

Egypt : Sustainable Rural Sanitation Services Program, Phase-2

1. Project Information

Project ID:	P000052	Instrument ID:	L0052A
Member:	Egypt	Region:	Northern Africa
Sector:	Water	Sub-sector:	Water supply, sanitation, and wastewater treatment
Instrument type:	<input checked="" type="checkbox"/> Loan:300.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier(s):	World Bank
ES category:	B	Borrowing Entity:	Ministry of International Cooperation, Egypt
Implementing Entity:	Ministry of Housing, Utility and Urban Communities, Egypt		
Project Team Leader:	Ghufran Shafi		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Xinchen Zhang, OSD - Environment Specialist; Liu Yang, Project Counsel; Guoping Yu, OSD - Procurement Specialist; Shonell Robinson, OSD - Financial Management Specialist; Yanyang Shi, Project admin		
Completed Site Visits by AIIB:	Jul, 2019 July, 2019; Aug, 2020 August 2020 (Virtual Mission) Sep, 2021 Sep-2021 (Virtual Mission) Mar, 2022 Feb-Mar 2021 (Virtual Mission) May, 2022 Virtual Mission May, 2023 Physical Mission jointly with World Bank		
Planned Site Visits by AIIB:	Feb, 2024 Expected in early 2024		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2022/10		

2. Project Summary and Objectives

The objective of the Program is to strengthen institutions and policies to increase access and improve rural sanitation services in selected governorates in the Arab Republic of 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.

Phase 1 of the Program (SRSSP-1), financed by World Bank (WB), is under implementation in the three governorates of Beheira, Sharkia and Dakhlia. Phase 2 of the Program (SRSSP-2) is jointly co-financed by AIIB and the WB. Phase-2 are scaling-up sanitation services in the governorates of Sharkia and Dakhlia by including new villages and satellites, as well as include three new governorates of Menoufia, Gharbiya and Damietta. SRSSP has been prepared as a Program-for-Results (PforR) based development in accordance with the WB's PforR Policy. Under the PforR, the funds are released on achievement of results using Disbursement Linked Indicators (DLIs) and Disbursement Linked Results (DLRs). Key Results include: (i) Improved sanitation access; (ii) Improved operational systems and practices of Water Supply Companies (WSC); and (iii) Strengthened National Sector Framework.

AIIB and WB are each contributing USD300 million to cover the total external financing of USD600 million needed to implement the SRSSP-2. AIIB financing is for the physical infrastructure to provide sanitation services to about 178,000 Households (HH) in 133 villages of five governorates; namely, Dakahliya, Sharkiya, Damietta, Menoufiya, and Gharbiya.

3. Key Dates

Approval:	Sep. 28, 2018	Signing:	Dec. 09, 2018
Effective:	Jun. 18, 2019	Restructured (if any):	Jan. 02, 2022
Orig. Closing:	Dec. 31, 2023	Rev. Closing (if any):	Dec. 31, 2024

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	145.36	Most recent disbursement (amount/date):	42.92/Aug. 29, 2022
Undisbursed:	154.64	Disbursement Ratio (%) ¹ :	48.45

5. Project Implementation Update

All the consulting firms - including the Project Management Consulting Firm (PMCF-2) for the three new governorates of Menoufia, Gharbiya and Damietta, and the five Independent Supervision Consultants (ISCs) in each of the participating governorates – have been engaged and are providing services. All the designs have been completed. A total of 70 contracts, have been identified and 68 construction contracts have been awarded/executed. Works are in progress on these construction contracts, which are expected to construct about 161,824 HH connections (for a program target of 178,317) in the five governorates. Two of the contracts are being re-tendered due to higher bid costs in the first round of tendering. Though most of the Program activities presently are on track (with a gap of 8.8 percent in physical progress), the Program is expected to suffer delays in future mostly due to supply chain issues (because of import compressions, and issues with opening of Letter of Credits due to restrictions on foreign currency) which are delaying supply of critical electro-mechanical equipment for treatment plants and pumping stations. PMU has established a task force to assess the overall cost and time impact on the Program. Multiple options are also being explored to resolve the issues with import of machinery.

About 8,229 functioning HH connections have been constructed in Dakahliya, which will be verified in June, demonstrating achievement of results under its respective Disbursement Linked Indicator (DLI). The associated

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

Wastewater Treatment Plant (WWTP) has also been constructed and commissioned with a treatment capacity of 9000 cubic meters per day.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Improved Sanitation Access: Provide about 178,000 new household connections (HHC) to working sanitation systems in rural areas of identified Egyptian governorates (USD300 million)	About 161,824 HH connections and 12 associated wastewater treatment plants are under implementation in the five governorates	All 23 Environment and Social Impact Assessment (ESIA) was completed for the SRSSP-2. Community consultations were conducted, and all studies were approved by the Egyptian Environmental Affairs Agency (EEAA). The Program prepared Health Impact Assessments (HIAs) for the eight wastewater treatment plants (WWTPs) located less than 500m from residential areas. The systematic monitoring tool developed under the Program is being applied to all WWTPs, and the PMU closely monitors the implementation of the systematic monitoring system for environment and social and Occupational Health and Safety (OHS) aspects. The PMU also enhanced the supervising visits frequency and reported the enforcement of contractual remedies, including temporarily stopping works on some sites to rectify non-compliances and imposing financial penalties. The PMU has hired an Independent OHS specialist to audit a sample of contracts in five governorate and the recommendations from the audit are being followed up. Most of the 118 land parcels which are needed by the Program for construction have been acquired by WSSCs, mostly through community donations.	68 construction contracts in five governorates from identified 70 contracts have been awarded. Two of the contracts are being re-tendered due to high prices in the initial tendering.

Financial Management:

The project continues to maintain an overall compliance with the financial management covenants.

Audit reports of FY22: The audited financial statements of the Additional Finance and IPF components for the fiscal year ended 30 June 2022 were received, reviewed, and found acceptable by the WB before the due date of 31 December 2022.

Fraud and corruption allegations: The Mission noted that the letters signed by the Chairmen of Program WSCs and from the Chairman of the HCWW were received as part of the bi-annual progress reports in January 2023 which confirmed that there were no cases of fraud and corruption under the program during the six-month period ended 31 December 2022.

Expenditure framework: Based on the information currently available, certain savings are expected by the end of the Program if government contributions are not recognized as an integral part of the national program. Both WSCs and NOPWASD are contributing to the national program in different ways. The mission discussed with the PMU alternatives to reflect Government contribution to the Program. The PMU is currently exploring different alternatives to compute government contributions to the national program. First alternative is to consider maintenance expenses (materials and spare parts) incurred by the WSCs as government contributions. The second is to recognize the capital expenditures financed by the state budget through appropriations to National Organization for Potable Water and Sanitary Drainage, NOPWASD, in the relevant fiscal years on sanitation facilities in the program governorates. The PMU is also working with WSCs to identify new investments under the Program to utilize some of the imputed savings for the new infrastructure. The PMU is already working on documenting and assessing the appropriateness of each alternative after the conclusion of the mission in May, 2023.

6. Status of the Grievance Redress Mechanism (GRM)

The project GRM has been functioning to receive the complaints, with 90% addressed within 24 hours. The trend in the number of complaints received in different governorates is reflective of the stage of construction works. Three critical areas were identified to be addressed in enhancing response to complaints: (i) contracts dealing with negative discharge situation; (ii) gap in adequate updated information with the communities; (iii) concerns alleging poor quality, on which systematic attention is being paid and measures being taken to strengthen the response. Meanwhile, an escalation mechanism for complaints was agreed to enable the PMU to focus closely on priority complaints involving (i) health and safety risks; (ii) multiple complaints regarding the same issue for the same village; (iii) repeated complaints from the same complainant; and (iv) complaints remaining unresolved for a certain duration.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

Implementation is monitored based on extended time period

Remarks:

Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values																	Frequency	Responsibility	Comments
			Baseline		2019		2020		2021		2022		2023		2024		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
People provided with access to "improved sanitation facilities" under the SRSSP-2	Project	Number	2019	tbd	tbd		tbd		tbd		223,600		465,150		892,000		2024	892,000				
Sharkia WSC Operating Ratio	Project	Percentage	2019	94	94	97	83	84	100	89.4	100	103.6	100		100		2024	100				
Dakahlia WSC Operating Ratio	Project	Percentage	2019	92	92	96	85	92	93	87.7	94	94.8	94		94		2024	94				
Gharbia WSC Operating Ratio	Project	Percentage	2019	100	100	125	100	100	100	128.8	100	135.8	100		100		2024	100				
Menufia WSC Operating Ratio	Project	Percentage	2019	97	97	91	90	91	99	91.32	100	100.27	100		100		2024	100				
Damietta WSC Operating Ratio	Project	Percentage	2019	90	90	98	93	100	96	78.67	100	102.8	100		100		2024	100				
National Water and Sanitation Sector Strategy approved by MHUUC	Project	Yes/No	2019	No	No	No	No	No	No	No	No	Yes		Yes		2024	Yes					

Project Intermediate Indicators	Indicator level	Unit of Measure	Cumulative Target Values																	Frequency	Responsibility	Comments
			Baseline		2019		2020		2021		2022		2023		2024		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
New functioning household connections to working sanitation systems	Project	Number	2019	0	0		tbd		25000		38000		120000		178,317		2024	178,317				
Citizen Engagement: d) Women forums that are established and who participated	Project	Number	2019	0	0		14		17		18		18		21		2024	21				

in project design and/or implementation																					
Collection efficiency of the participating WSCs	Project	Percentage	2019														2024				The result for each WSC is given below.
Collection Efficiency of Sharkia WSC	Project	Percentage	2019	76	76	84	80	85	85	90.6	85	94.3					2024	85			
Collection Efficiency of Dakahlia WSC	Project	Percentage	2019	85.5	85.5	86	85.5	88	86	75.93	87	86.04					2024	87			
Collection Efficiency of Gharbia WSC	Project	Percentage	2019	81	81	81	82	89	83	87.27	85	91.53	85				2024	85			
Collection Efficiency of Menufia WSC	Project	Percentage	2019	74	74	80	77	84	80	79.6	85	84	85				2024	85			
Collection Efficiency of Damietta WSC	Project	Percentage	2019	54	54	62	60	64	67	51	75	76	80				2024	85			
Functioning wastewater treatment plants in participating governorates operating to Egyptian standard	Project	Percentage	2019														2024				The result for each WSC is given below.
Sharkia	Project	Percentage	2019	41	41	43	41	44	42	42	47	47					2024				
Dakahlia	Project	Percentage	2019	34	34	37	34	39	35	42	45	46					2024				
Gharbia	Project	Percentage	2019	33	33	34	35	36	37	39	45	45	45				2024				
Menufia	Project	Percentage	2019	44	44	45	48	59	52	62	65	66	60				2024				
Damietta	Project	Percentage	2019	27	27	28	30	32	34	39.73	44	44.01	46				2024				
Implementation of the Standard Operating Procedures for land acquisition under participating WSCs implemented by	Project	Yes/No	2019	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes		2024				The result for each WSC is given below.

MHUUC and inter-ministerial MOU signed																							
Sharkia	Project	Yes/No	2019	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes									2024
Dakahlia	Project	Yes/No	2019	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes									2024
Gharbia	Project	Yes/No	2019	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes									2024
Menufia	Project	Yes/No	2019	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes									2024
Damietta	Project	Yes/No	2019	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes									2024