

## Project Implementation Monitoring Report (#9)

Reporting Period From 2023/06 To 2024/03

## 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 Mar, 2024 Virtual participation in a supervision mission		
Planned Site Visits by AIIB:	Aug, 2024 Tentatively planned in H2 of 2024		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2023/05		

## 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

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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	Latest disbursement (amount/date):	42.92/Aug. 29, 2022
Undisbursed:	154.64	Disbursement Ratio (%) <sup>1</sup> :	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 69 construction contracts have been awarded/executed. Five construction contracts have been completed while works are in progress on the remaining construction contracts. A total of 15,936 HH connections have been constructed and verified under the program, while additional 5,700 HH connections are expected to be achieved by June 2024.

Though most of the Program activities presently are on track, the Program has suffered delays due to government's actions to deal with the macroeconomic challenges (through import compressions, and restrictions on opening of Letter of Credits which led to supply chain issues in import of machinery and equipment). PMU is proactively dealing with these challenges by taking multiple actions, such as increasing the amount of USD-based advances to contractors and discussing with central bank for opening of LCs. This has mitigated some of the delays, but a Program extension will still be needed to accommodate completion of all contracts. Government has submitted requested for loan extension, which is presently under review.

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

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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)	15,936 HH connections have been constructed and verified in Dakahliya, whereas works are underway in 64 ongoing contracts. The Program is on track to complete additional 5,700 HH by June 2024.	The PMU reported that all Environment and Social Impact Assessments (ESIAs) and Health Impact Assessments (HIAs) for the program covering the scope of the program have been completed and approved by the national authorities; and all required land plots have been acquired, majority of which was through community donation. PMU/PMCF monitors the implementation of the ESMPs through regular spot checks and data collected by the monitoring tool. A sludge management plan has been prepared for all wastewater treatment plants to safely dispose sludge by certified contractors. The PMU/PMCF also conducts regular field visits to enforce implementation of the recommended actions from recent occupational health and safety (OHS) audit. The citizen engagement action plan is under implementation, with project information dissemination continuing.	69 construction contracts in five governorates from identified 70 contracts have been awarded, 5 of which have been completed and 64 are under construction.

**Financial Management:**

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

**Audit reports of FY23:** The audit report for FY June 2023 was submitted to World Bank on March 6, 2024, after the due date of December 31, 2023. The report is however, deemed to be acceptable as the auditors issued an unqualified (clean) opinion on the program financial statements. The audit has confirmed that the advance of US\$70,357,500 made by AIIB on January 28, 2022, is remaining to be settled upon the achievement of DLI 1. It is however expected that a portion of it will be liquidated in the next withdrawal application submission.

**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

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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.

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**6. Status of the Grievance Redress Mechanism (GRM)**

The project GRM has been functioning to receive the complaints, with majority (over 80%) addressed within 24 hours. The GRM Guidelines have been updated to match with the improved Complaint Management System (CMS), which enables PMU to do more analysis, take technical decisions for improving the quality of construction and increase response to the GRM. The escalation mechanism for the priority complaints has also been improved. The recurrent complaints are mainly related to requests from unsewered area, houses, street etc.; sewage overflow into the street and houses from the alternative sewage pipe or broken of old sewage pipe during the network construction; reinstatement of the street to its condition after finalizing the networks construction; requesting a manhole at street or inspection chamber in front of homes; poor quality of construction; and slow response in addressing complaints (methods and time taken for repair).

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**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:**

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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	0	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				
Menafia 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	Yes		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 in project design and/or	Project	Number	2019	0	0		14		17		18		18		21		2024	21				



Sharkia	Project	Yes/No	2019	Yes	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	Yes	2024					
Gharbia	Project	Yes/No	2019	Yes	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	Yes	2024					
Damietta	Project	Yes/No	2019	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	2024					