to enhance a regional structured dialogue, which serves the progressive development of a more secure, transparent and predictable Euro-Mediterranean gas market.

- **Mitigation Enabling Energy Transition in the Mediterranean Region – MEETMED** (2018-2019; budget: EUR 1.5 million) implemented by MEDENER Association (Mediterranean Association of the National Agencies for Energy Conservation) and RCREEE (Regional Centre for Renewable Energy and Energy Efficiency – Cairo). It fosters the energy transition in the Mediterranean by contributing to improved security of energy supply, enhanced climate change mitigation actions, and the promotion of renewable energy sources and energy efficiency at regional and country levels.

- **CLIMA-MED Project** (2018-2022; budget: EUR 7 million) aiming at supporting climate change mitigation and adaptation by assisting partner countries’ transition towards low carbon economies and enhanced climate resilience. It puts forward countries’ contributions to the Paris Agreement, promoting policy alignment and raising awareness.

Main **donor co-ordination** in the Water Sector is done through the Development Partners Group (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, European Investment Bank, the World Bank and Swiss Development Co-operation.

4 **DESCRIPTION OF THE ACTION**

4.1 **Overall objective, specific objective, expected outputs and indicative activities**

The **overall objective** of the action is to support the stabilisation of Egypt through enhancing water and energy security. The **specific objective** of the action is to improve the sustainable management of these resources through enhancing operational efficiencies of concerned stakeholders and beneficiaries.

The expected outputs are clustered under two main components as follows:

1. **Modernisation of the Water and Energy Management Framework**
R1.1. An Integrated Sustainable Water and Energy Strategy and short-to-medium term action plans are developed in an inclusive and evidence-based way, adopted and / or implemented.
R1.2. Modernisation of the water and energy management framework is implemented.
R1.3. Increased efficiency in sectors of financial management through improved revenue collection taking into consideration social justice and fiscal sustainability.
R1.4. Asset management in both sectors based on sound public finance principles is improved.
R1.5. Tailor made training modules in water and energy are established.
R1.6. Public raising campaigns to increase awareness about resource conservation are designed and implemented.

2. Improving the investment climate in the water and energy sectors

R2.1. Assistance in developing economically and financially viable projects to attract investment is in place.
R2.2. Good governance principles in both sectors are in place.

EU support to the action is sequenced in contributions over two consecutive years. Activities to be supported through the 2019 and 2020 annual appropriations are outlined below. These activities will contribute the achievement of the action expected results as follows:

Component 1: Modernisation of the water and energy management framework

The component will cover:

1.1 Integrated Sustainable Water and Energy Strategy and several short-to-medium term action plans

Extensive support will be provided at the central level, to the implementation of national strategies and plans helping the definition and implementation of the standard policy monitoring indicators for water and energy sectors. This component shall ensure presence of adequate policy framework, and operating environment to facilitate impact and success.

1.2 Modernisation of the Water and Energy Management Framework

The ultimate purpose of this component is to support the third pillar of the EIP (Investment Climate) through introducing a modernisation of the entire sector institutional framework to be able to capitalise upon the opportunities that the economic and technological development is offering to the water sector. In such a case, three areas of support shall be ensured:

- The presence of a structured, well formulated, dialogue with businesses, including the preparation of sector policy and stakeholders analysis;
- Developing Public Private Partnerships (PPPs) with guarantee mechanisms (or others) that can facilitate access to finance by the private sector;
- Preparing technical studies to effectively implement plans for innovative ways for resources management.

1.3 Sector Financial Management
Activities under this component will focus on aspects related to the establishment of transparent and efficient budgetary procedures, improved expenditure planning and monitoring systems. This shall be implemented based on the separation of policy making regulatory and operation activities in order to ensure fair competition and transparent market conditions is implemented. In addition the component will focus on:

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;

5) Supporting the beneficiaries to make a case with the government of Egypt's relevant authorities (Cabinet, Parliament, Minister of Finance, etc.) 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.
- Adequate policy framework and operating environment to facilitate impact and success.

1.4 Asset Management

The activities carried out under this task will target the following:

- Organisational and human resources aspects: analysis of the organisational structure, assessment of alignment of the organisational structure to the strategic objectives of the organisation and to the nature of its activities, and analysis of human resources and staff.
- Commercial aspects: analysis of the customer base, analysis of the revenue base and payment capacity, analysis of the tariff system and review of delinquent accounts.
- Physical aspects: analysis of the financial accounting and administrative procedures as well as of the internal audit tools and verification of their effective application for procurement of fixed assets and stocks.
- Financial and accounting aspects: analysis of the capital structure including the terms of long term debts, analysis of the profit and loss account, analysis of the financial results by centre of activity, and analysis of the application of the International accounting standards.
- Budgetary aspects, planning and budgetary control: review of the procedures for the development and follow-up of budgets, and adequacy of budget objectives, strategies and policies to the ruling operating environment. Also, support the implementation of
full decentralisation in the water sector as foreseen in the new proposed water law. Finally, unbundling of the Egyptian electricity sector as foreseen in the Electricity Act.

1.5 Tailor made training modules in water and energy in the following areas:

– Establishing and implementing a capacity development programme aiming at building capacities at the senior, and middle management level in project management.
– Building the technical capacities in fields of financial planning, physical planning and following up the investments.
– Elaborating adequate operation & maintenance (O&M) schemes.
– Design and implement training sessions in the areas related to international Contract Standards (e.g., FIDIC, EU PRAG, World Bank Standards, etc.).

1.6 Public raising campaigns to increase awareness about resources conservation:
The activities carried out under this task will target relevant stakeholders including CSOs concerned with support for enhancing quality of life, companies, donor agencies, academia, industry representatives, financial institutions, media and various Governmental stakeholders.

Component 2: Improving the investment climate in the water and energy sectors

The component will cover:

2.1 Assistance in developing economically and financially viable projects to attract investments
This shall be achieved through increasing the leverage of available EU grant either in the form of parallel funding and /or co-funding as well as other possible forms of co-operation with a wide array of regional and international financing institutions. Activities under this component will focus on aspects related to assist in developing economically and financially viable projects to attract investment. Activities shall be targeted to ensure that the beneficiaries producing more mature and financially viable projects and businesses. The component shall assist in setting a structured dialogue platform between the Government of Egypt as well as the private sector dialogue to improve the investment climate and the business environment in the Egypt and in the two sectors of interventions.

This will encompass, but not limited, the following:

– Prepare a list of high priority investment pipeline in water and energy sectors.
– Create a project preparatory facility (PPF) to prepare pre-feasibility studies (PFS) to be used as a basis for appraisal under the Neighbourhood Investment Platform (NIP)\(^\text{11}\), European Fund for Sustainable Development (EFSD)\(^\text{12}\) and the Green Climate Fund (GCF)\(^\text{13}\).
– Prepare a promotion and marketing campaign to mobilise funds for selected project and encourage Private Sector Participation.

2.2 Assistance in developing Good Governance Principles in both sectors


\(^{13}\) https://www.greenclimate.fund/home.
This activity will support the reforms in both sectors organisation based on internationally agreed governance principles, where policy making, regulatory activities and operations should be separated. Equal treatment between public and private entities having the same activities shall be ensured. Reshaping the role of some entities to focus on policy making such as the new and renewable energy authority, and the Water Regulatory Authority shall be pursued. The component shall encompass, but not limited, the following activities:

- **Foster dialogue at local and national levels**: Promote discussion and build consensus across a range of public authorities and stakeholders on the strengths and weaknesses of governance systems, as well as the ways forward to better manage scares resources.
- **Promote inclusiveness across stakeholders**: and identify the role that each can play to contribute to positive spill-overs on water and energy sectors governance. This can be achieved through in-depth consultations across public and private institutions and civil society on the "who can do what" to improve sector governance as a shared responsibility.
- **Creation of a sector governance indicator Framework**: The sector governance indicator framework is composed of a traffic light system of certain agreed sector governance indicators (input and process). It is complemented by an action plan for discussion on future improvements of the sectors governance system in the short, medium and long run. It will also involve the design and population of a sector security outlook publication derived from both the inputs and outputs/results of the sector model. A sector security outlook could comprise information on factors that shape Egypt's water and energy system over the long term.
- **Sector Analysis**: This activity will support the preparation of an updated sector analysis document addressing needed reforms, bottlenecks and including recommendations for short, medium and long term actions to be implemented.

### 4.2 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, the action shall be geared towards improving institutional frameworks, good governance and increasing the involvement of the private sector in water and energy sectors, the interventions are benefiting from the available EU mechanisms for technical assistance in achieving the aforementioned objectives. Furthermore, and in light of the newly launched EIP, the action shall act as an anchor to support the second and third pillars of intervention as the most efficient way to generate additionality.

The importance of the private sector for implementation is key to the overall achievement of objectives, both in terms of design, implementation and equipment provision. As such, it is expected that there is potential for not only strengthening public sector implementation but also developing PPPs with guarantee mechanisms (or others) that can facilitate access to finance by the private sector.

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 co-ordination 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. Building on successful experiences and local demand for broader support, capacity-building measures will be proposed to support the two sectors reform, enhance its regulatory framework and accompany progress towards governance and support implementation of sector strategies, benefiting from European expertise and promoting peer exchanges with EU Member States' specialised entities or administrations. Such good practice should be capitalised on. Linkages and complementarities with the EU Programme "Complementary support for capacity development and civil society", in areas related to support regulatory aspects in the water and Energy sectors could take place in the form of Twinning contracts. Finally, research and innovation activities, in areas covered by the EU-Egypt Partnership Priorities, will also be explored.

4.3 Mainstreaming

Environmental sustainability: The action will address environment related issues in line with the Law 48 of 1982 on environmental regulations, and its by-laws on re-use of wastewater in agriculture, and the Law on protection of the environment no 4 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. The EU Gender Action Plan II (2016-2020) mentions specifically the need to ensure “equal access and control over (…), water, energy, (…) and equitable engagement in their management, enjoyed by girls and women”. Gender will also be mainstreamed through dedicated awareness campaigns and integrating recommendations and results into the action.

Rights Based Approach: The action will adopt overall Rights Based Approach at all possible levels. As recognised by the UN charter water is a human right, which clearly promotes the need to provide basic service for all sectors. In addition, energy is considered as basic need, as per Durban Climate Change Conference 2011. Although Water/Energy action is focusing on higher institutional levels, it also targets sustainable inclusive growth and social justice for the full spectrum of the Egyptian population. The components in this action addressing water contribute to granting access to the right to a standard of living adequate for

14 Council of the European Union, 13201/15, Brussels, 26 October 2015.
15 On 28 July 2010, the human right to safe drinking water was first recognised by the UN General Assembly and the Human Rights Council as part of binding international law in 2010 Resolution 64/292. Also, the human right to sanitation was explicitly recognised as a distinct right by the UN General Assembly in 2015. (UN, 2016). Reference : http://www.un.org/waterforlifedecade/human_right_to_water.shtml, and http://www.unwater.org/water-facts/human-rights/
the health and well-being of himself and of his family, including food, as stated in Article 25 of the UN Universal declaration of Human rights.

**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 co-operation, the programme could have a positive effect on the governments’ co-operation with CSOs and the private sector.

4.4 **Contribution to Sustainable Development Goals**
The proposed action will contribute to 2 key goals:
SDG 6: Ensure access to water and sanitation for all.
SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all.

5 **IMPLEMENTATION**

5.1 **Financing agreement**
In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

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 72 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**
The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

**Procurement (direct management)**
Procurement contracts will contribute to the achievement of the specific objective of the action to improve the sustainable management of energy and water resources through enhancing operational efficiencies of concerned stakeholders and beneficiaries, under Component 1 and Component 2.

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

<table>
<thead>
<tr>
<th>AAP 2019 and 2020</th>
<th>EU contribution in 2019 (amount in EUR)</th>
<th>EU contribution in 2020 (amount in EUR)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Component 1</td>
<td>Component 2</td>
</tr>
<tr>
<td>Strengthening the capacities at central and local levels in the water sector</td>
<td>4 750 000</td>
<td>4 750 000</td>
</tr>
<tr>
<td>Strengthening the capacities at central and local levels in the energy sector</td>
<td>4 750 000</td>
<td>4 750 000</td>
</tr>
<tr>
<td>Evaluation, Audit</td>
<td></td>
<td>100 000</td>
</tr>
<tr>
<td>Communication and visibility for the water sector</td>
<td>250 000</td>
<td>200 000</td>
</tr>
<tr>
<td>Communication and visibility for the energy sector</td>
<td>250 000</td>
<td>200 000</td>
</tr>
<tr>
<td>Totals</td>
<td>10 000 000</td>
<td>10 000 000</td>
</tr>
</tbody>
</table>

5.6 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 up to four service contracts on behalf of the beneficiaries. The implementing beneficiaries will include the Ministry of Water Resources and Irrigation, the Ministry of Housing, Utilities, and Urban Communities, the Ministry of Finance, the Ministry of Local Development, the Ministry of Electricity and Renewable Energy and the Ministry of Petroleum and Mineral Wealth 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 established by governmental decrees. The steering committees will oversee and guide the overall direction and policy of the programme. It shall meet quarterly as a general principle and can be convened whenever the project's implementation requires strategic decision or changes. The committees will be chaired respectively by a designated Minister for the Water Sector on one side and both Ministries of Electricity and Renewable Energy and Petroleum and Mineral Wealth on the other. They will meet regularly on a 3-month basis. Each steering Committee will be composed of the relevant stakeholders in the water and energy sectors at a senior working-level officials of the abovementioned stakeholders in order to co-ordinate on a more regular basis and at a more technical level. The European Union Delegation will participate at both steering committees.

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 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.

[25]
The steering committee has the right to invite further members including members from CSOs or any other stakeholder whenever deemed appropriate.

5.7 Performance and results 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 log frame 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).

5.8 Evaluation

Having regard to the importance of the action, a final or ex-post 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 impact and sustainability of the Programme.

The Commission shall inform the implementing partners 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. The evaluation reports shall be shared with the partner country and other key stakeholders.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in the sixth year 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.
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 action shall encompass a Communication and Visibility Plan for each sector. The communication and visibility will address as well issues related to the efficient use of resources (i.e. promotion of energy/water efficiency, the organisation 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.
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, no amendment being required to the financing Decision.

<table>
<thead>
<tr>
<th>Overall objective: Impact</th>
<th>Intervention logic</th>
<th>Indicators</th>
<th>Baselines (incl. reference year)</th>
<th>Targets (incl. reference year)</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
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</table>
|                           | The overall objective of the action is to support the stabilisation of Egypt through enhancing water and energy security. | - Amount of renewable energy generation launched, contracted or commissioned before the end of the project.  
- Ratification status of the National Rural Sanitation Strategy (NRSS) and the National Water Resources Plan*  
- Proportion of population with access to Improved sanitation facilities (WHO standards) ** | - The Energy Sector strategy until 2035, the master plan on renewable energy and energy efficiency;  
- The draft national water resources plan for Egypt until 2037, and the draft NRSS. | - At least 500 MW of renewable energy generation launched contracted or commissioned before the end of the project.  
- Identifying of at least 3 large projects in the field of the Energy modernisation Programme currently implemented by the Egyptian Energy Stakeholders.  
- Adoption of the National Rural Sanitation Strategy (NRSS) at Ministerial level and of the National Water Resources Plan (NWRP) at Cabinet level.  
- At least 500,000 additional connections to the sanitation network have been created before the end of the project. | - Report from the Ministry of Electricity and Renewable Energy and from the Ministry of Petroleum and Mineral Resources.  
- MWRI Report on the rehabilitation/reconstruction of high priority pumping stations.  
- Egyptian Water Regulatory Authority (EWRA) Annual Report | Willingness of the government is maintained to pursue implement innovative and optimisation techniques in the fields of sustainable energy and wastewater reuse as mean for ensuring security of supplies through diversification of sources. |
<table>
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<tr>
<th>Specific objective(s): Outcome(s)</th>
<th>Recommendations regarding the legislative and institutional reforms are agreed and adopted at Ministerial levels.</th>
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<tbody>
<tr>
<td></td>
<td>- Number of net of direct temporary and permanent jobs created in the Water and Energy sectors.*</td>
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<td></td>
<td>- The baseline is the prevailing situation in 2019 in the energy and the water sectors.</td>
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<td></td>
<td>- Reports from concerned stakeholders about investments including job creation in both sectors.</td>
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<td></td>
<td>- At least 4 legislative and institutional recommendations in the water and energy sectors are adopted at Cabinet level.</td>
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<td></td>
<td>- At least 1000 Permanent jobs created in energy and Water related to the infrastructure projects.</td>
</tr>
<tr>
<td></td>
<td>- At least 5000 Temporary jobs created in energy and Water related to the infrastructure projects.</td>
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<tr>
<td></td>
<td>- Ministerial decrees and other legislative texts</td>
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<td></td>
<td>- National Statistics of Central Agency for Public Mobilization and Statistics (CAPMAS)</td>
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<td></td>
<td>The approval of the parliament of such reform measures and recommendations.</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>R.1.1 An Integrated Sustainable Water and Energy Strategy and short-to-medium term action plans are developed in an inclusive and evidence-base way, adopted and / or implemented.</th>
<th>- Preparation and adoption of the high priority investment plan under JISA Platform.</th>
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<tbody>
<tr>
<td></td>
<td>- JISA Reports</td>
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<td></td>
<td>- Reports prepared in the framework of the EU–Egypt Dialogue on Energy</td>
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<td></td>
<td>- Adoption of the high priority investment plan under JISA Platform at Ministerial level.</td>
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<td></td>
<td>- Reforms achieved according to the Medium Term Action Plan</td>
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<td></td>
<td>- JISA annual Report</td>
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<td></td>
<td>- Monitoring reports by Ministry of Petroleum and Mineral Resources and Ministry of Electricity and Renewable Energy</td>
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<td></td>
<td>Sufficient willingness from the government and parliament to timely approve and own such plans</td>
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<td></td>
<td>- Drafting of bylaws of draft the draft water act and Nile act, and law 84/1982.</td>
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<tr>
<td></td>
<td>The Egyptian Official Journal</td>
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<td></td>
<td>Sufficient willingness from the government and parliament to</td>
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<td>Framework</td>
<td>R.1.3. Increased efficiency in Sectors financial management through improved revenue collection taking into consideration social justice and fiscal sustainability.</td>
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<tr>
<td>endorsed by the Government of Egypt*</td>
<td>- Approved financial and institutional restructuring plans in relevant administration based on good governance principles.</td>
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<td>water and energy sectors.</td>
<td>- Progress in achieving the opening of the Electricity and Gas markets</td>
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<td></td>
<td>- Appraising assets and related unbundling policies in Electricity and Gas</td>
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<td></td>
<td>The prevailing situation in 2019</td>
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<tr>
<td>R.1.5. Tailor made training modules in water and energy are established</td>
<td>- 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 technical assistance, seminars, workshops).</td>
</tr>
<tr>
<td>R.1.6. Public raising campaigns to increase awareness about resources conservation are designed and implemented</td>
<td>- Number of Public hearing sessions organised during strategy implementation/prior to investment project execution.</td>
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<td>- Number of awareness campaigns at local or national levels (TV broadcasts and bulletins).</td>
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<td>- Number of articles and reports in the local newspapers and TV programmes.</td>
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<tr>
<td>- The current number of Public hearings held in 2019.</td>
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<tr>
<td>- The current number of awareness campaigns at local/national media</td>
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<tr>
<td>- At least 1 public hearing held in the lifetime of the project based on the number of projects launched.</td>
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<tr>
<td>- Implementation of the relevant visibility events in the relevant media as per the communication and visibility plan of the project.</td>
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<td>- Creation of social media platforms for dissemination of project achievements.</td>
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<td>- Project reports and surveys.</td>
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<tr>
<td>- Egyptian Radio and Television Union (ERTU) number of recorded news.</td>
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<tr>
<td>- Number of press releases, articles related to project published on the media websites.</td>
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<tr>
<td>Willingness of the Egyptian Government to conduct public hearings and inform the public.</td>
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<td>Public motivation for active participation in the hearings</td>
<td></td>
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<tr>
<td>Active citizen participation in awareness and advocacy campaigns.</td>
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</tbody>
</table>
| R.2.1. Assistance in developing economically and financially viable projects to attract investment is in place | - Number of NIP approved projects in water and energy sector  
- Number of Green Climate Fund applications (GCF) approved in the water and energy sectors  
- Number of Private Sector Implemented in the energy Sector | - NIP Decision, and Green climate Fund Annual Reports  
- Reports by the Ministries of investments, Electricity and Petroleum on national and foreign investments in the Energy Sector. | - At least 3 NIP projects approved projects in water and energy sector  
- At least 1 project approved under the Green GCF in water and energy sectors  
- At least 1 private project developed in the Energy Sector  
- At least 1 private project developed in the Water Sector | - NIP Decision  
- Green climate Fund Annual Reports  
- Reports by the Ministries of investments, Electricity and Petroleum on national and foreign investments in the Energy Sector | Availability of financial including guarantee and PPP schemes and packages to fund projects in both sectors. |
| R.2.2. Good Governance Principle in both sectors is in place. | - Approved sector Governance Framework in relevant administrations | The current institutional set up prevailing in 2019. | - Design and approval of both water and Energy Sector Governance Indicator Framework  
- Design and population of both water and Energy sector Security Outlooks  
- Establishment of the Higher water council and approving its mandate  
- Achieving unbundling the Electricity and Gas markets. | - Monitoring and flow up reports of the IFIs and the Egyptian Government  
- IMF reports on energy sector reforms  
- The Egyptian official journal | Confirmed political willingness to pursue and implement reforms |