



Luxemburg, 14 September 2022

Environmental and Social Data Sheet

Overview

Project Name:	Green Sustainable Industry
Project Number:	2021-0635
Country:	Egypt
Project Description:	The operation is a framework loan managed by the Egyptian Environmental Affairs Agency as a financial instrument providing funding to public and private industrial companies in Egypt in the areas of pollution abatement, decarbonisation, resource and energy efficiency.
EIA required:	Multi sub-projects scheme, requirements vary.
Project included in Carbon Footprint Exercise ¹ :	no

Environmental and Social Assessment

Environmental Assessment

The Project builds on the success of three previous operations called Egyptian Pollution Abatement Programmes (EPAPs), which have proved effective in financing industrial pollution abatement. Technical Assistance was organized to support the Promoter in managing the financing, monitoring and evaluation of the sub-projects and to support final beneficiaries in the preparation of required technical documents, including assessment of environmental and social aspects. The TA experience has been positive.

The Project accelerates further transition to green and sustainable development of Egyptian industrial sector by supporting the Promoter to encourage dozens of local companies in deployment of environmental, decarbonisation and other technologies that contribute to reduction of GHGs emissions and pollutants to air, water and work environment as well as to reduction of resources consumption. The Project covers various energy intensive industries including chemical, pulp and paper, cement and other. The Project will integrate Paris alignment criteria for sub-project selection and will be fully aligned with the EIB's Climate Bank Roadmap.

In addition to the EIB loan, the financing of the project is expected to be supplemented by loans from KfW and AFD and combined with direct investment grants from the EU Neighbourhood Impact Program (NIP) and local banks.

The sub-projects under the framework loan are expected to concern mainly small to medium investments in existing industrial facilities, hence, some of sub-projects might require a full Environmental and Social Impact Assessment (ESIA).

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.



In absence of the sub-projects level data, the finance contract to be concluded between the Promoter and the Bank shall include an undertaking on the Promoter to perform subprojects' due diligence to ensure that sub-projects comply in particular with the environmental and social requirements of the Bank. This includes but not limited to assessment of potential risks and appropriate prevention, mitigation and compensation measures identified through impact screening/assessment, including satisfactory public consultation when relevant. The Promoters' Project Management Unit (PMU) will be in charge of assessment with support of external Technical Assistance with focus on environmental and social aspects, involving international and national experts.

The sub-projects will be presented to the Bank according to an agreed allocation procedure to be defined in the Project's Operations manual, signature of which will be condition to the first disbursement. The sub-projects due diligence will be confirmed by the Bank on ex-post, ex-ante or full appraisal approach depending on the total sub-project investment cost. As to environmental and social aspects, the bank will require additional information, including an ESIA and decision from the Competent Authority.

The monitoring of the Project will include the specific indicators to quantify the impact of the Project, including environmental and social benefits. More specifically, the Project is expected to lead to:

- Reduction of industrial pollution to air, water and soil through process modifications and cleaner technologies, end of pipe treatment for air emissions and wastewater;
- Reduction of greenhouse gas emissions through energy efficiency measures, shift towards using less carbon intense fuels and use of renewable energy sources, including clean hydrogen and biogas technologies;
- Adoption of circular economy approaches through recovery and reuse of raw materials, process optimization and technical innovation to reduce resource usage, material recovery facilities for processing pre-sorted recyclable waste.

It is not foreseen that there will be negative impacts on biodiversity as the sub-projects will be implemented within the already authorised industrial facilities. This will be checked further during the sub-projects due diligence.

Considering the above, it is expected that the Project will generate positive impacts during implementation of the Project, and residual risks are foreseen being not significant.

Compliance to local environmental legislation:

The EEAA, as the primary regulatory body responsible for environmental matters in Egypt, is in charge of coordinating environmental management. It operates in accordance with the Law on Protection of the Environment (Law No. 4, 1994) as amended by Law 9/2009 and Law 105/2015. Projects are categorised in accordance with the predicted environmental impacts that they could have (category A projects – for projects with minor environmental impacts; category B projects – for projects that may have substantial impacts; and category C projects – for projects that may have potential severe impacts). For category B and category C projects, an ESIA needs to be carried out for both new projects and the expansion of existing infrastructure. While the majority of the GSI projects are likely to fall under category A, this will be monitored further during the project implementation.



Social Assessment

The Project is expected to lead to positive occupational and community health and safety impacts, by providing better environmental conditions and reducing health risks to workers as well as to the surrounding population during operation. The investments will further support the employment preservation at many industrial subsectors, while also creating temporary and some full time jobs.

As the final investments relate to technical improvements within existing factory premises, the Project is not expected to require land acquisition or result in involuntary resettlement. Labour and health and safety requirements for the implementation phase will be further inserted in the Project's Operations Manual and tender documentation.

In addition, the Project design include a special focus on promoting gender equality. More specifically, additional incentives in form of additional grant amounts are available for final beneficiaries with female Entrepreneurship and Leadership.

Public Consultation and Stakeholder Engagement

The public consultation will follow the guidelines of the EEAA's Guidelines of Principles and Procedures for Environmental Impact Assessment. In addition, the project's grievance mechanism system will be reflected in the Project's Operations Manual and put in place at the level of the PMU.

Other Environmental and Social Aspects

Implementation of the Project will be integrated into, and undertaken in the context of, a range of environmental management activities routinely undertaken by the Promoter to ensure a smooth implementation.

These activities include the following:

- Environmental impact assessment approvals (as required by EEAA);
- Negotiation and implementation of Compliance Action Plans (as required by EEAA);
- Environmental compliance monitoring;

Specific E&S monitoring arrangements (applicable to environmental non-compliance to compliance sub-projects only):

- Self-Monitoring: The final beneficiaries will self-monitor emissions to the environment and the workplace associated with the investment in accordance with the Technical Agreement signed with EEAA.
- Environmental Compliance Monitoring: Verification monitoring of the GSI-related investment will be undertaken by EEAA at sub-project completion (and for a period not exceeding 6 months) for the loans, to verify compliance.



Conclusions and Recommendations

It is expected that the Project under framework loan will generate positive impacts, and residual risks are foreseen being not significant. However, given that detailed information on the sub-projects to be financed is not available at the appraisal stage, environmental and social aspects will be checked at sub-projects allocation stage and the Bank will require the sub-projects to comply with the national legislation and Bank's environmental and social standards. The Promoter relies on dedicated PMU, which will include internal and external experts to perform Environmental and Social due diligence.

The finance contract to be concluded between the Promoter and the Bank will include the following undertaking related to the E&S aspects:

First disbursement conditions:

1. Completion and signature of the Operation Manual by all co-financiers and the Promoter is required.
2. The Bank shall receive satisfactory evidence that a Project Management Unit (PMU) has been established and a Project Coordinator has been appointed with responsibility for the progress reporting under the finance contract.

Undertakings:

The Promoter shall verify the compliance of the sub-projects with the relevant and applicable rules of the EIB's guidance, in particular in the fields of environment and social aspects, and procurement, and it shall perform sub-project assessment as defined in the Operation Manual (OM), in particular, verifying that:

- All techno-economic, social and environmental criteria are adhered to;
- Environmental, social and climate risk due diligence to ensure that potential risks and appropriate prevention, mitigation and compensation measures are identified through a screening/assessment of acceptable quality, including satisfactory and meaningful public consultation and participation when relevant;

With the above conditions and undertakings in place, the operation is deemed satisfactory for financing in environmental and social terms.