

Project Summary Information (PSI)

Project No: 000052

Project Name	Sustainable Rural Sanitation Services Program, Phase-2
Country	Arab Republic of Egypt
Sector/subsector	Water/Sanitation
Project No	000052
Borrower	Arab Republic of Egypt
Implementation Agency	Ministry of Housing, Utilities and Urban Communities
Environmental and Social	Category B (Equivalent under the Bank's Environmental and Social Policy)
Date PSI prepared or updated	July 10, 2018
Estimated Date of Board Consideration	September 2018
Concept Decision	Approved on June 18, 2018

I. Introduction

During the past two decades, the Arab Republic of Egypt (Egypt) has made significant progress in providing direct access to safe drinking water at the household level (from 39 percent to 96 percent) and basic sanitation services (from 25 percent to 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 rural areas, where 42 million people (18 percent of the population) are underserved and 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 the treated water does not meet Egyptian effluent quality standards due to the inefficiency of the existing wastewater treatment plants (WWTPs).

In rural areas of the Nile Delta, the sanitation situation is of particular concern due to high population density, shallow groundwater levels, and the discharge of untreated sewage directly into nearby canals and drains. As the number of households connected to water supply has grown, the volume of household wastewater discharged now surpasses the capacity of the traditional bayaras (sanitation trenches used as septic tanks). As a result, sewage overflows into streets, and in some areas, has damaged building foundations, resulting in the collapse of houses. Due to both the high water table and the high volume of untreated wastewater discharged, Egypt's scarce freshwater resources are becoming increasingly polluted, putting the health of millions at risk and degrading environmental quality in rural areas.

To increase sanitation coverage and improve related services in rural areas, the Government of Egypt (GoE) launched a USD14 billion National Rural Sanitation Program (NRSP) in 2014 as a key Presidential priority. The NRSP aims to achieve, by 2037, full sanitation coverage of 4,700 villages and 27,000 satellite villages,¹ serving an estimated population of 42 million, primarily through conventional sewerage systems and WWTPs. The Ministry of Housing, Utilities and Urban Communities (MHUUC), which is responsible for preparing and implementing building plans for public utilities, such as drinking water and sanitation, has established a Program Management Unit (PMU) in the office of its Minister to ensure timely implementation of the NRSP.

The initial focus of the NRSP is to improve access and services to 769 villages in six governorates.² These governorates were selected because their Water Supply Companies (WSCs) are representative of the utilities in the Nile Delta and they have many unserved settlements that are significant contributors to untreated wastewater discharge into the Al-Salam Canal and Rosetta branch of the Nile River. To provide sanitation coverage to the selected governorates, the World Bank (WB) has offered financial assistance to the GoE through a Sustainable Rural Sanitation Services Program (SRSSP). Along with increased coverage, the main objective of the SRSSP is to strengthen institutions and policies to help ensure improved and sustainable

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

² Beheira, Dakahlia, Sharkiya, Damietta, Menoufia, and Gharbiya.

sanitation services. The WB has prepared the SRSSP in accordance with its Policy on Program-for-Results Financing (PforR Policy).³

The SRSSP is governed by the environmental, social and procurement requirements under the PforR Financing Policy, and the WB's financing is disbursed against achievement of results using Disbursement Linked Indicators (DLIs). The SRSSP is focused on three key Results Areas and six DLIs. The first area focuses on service expansion overseen by the WSCs. The second area 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 area focuses on strengthening the national water and sanitation (WSS) sector framework, which was prioritized by focusing on revising the tariff, developing a National Water Supply and Sanitation Sector Strategy and approving procedures for land acquisition under NRSP. The SRSSP is to be implemented in two phases.

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.

III. Project Description

Phase 1 of the Program (SRSSP-1) is already under implementation by the WB. Phase 2, the SRSSP-2, is proposed to be jointly co-cofinanced by the AIIB and the WB, in both cases, in accordance with WB's PforR Policy.

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. The Bank 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 Project will use the WB's environmental and social procedures applicable to the PforR Policy and as specifically applied to the SRSSP-2, subject to a waiver of AIIB's Environmental and

³ The World Bank. 2017. *Program-for-Results Financing*
(<https://policies.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=3684&ver=current>)

Social Policy (ESP) as described in Section V below. 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, diverse, 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, not unprecedented or irreversible, 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 Project cost is estimated to be USD694 million. The tentative financing plan is shown in the Table below:

Total Project Cost	694	Total AIIB Financing	300
For Loans/Credits/Others		Amount	
AIIB Loan			300
WB Loan			300
Borrower			94
Total			694

VI. Implementation

The Project will be implemented by the MHUUC and co-financed with the WB. The WB will be the lead financier of the Project and will administer the Bank’s loan on behalf of the Bank, including procurement, disbursement, environmental and social aspects, and project monitoring and reporting.

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 the Bank 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 will be requested from the Board of Directors.⁴

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

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⁴ See, Environmental and Social Policy, paragraph 10; Procurement Policy, paragraph 5.11.3

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