



Project Summary Information (PSI)

Project Name	Sustainable Rural Sanitation Services Program
Country	Arab Republic of Egypt
Sector	Water
Project No	000052
Borrower	Arab Republic of Egypt
Implementation Agency	Ministry of Housing, Utilities and Urban Communities
Environmental and Social	Category B (Equivalent under AIIB's Environmental and Social Policy)
Date of PSI preparation or update	Oct. 8, 2018
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I. Introduction

During the past two decades, Egypt has made significant progress in providing direct access to safe drinking water at the household level (96 percent) and basic sanitation services (82 percent). However, access to improved sanitation services is still uneven. An estimated 90 percent of households in urban areas are covered by public sewers compared to only 19 percent in rural areas, where 42 million people are underserved and are often faced with overflowing sewage from traditional septic tanks. Currently, in rural areas, although an estimated 77 percent of collected wastewater is treated, most of this treated water does not meet Egyptian effluent quality standards due to inefficiency of the existing wastewater treatment plants (WWTPs).

The sanitation situation is of particular concern in the rural areas of the Nile Delta, due to its high population density, shallow groundwater levels, and discharge of untreated sewage directly into nearby canals and drains. With the increase in household water supply connections, the volume of household water usage also increased to the point that it has surpassed the capacity of the traditional bayaras (sanitation trenches used as septic tanks) to effectively deal with the outflow of the wastewater. As a result, sewage overflows into streets, and in some areas, it has damaged the foundations of houses, resulting in their collapse. The combination of a high water table and high discharge of untreated wastewater also means that Egypt's scarce freshwater resources are increasingly polluted, putting the health of millions at risk and degrading environmental quality in rural areas.

To address this situation, the Government of Egypt decided to urgently carry out key sector and institutional reforms and implement them step by step, together with development of the necessary infrastructure to increase sanitation coverage and improve related services in rural

areas. The USD14 billion National Rural Sanitation Program (NRSP) was launched in 2014 as a key Presidential priority. The NRSP aims to achieve 100 percent sanitation coverage of 4,700 villages and 27,000 satellites,¹ with an estimated population of 42 million, by 2037, primarily through conventional sewerage systems and WWTPs. The Ministry of Housing, Utilities and Urban Communities (MHUUC), which is responsible for preparation and implementation of building plans for public utilities, such as drinking water and sanitation, has established a Program Management Unit in the office of its Minister to ensure timely implementation of the NRSP.

Based on the degree of sanitation needs, the initial focus of the NRSP is to improve access and services to 769 villages in seven governorates.² These governorates were selected because their Water and Sanitation Companies (WSCs) are representative of the utilities in the Nile Delta and they have many unserved settlements, which contribute highly to the discharge of untreated wastewater into the Al-Salam Canal and Rosetta branch of the Nile River. To provide sanitation coverage to the selected governorates, the World Bank (WB) is supporting the Government through the Sustainable Rural Sanitation Services Program (SRSSP). Besides increased coverage, the main objective of SRSSP is to strengthen institutions and policies to ensure improved and sustainable sanitation services. The WB prepared the SRSSP in accordance with its Policy on Program-for-Results Financing (PforR Policy).³

Under the PforR, the funds are released on achievement of results using Disbursement Linked Indicators (DLIs) and Disbursement Linked Results (DLRs). The SRSSP has three key Results Areas. The first focuses on service expansion overseen by the WSCs. The second focuses on the performance of the WSCs, including improving operational and financial efficiency, building capacity for program management, and building capacity for expanded citizen engagement activities. The third focuses on strengthening the national water and sanitation (WSS) sector framework, with priorities including revising the tariff, developing a National WSS Sector Strategy, and approving procedures for land acquisition under the NRSP. The SRSSP is to be implemented in two phases: the SRSSP-1 is already under implementation by the WB; the SRSSP-2 is proposed to be jointly cofinanced by the Asian Infrastructure Investment Bank (AIIB) and the WB.⁴

II. Project Objective and Expected Results

The objective of the SRSSP is to strengthen institutions and policies to increase access and improve rural sanitation services in selected governorates in Egypt. This will be accomplished through implementing key sector and institutional reforms together with rehabilitation and construction of integrated infrastructure for collection, treatment, and disposal of household sewage.

¹ Satellites are the most remote peripheral areas of villages or subvillages.

² Beheira, Dakahliya, Sharkiya, Damietta, Menoufiya, Gharbiya and Giza.

³ The World Bank. 2017. *Program-for-Results Financing*

(<https://policies.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=3684&ver=curren>)

⁴ The WB names the SRSSP-1 as “The Parent Program” covering three Governorates (Beheira, Dakahliya, Sharkiya); and the SRSSP-2 as “The Additional Financing (AF) for the SRSSP” which include three additional eligible Governorates (Damietta, Gharbiya and Menoufiya) and two of the Parent Program Governorates (Dakhaliya and Sharkiya).

III. Project Description

The SRSSP-2 comprises a physical infrastructure component, which will provide sanitation services to about 175,000 households in 133 villages of five governorates; namely, Dakahliya, Sharkiya, Damietta, Menoufya, and Gharbiya. The works include: construction of new or expansion/rehabilitation of existing wastewater treatment plants; construction and upgrading of pumping stations; and construction of integrated sewerage networks consisting of collectors and pumping mains. The SRSSP-2 will also ensure that inhabitants of satellites located between the villages where the main sewers pass are also serviced. This will help to maximize the program's development impacts.

The SRSSP-2 also comprises a component to strengthen the related institutions and policies for the WSS sector, by: (i) improving the governorate-level WSCs' operational systems and practices; (ii) strengthening the national WSS sector framework, including the sector's institutions, policy, and monitoring and evaluation framework; and (iii) introducing an Investment Project Financing (IPF) component for Technical Assistance on strategic sector issues (which would be subject to the WB's policies applicable to IPF rather than those applicable to PforR).

The WB would support both physical infrastructure and institutional and policy strengthening components. AIIB would only support the physical infrastructure component.

IV. Environmental and Social

An Environmental and Social Systems Assessment (ESSA), which involves assessing the country's systems for managing environmental and social risks and impacts of the SRSSP-2, has been conducted by the WB in accordance with its PforR Policy. The ESSA is complemented by a Program Action Plan (PAP) at the operational level. While the Bank finds that the ESSA/PAP provides an appropriate and acceptable approach under the SRSSP-2 for management of these issues, it differs in scope and methodology from the Environmental and Social Safeguard Policies used by the WB for conventional sector investment project financing. Therefore, the Program will use the WB's environmental and social procedures applicable to the PforR Policy and as specifically applied to the SRSSP-2, based on a waiver of AIIB's Environmental and Social Policy (ESP). The ESSA and PAP have been subject to consultation and have been disclosed by the WB on <http://documents.worldbank.org/curated/en/174281528990876317/>.

The overall environmental and social impact of the SRSSP-2 is expected to be positive. It will support adequate collection and treatment of sewage, according to the standards of Egyptian legislation. In accordance with the PforR Policy, the SRSSP-2 will exclude activities that are likely to have significant adverse environmental and social impacts that are sensitive, irreversible, or unprecedented (equivalent to Category A). The country systems were reviewed to ascertain their adequacy to address the environmental and social risks and impacts as identified during the ESSA. The country's legislation related to environmental safeguards was found to be adequate; gaps in the legislation pertaining to land acquisition have been addressed through formulation of a Standard Operating Procedure (SOP) for securing land. Consequently, the country's environmental and social management system, based on the ESSA, will be applied for the SRSSP-2 given that the environmental and social risks and impacts are

moderate in nature, limited in their scope and can be successfully managed by known and tested measures (equivalent to Category B).

V. Estimated Project Cost and Financing Source (USD million)

The Program cost is estimated to be USD694 million. The financing plan is shown in the Table below:

Loans/Others	Amount (USD million)
AIIB Loan	300.0
WB Loan	300.0
Borrower	94.0
Total	694.0

VI. Implementation

The Program will be implemented by the MHUUC. The WB will be the lead cofinancier of the Program and will supervise the SRSSP-2 on behalf of AIIB. The WB will provide all services related to safeguards, procurement, financial management, disbursements, program monitoring and reporting in accordance with its PforR Policy and Procedure.

Environmental and social aspects and procurement under the SRSSP-2 components financed under the PforR Policy will be governed by that Policy. For this purpose, and in order to allow for AIIB to co-finance this operation and apply the WB's PforR Policy, a waiver of the application of the Bank's ESP and Procurement Policy has been approved by the Board of Directors.⁵

Program implementation period (Start Date–End Date): January 2019 to December 2023 (5 years)

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⁵ See, Environmental and Social Policy, paragraph 10; Procurement Policy, paragraph 5.11.3

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