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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER SUPPLEMENT NO. 03

CAIRO SEWERAGE II PROJECT

PROJECT NO. 263-0173

USAID/CAIRO

CAIRO SEWERAGE II PROJECT NO. 263-0173
PROJECT PAPER SUPPLEMENT NO. 03

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AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input checked="" type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number _____ 3 _____	DOCUMENT CODE 3
2. COUNTRY/ENTITY Arab Republic of Egypt	5. PROJECT NUMBER 263-0173		
4. BUREAU/OFFICE NE/PD	5. PROJECT TITLE (maximum 40 characters) Cairo Sewerage II		
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 09 30 98	7. ESTIMATED DATE OF OBLIGATION (Under 'B:' below, enter 1, 2, 3, or 4) A. Initial FY: 84 B. Quarter: 4 C. Final FY: 98		

8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	85,300	80,000	165,300	816,000		816,000
(Grant)	(85,300)	(80,000)	(165,300)	(816,000)		(816,000)
(Loan)	()	()	()	()		()
Other U.S.						
1.						
2.						
Host Country		3,000	3,000		653,859	653,859
Other Donor(s)	1,000		1,000	100,000		100,000
TOTALS	86,300	83,000	169,000	916,000	653,859	1,569,859

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECIL CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ESF				759,000*		12,000		771,000	
(2)									
(3)									
(4)									
TOTALS				759,000*		12,000		771,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) _____	11. SECONDARY PURPOSE CODES _____
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) A. Code _____ B. Amount _____	

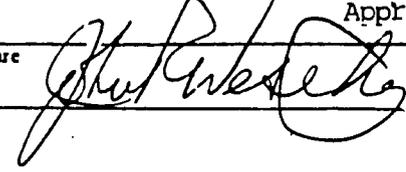
13. PROJECT PURPOSE (maximum 480 characters).

The purpose of the project is to expand and develop sustainable wastewater collection, treatment and disposal facilities on the West Bank of Cairo.

14. SCHEDULED EVALUATIONS Interim: MM YY: 09 98 Final: MM YY: 01 99	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

* \$57 million in Special Account local currency was provided in FYs 91 and 92 thereby reducing the LOP budget to \$ 759 million. This PP Supplement increases the LOP budget by \$25 million bringing the total LOP budget to \$784 million. This LOP increase is within the project authorization level of \$816 million. Methods of implementation and financing remain unchanged as approved by USAID/Egypt Controller.

17. APPROVED BY	Signature:  Title: _____	Date Signed: MM DD YY 09 12 99
		18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY _____



CAIRO, EGYPT

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

September 5, 1994

ACTION MEMORANDUM FOR THE MISSION DIRECTOR

FROM: Robert Jordan, AD/PDS

SUBJECT: Cairo Sewerage II Project (No. 263-0173);
Approval of Project Paper Supplement No. 03, Project
Authorization Amendment No. 5 and Mission Endorsement of
the CGOSD Action Plan

ISSUE: Your approval of Project Paper Supplement No. 3 for the Cairo Sewerage II Project is needed to accommodate the continuation of needed technical assistance to achieve Cairo General Organization of Sanitary Drainage (CGOSD) institutional autonomy and condition funding for future engineering designs of systems expansion on GOE reform progress. Accordingly, your signatures are requested for the attached Project Paper Supplement No. 03 of the Cairo Sewerage II Project, Project Authorization Amendment No. 5 (Annex A), and the supporting letter to Chairman Maksoud (Annex B) which reflects Mission support of the CGOSD institutional reform Action Plan.

BACKGROUND:

In 1984, USAID approved an \$816 million grant to improve and expand the wastewater system of the west bank of the Nile in Cairo. The project financed the design and construction of eight screw pump stations, rehabilitation of an existing secondary wastewater treatment plant at Zenein, construction of 18.7 kilometers of main conveyance culverts, 31.0 kilometers of main collectors, a sludge disposal facility, gravity sewers, laterals and house connections. The project paper has been formally amended twice to include the design/build construction of the Abu Rawash primary wastewater treatment plant, a Fixed Amount Reimbursement (FAR) program to finance sewers and house connections, and institutional support to the Cairo General Organization for Sanitary Drainage (CGOSD), the agency responsible for the operation and maintenance of the wastewater system in Cairo.

All construction activities are on track with no significant delays. Rehabilitation of the Zenein wastewater treatment plant and construction of the Abu Rawash WWTP are complete. Both treatment plants, the eight pump stations, and all conduits, collectors, and culverts financed by the project are operating as designed. The completion of the western desert sludge facility is scheduled for December 1994. FAR financed activities that include

system, Abu Rawash emergency drain improvement, sewer and house connections in the unsewered areas of Embaba, Zenein, Pyramids, and outlying villages are all in various stages of completion with no delays impacting current planned schedules. Twenty new Fixed Amount Reimbursement (FAR) agreements are in different stages of award or planning with all activities expected to be completed on or before the current PACD of September 30, 1996.

A host country institutional support contract (ISC) was signed in March 1992 between CGOSD and CH2M Hill with the objective of implementing the institutional strengthening component of the project. The ISC currently provides for assisting CGOSD achieve institutional autonomy and financial viability through March 1995. Major accomplishments include the development of a five year financial plan, a detailed action plan for achieving CGOSD autonomy, and a signed Presidential decree which provides the enabling legal framework for needed reform. Significant progress is also evident in the computerization of CGOSD financial, management and maintenance functions.

During the past several years, the GOE and CGOSD have continued to request that USAID finance expansion of existing facilities and construction of new facilities. At this point, the estimated cost of such a future system expansion is estimated to be in the magnitude of \$250-300 million. This work program would include expansion of two pump stations, a conveyance culvert, the FAR collectors as well as a three fold increase in the capacity of the Abu Rawash wastewater treatment plant.

An interim evaluation was completed and a final report issued in April 1992. Evaluation findings concluded that while construction activities completed to date were of excellent quality, additional time was needed for completion. Additionally, the report recommended 15 areas for continued institutional strengthening activities and further O&M training. A significantly lengthened time horizon for the full range of institutional reform activities coupled with a minimum two years PACD extension were recommended. Of particular note, the commitment of additional funds was recommended to be made contingent upon GOE actions to increase tariffs to meet full recovery of O&M costs.

In conformance with USAID's sector strategy, USAID continues to assist the urban population of Egypt gain greater access to reliable wastewater services through constructing and rehabilitating infrastructure. However, one significant trend in USAID's present approach to the wastewater sector is emphasis on moving from construction to sustainability. As most of the facilities under the Cairo Sewerage II Project are turned over to the GOE, it is clear that CGOSD can not operate and maintain the present or any future infrastructure without addressing the underlying constraints of autonomy, accountability and cost recovery.

DISCUSSION:

I SUPPLEMENT RATIONALE

A. **Strategic Importance to the Mission** Because of continuing institutional constraints under the Cairo Sewerage II Project, the Mission has conditioned any future investment in wastewater facilities contingent on the establishment of an autonomous wastewater utility and full recovery of operation and maintenance costs plus a reserve to cover emergency rehabilitation. The design and development of action plans has been the Mission's approach to achieve institutional reform. Once the action plan is implemented, an autonomous utility is established which will preserve USAID's existing \$816 million investment and ensure that a sustainable foundation for operation and maintenance of any future system's expansion exists.

In August 1994, a special review was held between the Acting Mission Director, PDS and DR to discuss the strategy for this PP Supplement. At the review, strategy for this supplement was directed to follow the only other wastewater project model of reform; the Alexandria Systems Expansion Wastewater Project. Using the Alexandria model, amending the current project would consist of extending the current PACD an additional two years to accommodate additional TA to implement the Action Plan, immediate obligation of funds for continuation of TA required to achieve institutional autonomy, and a condition precedent to subsequent obligation of funds for the detailed construction designs when CGOSD achieves a time specific revenue target (as outlined in their action plan).

B. **Timing of Assistance Needed to Achieve Reforms** At the request of the Mission, CGOSD submitted a detailed action plan (Annex C) in February 1994 which identified the comprehensive framework of policies and institutional arrangements needed to achieve reform. This action plan contains 14 specific actions with target dates for completion. All actions are directed toward financial viability and the achievement of institutional autonomy.

The action plan describes discrete activities in a time phased approach to achieve 100 percent cost recovery and transformation into an autonomous utility by September 1998. A complete analysis of institutional requirements, including pricing autonomy, financial structure and labor adjustments, was included in the supporting documents upon which the action was developed. The action plan appears to be realistic and achievable if tariff rate increases are implemented as scheduled, this would help CGOSD achieve its action plan. Its success would represent a significant milestone for the GOE as well as for USAID. The Action Plan also provides significant progress toward fulfilling the Mission's strategic objectives in the wastewater sector. Increased access to wastewater services in target urban areas is measurably achieved through increased utility efficiency, improved reliability of service and improved pricing and cost recovery for services.

The CGOSD action plan was fully reviewed by a Mission Project Review Committee (PRC). With some reservations regarding the achievability of certain actions within the timeframes proposed by the action plan, the PRC endorsed its proposed approach. According to Chairman Maksoud, the action plan has the full support and approval of the Governor of Cairo and the Minister of Local Administration.

Supplementing the existing project to accommodate achievement of institutional reform and full recovery of operation and maintenance costs (plus an emergency reserve) is consistent with the timing of the implementation of the action plan. Based on CGOSD's action plan, CGOSD will not be fully autonomous until November 1998. Since the current Cairo Sewerage II PACD is September 1996, a gap of more than two years will occur between the PACD and the completion of the planned reforms. Continued assistance and institutional support are needed during the interim period to ensure that CGOSD achieves full recovery of operation and maintenance costs and institutional autonomy.

C. Timing of Future Wastewater Systems Expansion Needs Based on the current construction management firm's estimate in support of the 1992 Cairo City Master Plan update, treatment flow capacity under Cairo Sewerage II will meet its limit in the late 1996 timeframe. Pump station capacity is expected to be exceeded some time in 1997-1998. In spite of the limits on system capacity, funding for any possible future systems expansion must be supported by detailed engineering designs. The projected gap between the system overloads should be kept to the shortest time possible.

II DESCRIPTION OF ACTIVITIES

The Project Purpose of the Cairo Sewerage II Project remains the same: to expand and develop sustainable wastewater collection, treatment and disposal facilities on the West Bank of Cairo. Whereas the achievement of financial viability was a previous end of project status indicator, this supplement enhances the definition of "sustainable" by replacing financial viability with the broader goal of achieving CGOSD institutional autonomy by September 30, 1998. Accordingly, the institutional outputs (See Revised Logframe; Annex D) are revised to more accurately reflect what the project is expected to achieve through the implementation of the action plan and the design of a future systems expansion.

A. Revised End of Project Status Indicator: CGOSD Operating Autonomously by September 1998 As a result of institutional and policy reforms, an autonomous institutional framework shall be in place permitting the creation of sustainable, financially viable entity capable of efficiently operating and maintaining the existing infrastructure provided. With autonomy achieved, national and local level constraints to efficient operation and maintenance will be significantly reduced. A favorable policy climate will lessen dependence of CGOSD on national government agencies and permit improved resource allocation. CGOSD will be enabled to make

investment and borrowing decisions, select, remunerate, develop, and promote personnel unencumbered by existing civil service regulations, and charge agreed upon rates to recover operation and maintenance costs. Consequently, adequate incentives for appropriate cost effective future systems expansion will be in place to promote efficient operation and financial viability of the operation.

B. Revised Project Outputs:

1. Sustainable institutional framework for CGOSD established:

In order to ensure the long term sustainability of the project's investment, all the necessary administrative and structural reforms will occur to achieve institutional autonomy by September 1998. In order to develop the necessary sustainable framework, the GOE will need to address the following issues in the context of implementing reforms: authority, asset ownership, political acceptability, community responsiveness, organizational structure and systems, quality of service, GOE laws, and rate of cost recovery. Reforms are expected to include the removal of all legal impediments inhibiting institutional autonomy, decentralized authority for tariff rate determination, and the operation of restructured administrative, financial, and personnel systems of water/wastewater entities. A comprehensive and consistent framework of laws and policies ensuring sustainability will be in place. Organizational disciplines relating to efficient management of CGOSD (i.e. management, personnel, financial, information and related others) will have been reconfigured to accommodate institutional autonomy.

2. CGOSD financial viability achieved: In order to recover 100% of recurring costs, prices will be rationalized and subsidies are envisioned to be discontinued by September 1998. CGOSD will have the ability to raise and retain enough financial resources to perform services efficiently. CGOSD will have adequate management systems to increase revenue collection. Cost accounting mechanisms will be in place to separate budget, identify income and expenses of water and wastewater services, accurately project O&M costs, and monitor w/ww accounts on a regular basis. With the collaboration of all related ministries, an equitable tariff structure will be developed. Systems will be devised to estimate water consumption by unmetered individual households; for those large consumers served by meters, an efficient system of meter installation and repair will be instituted; a cost-effective system of billing and collection of tariffs will be in place.

3. Environmentally sound future system expansion designed: In order to provide the necessary engineering designs for any potential future systems expansion, all the preliminary and final engineering designs and studies will be completed by September 1998.

C. Enhanced Inputs: As reflected in the Revised Financial Plan (Annex E), four key activities (engineering and feasibility studies, environmental assessment update, technical assistance toward autonomy, and O&M training) are proposed and are briefly described below:

1. Architect and Engineering (A&E) Services (\$11.50 million): Engineering services will be utilized to develop final designs and prepare cost estimates. Costing will be accurate within plus or minus 15 percent. The four activities are: 1) the expansion of the primary treatment plant at Abu Rawash, 2) the augmentation of the Junction and Abu Rawash pump stations, 3) the expansion of the Junction and Abu Rawash culvert systems, and 4) the extension of sewers and collectors into previously unserved areas. Feasibility studies will be performed as necessary.

2. Environmental Studies (\$0.50 million): 22 CFR 216 procedures (AID Environmental Procedures) shall apply to all AID financed projects to ensure that environmental factors and values are integrated into the AID decision making process. All final designs will be completed in conjunction with the updated environmental assessment and modified or expanded as environmental constraints dictate. As per USAID environmental regulation 22 CFR 216 Sec. 216.2.(c)(i) (Categorical Exclusion), the classes of actions under this Project Paper Supplement (PPS) are not subject to the procedures listed in Sec. 216.3. AID/W clearance for a categorical exclusion was received on August 18, 1994 (Annex F). All final designs must be in conformity with USAID environmental rules and regulations (22 CFR 216). An Environmental Assessment (EA) was done at the beginning of the project. USAID will now update this assessment as part of the planned future system expansion. The purpose of the environmental studies will describe the environmental impacts of the various activities for effluent disposal and treatment system expansion and ensure that the assumptions and conclusions of the past are still valid today.

3. Institutional Development (\$6 million): Continued institutional development assistance will provide the GOE with the support it will need to complete implementation of policy reforms, refine budget and capital planning and revenue enhancing methodologies, begin enforcing high strength effluent surcharges, and staff the newly independent wastewater organization.

4. Operation and Maintenance (\$4 million): The current operation and maintenance (O&M) program provides mainly system start up services and training to CGOSD personnel assigned to the new constructed facilities. Additional O&M assistance is necessary to ensure smooth functioning of all facilities until CGOSD staff has gained sufficient experience to oversee all operation and maintenance in an effective manner.

5. Evaluation (\$0.5 million): Construction will be completed and evaluated in 1996. A final project evaluation will be necessary to evaluate the impact of technical assistance on the

institutional development program and operation and maintenance activities. Performance will be assessed related to the project's purpose and goals with particular emphasis on sustainability.

6. Contingency (\$2.5 million): Due to the nature of the activities, 10% of the total PP supplement is set aside for contingency.

III SUPPLEMENTAL IMPLEMENTATION PLAN (See Illustration in Annex G)

The two year project extension will continue the TA component to assist CGOSD implement policy reforms, modify its organization, reinforce O&M training, and add engineering design/analysis on system expansion and update the existing environmental assessment before the next phase of construction.

CH2M-Hill/OMI has a three year institutional support contract (ISC) with CGOSD to strengthen its institutional capacities which end in March 1995. USAID/Cairo intends to extend this contract 18 months to September 1996. Negotiation with a single source waiver will be required to extend the contract as defined in Handbook 11, Chapter 1, Section 2.4.2. Prior to the end of this extended contract, a new two year host country cost plus fixed fee contract will be fully competed to provide the institutional and O&M support services required under the subject amendment through September 30, 1998.

Assuming the GOE has satisfied the conditionality for the obligation of funds for engineering design and studies, USAID/Cairo will enter into a AID direct, Architect and Engineer (A&E) contract for engineering design and environmental studies work required for the implementation of the subject amendment. A&E source selection procedures as defined in FAR Part 36 will be used. The A&E procurement will be initiated with a CBD Notice soliciting standard forms which detail experience and capabilities of interested A&E firms. The firms will be evaluated on the basis of relevant experience and capability using evaluation criteria established in Part 736 of the AIDAR. A cost-plus-fixed-fee type contract will be negotiated with the top ranked firm or joint venture.

An IQC delivery order will be utilized to conduct the final evaluation during the last six months of the project (March-September 1998). Mission will contact USAID/Washington to select an IQC contract and utilize a delivery order for performing an institutional/O&M evaluation of the technical assistance. Alternatively, DIR/CS will compete and award a contract using FAR Part 15 Negotiated Procurement Procedures.

Buy America Considerations

With the exception of audit, the source of all inputs obtained under this project will be AID Geographic 000 as all inputs will be provided through a U.S. contractors. Audit services will be

obtained locally. Since these will be professional services contracts estimated not to exceed \$250,000, local firms will be eligible in accordance with Section 18A1c(4) of Handbook 1B, Chapter 18.

IV SUPPLEMENT CONDITIONALITY

The LOP funding level for this project is proposed to be increased by \$25 million. \$12 million will be immediately obligated for institutional strengthening, operation and maintenance, evaluation and contingency. A condition precedent to obligation of the remaining \$ 13 million is recommended as follows:

On or before January 1, 1996, the GOE must provide in form and substance satisfactory to AID:

(1) Evidence that all revenues of CGOSD, including those derived from wastewater tariffs and service fees, are being fully retained by CGOSD and that CGOSD has full and exclusive authority to disburse such revenues for its operation and maintenance requirements.

(2) Evidence that wastewater tariff rates and service fees should enable CGOSD to generate a minimum of LE 125 million annually, in 1994 LE.

SUMMARY: In FYs 91 and 92, the Mission was faced with cost overruns from other projects. Accordingly, the Mission drew funding from the Special Account to cover local currency costs from certain projects (including the Cairo Sewerage II Project) and used previously allocated dollars. As a result, the Egyptian pound equivalent of \$57 million was "swapped" from the Cairo Sewerage II Project (LOP authorization level: \$ 816 million) leaving \$759 million in dollar funded allocated resources.

The attached PP Supplement No. 03 increases the LOP budget by \$25 million (i.e. from \$759 million to \$784 million) and extends the project assistance completion date (PACD) from September 30, 1996 to September 30, 1998. This LOP budget increase of \$25 million is within the existing project authorization level of \$816 million. The \$25 million will permit an FY94 obligation of \$12 million and conditions an additional \$13 million on GOE recovery and retention of a revenue specific target (i.e. LE 125 million in 1994LE).

Although \$759 million has already been obligated of the \$816 million authorized level, previous Project Authorizations contained language which limited when funds would be obligated based on then current projections. Project Authorization Amendment No. 5 authorizes the extension of the PACD through September 30, 1998 and modifies previous authorization language to ensure consistency with current obligation plans.

This PPS for the Cairo Sewerage II Project has been prepared by DR/UAD in collaboration with PDS/PS for Mission Director review and

approval. As this is considered a routine amendment as defined in Mission Order 3-30, an ExComm review process and revised project analyses are not required. Project Team members and other concerned officers have reviewed the document and agree with the format, content, and presentation. There are no concerns or issues which need discussion or resolution.

AUTHORITY: Under Delegation of Authority (DOA) No. 653, Paragraph 3, the Mission Director has the authority to amend project authorizations without limitation if the amendment does not (a) present significant policy issues, (b) require the issuance of waivers by AID/W, and (c) result in a total LOP in excess of ten years. Under Paragraph 10 of DOA 653, the Mission Director has the authority to extend the PACD without limitation if the extension does not (a) result in a total LOP in excess of ten years, (b) require additional funding, and (c) would not result in a significant change in project purpose.

As this PP Supplement represents a continuation of ongoing institutional reform activities and engineering design to accommodate an increase in wastewater treatment capacity of existing systems, all of the foregoing conditions are satisfied, except the extended LOP will exceed ten years. Therefore, specific AID/W ad hoc redelegation of authority was sought and obtained (Annex H).

RECOMMENDATION: That you sign (1) the attached Project Paper Supplement Face Sheet thereby approving an LOP budget increase of \$25 million and extension of the PACD an additional two years through September 30, 1998, (2) the Fifth Project Authorization Amendment to the Project Authorization (Annex A), and (3) the letter to Chairman Maksoud, CGOSD, (Annex B) which reflects Mission endorsement of the Action Plan and conditions the future obligation of \$13 million on CGOSD retention and achievement of a time specific revenue target.

Approval 

Disapproval _____

Date 9/12/94



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

ANNEX A

FIFTH AMENDMENT
TO THE PROJECT AUTHORIZATION

Name of Country: Arab Republic of Egypt Name of Project: Cairo Sewerage II
Number of Project: 263-0173

1. Pursuant to Chapter 4 of Part II of the Foreign Assistance Act of 1961, as amended, the Cairo Sewerage II Project was authorized on September 24, 1984. The Project Authorization, which was previously amended on March 6, 1985, September 9, 1986, March 13, 1989, and December 29, 1989, is hereby further amended as follows:
 - a. The total amount previously authorized (\$816,000,000) shall be available for obligation until September 30, 1998, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process.
 - b. The planned life of project is fourteen (14) years from the date of initial obligation.
2. Except as hereby amended, the Project Authorization, as previously amended, remains in full force and effect.

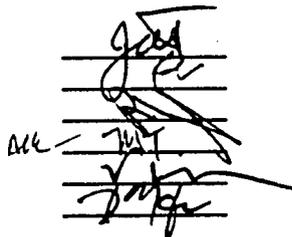


John R. Westley
Director
USAID/Egypt

9/12/94

Date

Clearances:
OD/UAD, JFranckiewicz
AD/DR, FGuyont
AD/PDS, RJordan
AD/FM, DFranklin
AD/LEG, VMoore
DD, DMiller



PWS
DRAFTED:LEG:PSullivan:mf:(8/23/94):5FATH173



CAIRO, EGYPT

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

23 August 1994

General Engineer, Ahmed Abdel Maksoud
 Chairman, Cairo General Organization
 for Sanitary Drainage
 36 Ramses Street
 Cairo, Egypt

Subject: Cairo GOSD Action Plan for Autonomy

Dear Chairman Maksoud:

Thank you for the time and effort that you and your staff expended in the development and preparation of your Action Plan for CGOSD Autonomy of February 26, 1994. My staff and I have reviewed the documentation presented and believe that your Action Plan represents an ambitious but achievable program for transforming CGOSD into an autonomous, self sustained entity.

We are strongly encouraged by the reform activities outlined in your Action Plan and look forward to providing you continued support in achieving these reforms. In this context, I plan to extend the current Project Assistance Completion Date of the present Cairo Sewerage II project from September 30, 1996 to September 30, 1998, and increase the Life of Project funding level by \$25 million bringing the total LOP budget to \$784 million. \$12 million will be obligated in September 1994 to provide continued operation/maintenance training and institutional development support to achieve full recovery of O&M (including emergency rehabilitation reserve) costs and full institutional autonomy by FY1998.

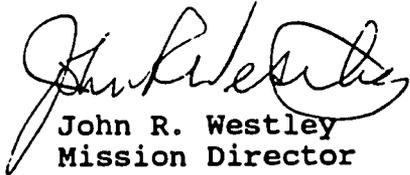
To provide further support to CGOSD in the reform process and ensure that engineering designs are in place for any future expansion needs (as identified in the AMBRIC Strategic Plan), an obligation of the remaining \$13 million is conditioned on CGOSD full retention of revenue and cost recovery of LE 125 million (stated in 1994 terms) on or before January 1, 1996. At that time, USAID would undertake the necessary engineering design services for the new construction work proposed for Cairo Sewerage III.

Following your Action Plan, CGOSD institutional autonomy and full recovery of O&M costs (including emergency rehabilitation) are achievable by 1998. In addition to having detailed engineering designs in place by 1998, full implementation of the reforms must occur prior to USAID considering the provision of assistance for future systems expansion. Achievement of this schedule would represent a strong and positive commitment toward reform and

satisfy our mutual concern regarding the sustainability of current and future investments.

We believe that the actions taken over the next two or three years will be critical to ensuring that the wastewater facilities constructed under the Cairo Sewerage Projects will be efficiently operated and maintained and the systems in place sustained for their full life expectancy. GOSD has taken positive actions to achieve autonomy and continued strong and positive actions will be necessary to achieve GOE and USAID objectives.

Sincerely,



John R. Westley
Mission Director

CC: His Excellency
Omar Abd El Akher
Governor of Cairo

His Excellency
Dr. Mahmoud El Sherif
Minister of Local Administration

GOSD ACTION PLAN for an AUTONOMOUS UTILITY STATUS

Preamble

GOSD is committed to perform as an efficient self-supporting utility capable of providing quality service at a reasonable cost. GOSD recognizes that improvements in management, personnel, information, and financial processes are required, and

GOSD recognizes that becoming financially autonomous requires the utility to also become institutionally autonomous, and

GOSD is committed to the goal of financial viability and institutional autonomy, and

GOSD desired and initiated an establishment of a timetable of actions required to achieve this goal, and

GOSD prepared, discussed, and approved in the Steering Committee and through its Chairman recommended to the Board of Directors an adoption of the enclosed ACTION PLAN, and

GOSD Board of Directors adopted the ACTION PLAN on 26 FEBRUARY, 1994, as enclosed, and

GOSD's Chairman ordered an establishment of a Committee under his leadership to follow up the progress of the ACTION PLAN implementation, to evaluate and analyze the results, and to periodically recommend an update and/or amendment of the plan as necessary. GOSD is committed to meeting the goals and milestones of the ACTION PLAN through actions, measures, and efforts by the Chairman and the staff. GOSD is also committed to working closely with other authorities toward ACTION PLAN objectives but it does not assume responsibility for actions or a lack thereof, or their timing when they are beyond GOSD control.

1. Definition of Autonomous GOSD

To become fully autonomous GOSD will need to be financially viable and fully funded from retained revenues with fees and tariffs established by cost of service studies.

GOSD will need authority to refuse service for non payment and to establish enforceable regulations regarding use and access to the system. GOSD will need the authority to establish its own personnel policies, wages, incentives and disincentives. It will need the authority to establish and modify its organizational configuration.

GOSD cannot be constrained by Central Government codes regarding procurement or selling of spares, commodities or services. GOSD will control the assets of the system and will have the power to purchase or construct additional assets. GOSD will have the authority to pledge

the assets and incur debt in order to provide betterment to the system. The ownership and control of the assets must be clearly stated for public financing.

The degree of full autonomy attained by GOSD will be subject to negotiation with and among the various agencies affected by GOSD becoming autonomous. For instance the Governorates and the MHPU may require a degree of involvement in the tariff establishing process as well as the handling of assets, capital improvements and expansion. Other agencies that are affected may require overview of their interest particularly during the transition from subsidized to financially viable status.

2. GOSD Actions to Become Autonomous

Earlier this year (1993) GOSD developed 15 major actions designed to achieve a status of financial viability and autonomy. The financial autonomy will be achieved when O&M and personnel costs will be offset by a combination of wastewater surcharges and various fees. GOSD must retain these revenues and be capable of paying all operations, maintenance and personnel costs as well as establishing and financing a renewal and replacement program that would offset system depreciation. A draft Action Plan was presented by the GOSD Chairman to USAID in May 1993 for discussion and comments.

However, since then the ISC Wastewater Rate Study and Five Year Financial Plan (Ernst & Young) revealed that, based on newly acquired data and a thorough analysis, GOSD cannot realistically become financially viable in the near term and established the fiscal year of 1998/99 as an achievable target date (Exhibit 2). A revision of the Action Plan became thus necessary.

The major actions required for GOSD autonomy are discussed below and their timing is presented on the attached Exhibit 1. This revised Action Plan was subject to discussion and comments by the GOSD Steering Committee and represents GOSD's commitment to a vigorous pursuit of the goal of financial viability and autonomy.

1. The ISC initial Scope of Work has a number of tasks very important to the achievement of autonomy. The proposed scope of the ISC optional third year is motivated entirely by the objectives of GOSD financial viability and autonomy. Implementation and sustainability of autonomy related tasks completed during the ISC initial two year scope is another important element.

As the efforts to become legally autonomous proceed, GOSD will strengthen its management, operation, maintenance, administrative, financial and training skills to be capable of operating autonomously when it becomes legally possible.

- Action :**
- 1.A. Approve ISC third year workscope and contract amendment. 15 February 1994**
 - 1.B. Complete the review of GOSD Internal Regulations Volumes 1 through 3 (Budgeting/Accounting; Law No.9; Stores) and request concurrence of appropriate authorities. 31 May 1994.**
 - 1.C. Issue internal decrees by the Chairman to implement changes aimed at strengthening GOSD. 1 July 1994.**

- 1.D. **Implement management and organizational changes legally possible under present government regulations as recommended by ISC. 1 December 1994.**
2. **The Five Year Financial Plan identifies the rates and revenues required by GOSD to become financially viable. It also provides a phased plan for the rates to be applied and budgets to be adopted. This plan will be periodically updated to reflect any changes necessary.**
 - Action : 2.A. Submit for approval to the MHPU the phased plan for the user rates increase and request authorization of 1994/95 rates as proposed by the ISC Rate Study (ref. p. V-16, enclosed Exhibit 3). 15 February 1994.**
 - 2.B. Submit for approval to the MOF the 1994/95 budget based on the ISC Five Year Financial Plan (ref. p. IV-6, enclosed Exhibit 4). 15 February 1994.**
 - 2.C. Notify the concerned authorities that for GOSD to achieve the financial viability and to remain eligible for outside capital improvement funding the phased rate increase and the gradual increase in collection rate from government customers from 30 to at least 80 percent over next 5 years is necessary. 1 March 1994.**
 - 2.D. Notify the MOF that in order to properly maintain the existing capital projects a budget earmarked for that purpose (Exhibit 4) needs to be authorized. 1 March 1994**
 - 2.E. Assisted by ISC, refine the Rate Study and the Five Year Plan through collection and analysis of data additional to those available during the initial ISC contract. 31 July 1994**
 - 2.F. Water service rates and wastewater surcharge increases implemented. [GOGCWS action]. Estimated 1 November 1994.**
3. **Vigorous and sustained effort by GOSD toward approval and enactment of the rate increases, based on the ISC Rate Study, will take place.**
 - Action : 3.A. Request meetings with MHPU, MOF, MLA, Governorates and CAOAs where GOSD, assisted by ISC, will present the background for justification of rate increases and increased budget authorization requirement, based on the above cited Study. 15 February - 1 March 1994 request; presentations or a workshop 1 April 1994 - May 1994.**
 - 3.B. Assisted by ISC launch a public awareness campaign aimed at public acceptance of the rate increases. 1 May 1994.**
 - 3.C. Periodically repeat actions under 2A and 2B above to accomplish rate increases and budget authorizations until becoming financially viable.**
4. **GOSD will continue to study and adopt those changes proposed by ISC as well as other self-initiated reforms.**

- Action :
- 4.A. Submit a petition to CAO.A, accompanied by a feasibility study, for designation of GOSD as economic agency permitted to retain its revenues. 1 March 1994
 - 4.B. Assign two financial specialist to GOGCWS billing and collection department to track wastewater billings and collections and to prepare monthly financial reports. 1 April 1994 (begin negotiations).
 - 4.C. Implement the computerization of accounting and the MIS proposed by ISC. 1 July 1994 - 30 June 1995.
 - 4.D. Establish an Economic Analysis Unit responsible to recommend rates on the basis of cost identification, accounting, and financial reporting. Includes recruiting personnel. 1 April 1995.
 - 4.E. Develop, with ISC assistance, an improved Budgeting Process. 1 December 1994.
 - 4.F. Prepare a Facility Master Plan and Capital Improvement Plan. 30 March 1996.
 - 4.G. Consolidate capital planning, designing, and construction of new facilities into one agency. 1 July 1996 - 31 December 1996.

5. The Presidential Decree will give GOSD the authority to work with the agencies affected. The most important are GOGCWS, CAO.A, MOF, MOP, MHPU, Governorates(3), MLA, MOH, MIC, and the MPWWR. Individual meetings with each of the agencies affected are required to gain support and to work out details of how the relationship between the agency and GOSD would change, both during the transition and after gaining the autonomous status. (ISC to assist with preparation and presentations.) The meetings will result in formulation of initial agreements describing new relationships.

Action: Negotiate and prepare draft Agreements with the GOE agencies as follows:

<u>Agency</u>	<u>Nature/Purpose</u>
GOGCWS	<ul style="list-style-type: none"> - Timely transfer of funds to GOSD - Refusal of water service to GOSD's delinquent customers - Timetable for eventual transfer of billing and collection authority to GOSD - Water surcharge increase schedule
CAOA	<ul style="list-style-type: none"> - GOSD reorganization - Arrangements regarding the social insurance system - Implementation of new compensation and incentive system - Promotion based upon job performance - Classification of employees - Job descriptions - All Bab 1 issues
MOF	<ul style="list-style-type: none"> - Schedule for income to equal expenditures - Retention of revenues - Government customers delinquencies - Disposition of existing long term debt

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	<ul style="list-style-type: none"> - Ownership of spares and stored commodities - All Bab 2 issues - Control of assets - Payroll auditing
MOP	<ul style="list-style-type: none"> - Timetable for assumption of capital improvements - Coordination of planning - All Bab 3 issues
MLA	<ul style="list-style-type: none"> - Responsibility and authority of Governorates - Coordination of negotiations among three Governorates - Ownership of community assets
Governorates	<ul style="list-style-type: none"> - Level of service and how determined - Review of accounts of tariffs and accountability - Tariff establishing process - Relationship with CWO - System expansion - Local planning coordination - Definition of renewal and replacement - Fixed assets control - Ownership of right of way - Board of Directors authority and appointments - Performance audits - Personnel exchange mechanisms
MHPU	<ul style="list-style-type: none"> - Technical oversight - Establishing tariffs policy and methodology - Relationship with CWO - Standards of treatment, design and construction - Level of service, reliability - Certification standards - Monitoring of discharges and reporting
MIC	<ul style="list-style-type: none"> - Future distribution of funds
MOH	<ul style="list-style-type: none"> - Effluent standards and monitoring
MPWWR	<ul style="list-style-type: none"> - Drain capacity for effluent discharge - Water quality and stream standards - Effluent standards
Timing:	1 April 1994 through 30 January 1995

6. As it is desirable to measure GOSD's progress in meeting the goals of this Action Plan, GOSD will request USAID to sponsor a workshop under WASH leadership where the progress to date will be analyzed and, if necessary, corrective measures proposed.

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Action : Request USAID to sponsor a WASH workshop by 1 May 1994.
Participate at the workshop. 31 October 1994.

- 7 Once the individual meetings are completed, a workshop designed to bring all the affected agencies together to commit their support for the transition of GOSD to an autonomous agency will be held under the auspices of Cairo Governor and the MHPU. In addition to gaining support, areas requiring coordination among the affected agencies will be identified. Also identified will be areas requiring ministerial action, executive regulations, and enabling legislation.

Action: Prepare for and conduct workshop (ISC assistance). 4 - 5 December 1994.

- 8 Required ministerial decrees and executive regulations will be drafted by GOSD; any enabling legislation required will be drafted for consideration by the Peoples Assembly.

Action: With ISC assistance, draft above documents and discuss with affected agencies. 1 January through 31 March 1995.

- 9 The GOSD Board of Directors will approve an autonomous plan resulting from the meetings, workshop and subsequent negotiations with the affected agencies. The plan will define new relationships with GOE agencies during transitional period and after autonomous status achieved. New GOSD codes and regulations as required to replace those removed by the negotiation process with the affected agencies will be developed and adopted by GOSD.

Action: 9.A. Draft, with ISC assistance, a formal document describing new relationships with GOE agencies (Autonomous Plan).

15 March 1995

9.B. GOSD Steering Committee endorses the Autonomous Plan.

20 March 1995

9.C. GOSD Board of Directors approves the Autonomous Plan.

31 March 1995

9.D. Develop new codes and regulations. 1 April 1995 - 31 December 1995

- 10 Any enabling legislation required is expected to be enacted within one year after introduction. 31 March 1996

11. GOSD begins to enforce collection of high strength effluent surcharge from industrial customers in July 1996.

Action: 11.A. Establish and have fully functional department in GOSD responsible for industrial waste sampling, analysis, monitoring and measuring. Department began functioning, fully operational in December 1994.

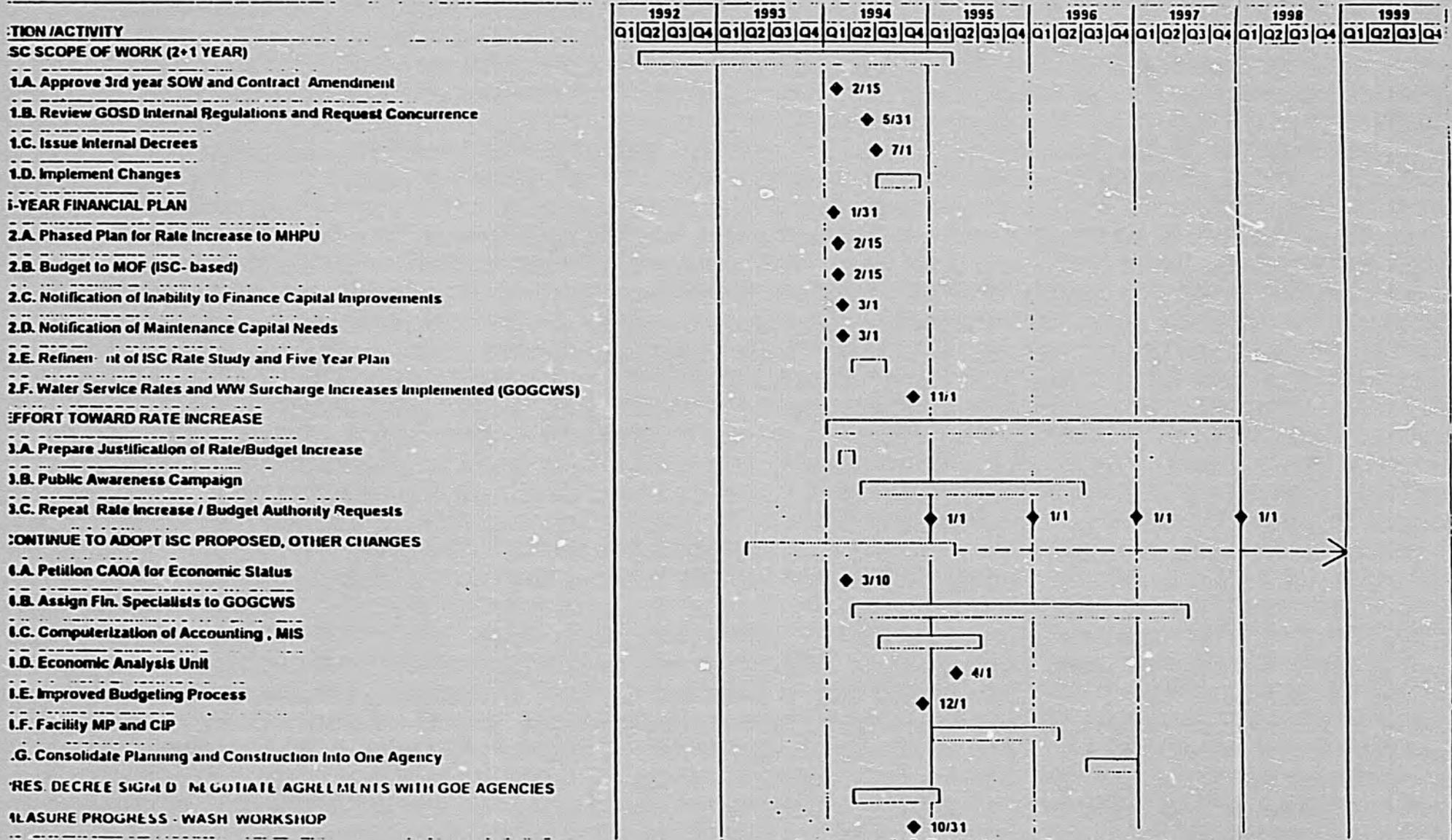
11.B. Adopt a 1-year action plan for the department. Completed (Exhibit 5 enclosed)

- 11.C. Request loan/assistance from the EIB for methodology and materials required to monitor, measure and treat industrial effluent. 15 February 1994
 - 11.D. Develop accurate estimates of flow, strength, and cost of removal at each treatment plant for (among other things) establishment of high strength surcharge. 1 July 1994 through 30 June 1995.
12. The estimated timing for GOSD income to equal costs ("economic") is early in 1998/99 fiscal year. Systems will be run in parallel for one year for testing and debugging before becoming autonomous.
- Action:
- 12.A. Begin financing salary costs from revenues collected. 1 July 1997.
 - 12.B. Begin financing capital maintenance projects costs from revenues collected during FY 1997/98. 1 June 1998
 - 12.C. Establish Regional Cost Centers. 1 July 1998.
13. GOSD will complete the transition and become an autonomous agency for all but new capital projects early in 1999/2000 fiscal year.
14. In 2005 the autonomous GOSD is expected to be strong enough financially to incur debt and finance new capital projects through public and private financial mechanisms.

OV-2405.re3

GOSD ACTION PLAN FOR AUTONOMY

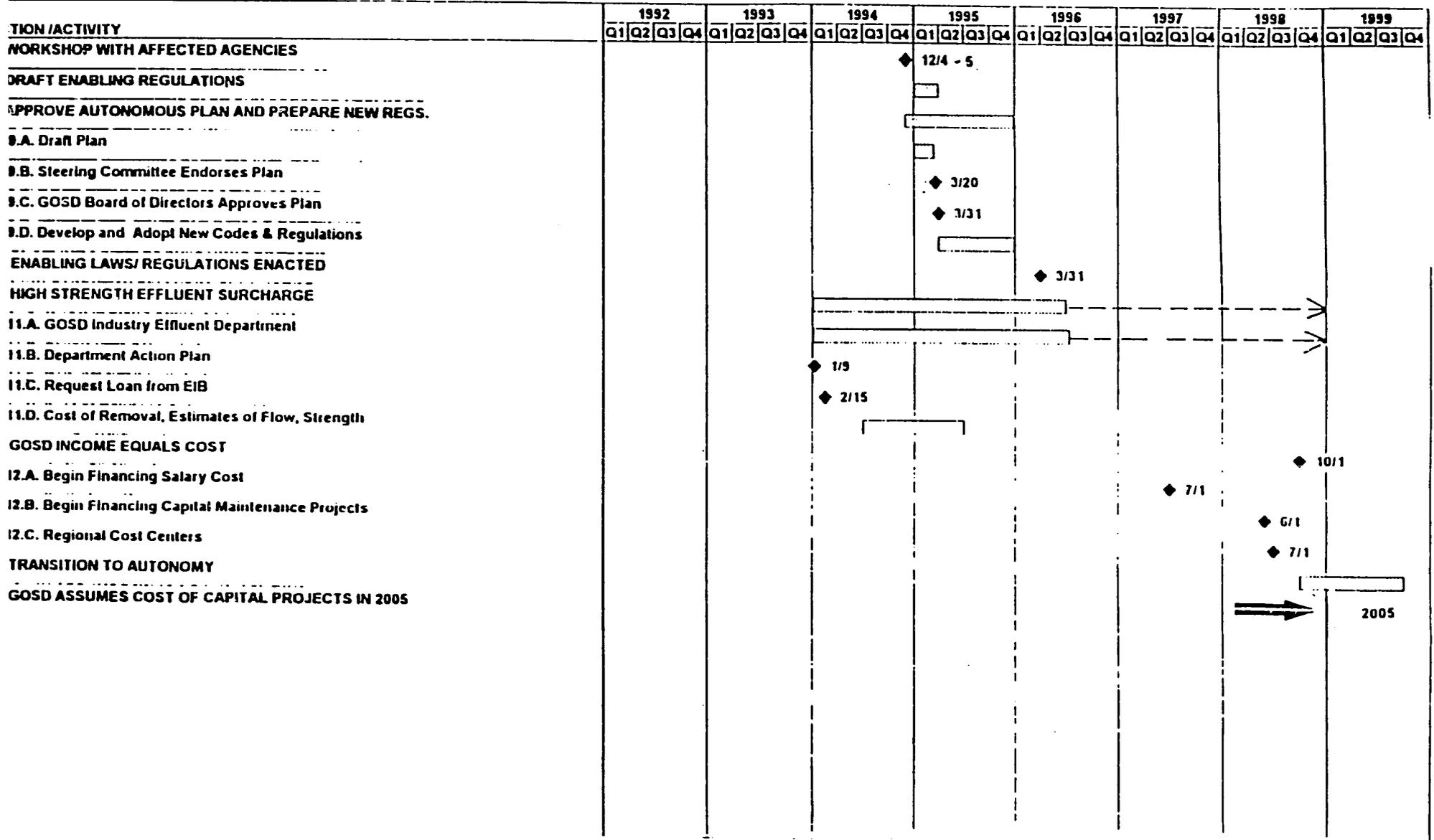
EXHIBIT 1



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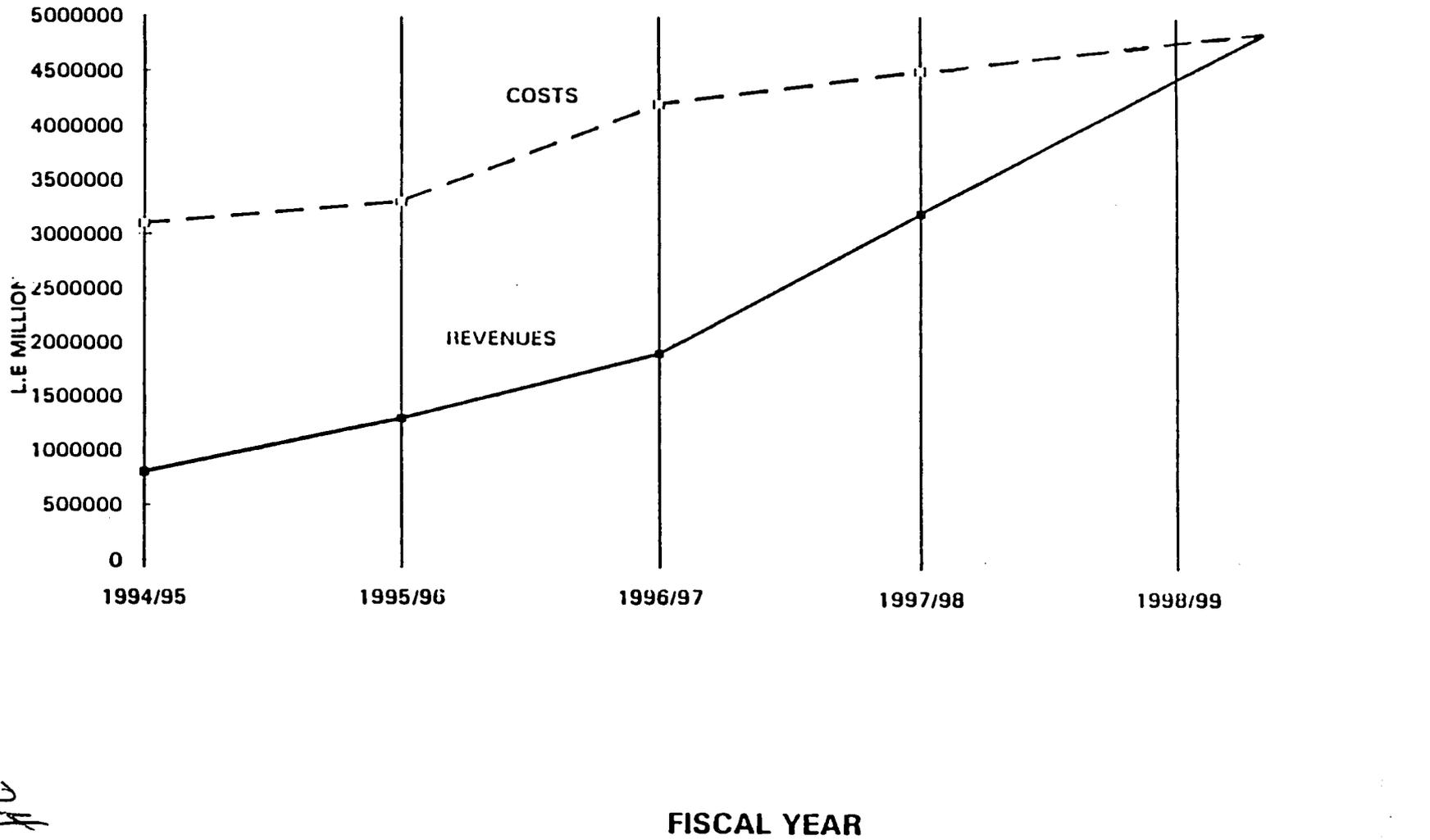
GOSD ACTION PLAN FOR AUTONOMY

EXHIBIT 1 (Cont'd)



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AUTONOMOUS GOSD



HC

Recommended Wastewater Charges per Cubic Meter
(Piastres per Cubic Meter)

Customer Class	Fiscal Year				
	1994/95	1995/96	1996/97	1997/98	1998/99
1. Domestic					
0-60 cubic meters	3.50	5.00	7.50	11.00	16.50
>60 cubic meters	5.20	7.80	11.70	16.90	24.70
2. Government	20.00	30.00	46.00	69.00	107.00
3. Small Factories and Shops	20.70	29.90	44.85	67.85	96.60
4. Large Industrial Factories	26.35	35.65	49.60	69.75	96.10
5. Tourism and Investment	41.25	52.25	68.75	85.25	107.25
6. Worship and Charities	6.40	8.00	10.40	13.20	16.80
7. Sports Clubs and Embassies	11.05	16.25	24.05	37.70	52.00

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System-Wide Full Utility Costs by Line Item
(LE 000s)

Cost Category	Fiscal Year				
	Projected				
	1994/95	1995/96	1996/97	1997/98	1998/99
Salaries					
Direct Project Salary Costs	13,762	15,669	18,646	19,952	21,348
Direct Regional Salary Costs	26,264	28,102	30,069	32,174	34,426
Indirect Administrative Salary Costs	15,967	17,084	18,280	19,560	20,929
Total Salary Costs	<u>55,993</u>	<u>60,855</u>	<u>66,995</u>	<u>71,686</u>	<u>76,703</u>
Operations and Maintenance					
Direct Project Operating Costs					
Electricity	76,045	95,289	142,158	157,629	177,083
Fuels, Lubricants, and Chemicals	13,817	21,182	34,879	38,369	42,218
Spare Parts and Other Consumables	19,179	21,097	30,073	33,079	36,387
Other Direct Project Operating Expenses	1,433	1,576	1,766	1,942	2,137
Direct Regional Operating Expenses	802	883	971	1,068	1,175
Total Operations and Maintenance Costs	<u>111,276</u>	<u>140,027</u>	<u>209,847</u>	<u>232,087</u>	<u>259,000</u>
Capital Costs					
Maintenance Capital Projects	114,325	123,355	132,386	141,416	150,446
New Capital Projects	6,851	13,702	20,553	27,404	34,255
Existing Capital Projects	1,230	1,230	1,230	1,230	1,230
Reserve Fund Contributions:					
Operating	2,669	5,416	12,461	4,276	5,092
Debt Service	8,081	6,851	6,851	6,851	6,851
Total Capital Costs	<u>133,156</u>	<u>150,554</u>	<u>173,481</u>	<u>181,177</u>	<u>197,874</u>
Total Expenditures	<u>300,425</u>	<u>351,436</u>	<u>450,323</u>	<u>484,950</u>	<u>533,577</u>

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GOSD Industrial Effluent Control Action
Plan for the Year 1994

1. Establish and have fully functional GOSD department for industrial effluent (January - December 1994)
2. Construct and fully equip a new laboratory in Heliopolis (January - August 94)
3. Modify and develop Dayoura Laboratory (South Cairo) (January - June 94)
4. Establish a reliable Data base covering all factories and maintaining special program concerning the Data base for each factory. (January - December 1994)
5. Completion and furnishing the equipment required by terms of the industrial effluent committee in Helwan. (January - June 94)
6. Finalizing law No.93 for the year 1962 amendments. (January - February 94)
7. Preparation of a conference to the owners of factories in Shobra El Kheima. (January - February 94)
8. Statistical of all the factories located in Shobra El Kheima. (January 94)
9. Survey of the industrial waste in Shobra El Kheima (January - December 94)
10. Controlling operation of the treatment plants in factories. (January - December 94)
11. Periodical analysis of samples extracted from industrial effluent collected from the factories in Greater Cairo. (January - December 94)
12. Low interest loans for treatment of industrial effluent of factories. (January - August 94)

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AH-2438

ANNEX D

PROJECT DESIGN SUMMARY

Life Of Project

From FY 85 to FY 98

LOGICAL FRAMEWORK

Total U.S. Funding: \$ 816 m

Date Prepared: 08/21/1994

Project Title and Number: Cairo Sewerage II Project (263-0173)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTION
<p><u>Goal:</u> To improve the present and future public health and environmental situation for the population of the West Bank of Cairo</p>	<ul style="list-style-type: none"> - Reliable wastewater system established. - Population of 4 million served by improved sewerage collection and treatment systems. 	<ul style="list-style-type: none"> 1- USAID monitoring and evaluation system. 	<ul style="list-style-type: none"> - Improved sewerage system contributes to improve health conditions. - GOE continues to identify and support sewerage system expansion as a high priority social and economic goal. - Policy reform accepted by GOE. - GOE actively cooperates with CGOSD
<p><u>Purpose:</u> To expand and develop sustainable wastewater collection, treatment and disposal facilities on the West Bank of Cairo.</p>	<ul style="list-style-type: none"> - Infrastructure constructed and operated as designed effectively meeting environmental concerns. - CGOSD operating autonomously by September 1998. 	<ul style="list-style-type: none"> - Contractors reports. - USAID monitoring and evaluation system. - Site visits and inspections by USAID. - GOE records. 	<ul style="list-style-type: none"> - GOE has political will to transform CGOSD to a self-sustaining entity.

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTION
<p>Outputs:</p> <p>1. Wastewater treatment plants, collectors, pumping stations with designed operating capacity functioning as a portion of an improved and expanded sewerage system.</p> <p>2. Sustainable institutional framework for CGOSD established.</p> <p>3. GOSD financial viability achieved</p> <p>4. Environmentally sound future system expansion designed</p>	<p>Magnitude of Outputs:</p> <ul style="list-style-type: none"> - By 1991; Zencin WWTP rehabilitated including secondary treatment. - By 1992; Abu Rawah WWTP for primary treatment constructed. - By 1993; 8 pump stations completed and 18.6 kms of culverts constructed. - By 1994; 31 kms of collectors constructed. - By 1996; 1040 kms of lateral sewers constructed, and 73,590 house connection chambers completed. - By 1996: <ul style="list-style-type: none"> o All legal impediments removed permitting CGOSD autonomy. o CGOSD has autonomy to structure tariffs o New law approved by People's Assembly o CGOSD admin./fin. system restructured and fully operational. - By 1998: <ul style="list-style-type: none"> o 100% O&M costs recovered through revenue generation o All CGOSD employees paid solely by revenues generated - By 1995:: CGOSD retains 100% revenue generation in a separate account - By 1998: CGOSD recovers and retains 100% of recurring costs(O&M and emergency rehabilitation) - By 1998: Prefeasibility studies and designs completed o By 1997: Environmental Assessment (EA) of all technical alternatives updated o By 1998: feasibility studies and detailed design completed 	<ul style="list-style-type: none"> - A&E monthly reports - Site visits and inspections by USAID - GOE records 	<p>For Achievement Outputs</p> <ul style="list-style-type: none"> - GOE meets all financial obligations as planned - GOE ministries and agencies support CGOSD in the implementation of its action plan in timeframe prescribed. - Presidential Decree for CGOSD autonomy signed results in legal and administrative reforms needed to achieve autonomy. - Central government subsidy reduction on schedule - GOSD achieves LE 125 million toward 100% cost recovery

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTION																		
Inputs: - Construction Swapped Fund - Special Account - Engineering - Training and O&M Support - Studies <p style="text-align: right;">Total</p>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Implementation</th> <th style="text-align: left;">Target (Type and Quantity)</th> </tr> <tr> <th style="text-align: left;">USAID (Mil)</th> <th style="text-align: left;">GOE (Mil)</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$</td> <td style="text-align: right;">LE</td> </tr> <tr> <td style="text-align: right;">618.0</td> <td style="text-align: right;">384.459</td> </tr> <tr> <td style="text-align: right;">118.7</td> <td style="text-align: right;">187.400</td> </tr> <tr> <td style="text-align: right;">32.5</td> <td style="text-align: right;">67.000</td> </tr> <tr> <td style="text-align: right;">1.8</td> <td style="text-align: right;">8.000</td> </tr> <tr> <td style="text-align: right;"><u>771.0</u></td> <td style="text-align: right;"><u>7.000</u></td> </tr> <tr> <td style="text-align: right;">771.0</td> <td style="text-align: right;">653.859</td> </tr> </tbody> </table>	Implementation	Target (Type and Quantity)	USAID (Mil)	GOE (Mil)	\$	LE	618.0	384.459	118.7	187.400	32.5	67.000	1.8	8.000	<u>771.0</u>	<u>7.000</u>	771.0	653.859	<ul style="list-style-type: none"> - Grant Agreement - Contract Documentation - USAID financial records - GOE financial records 	For providing inputs <ul style="list-style-type: none"> - Conditions Precedents and Covenants are met - Foreign exchange and local currency are available as budgeted
Implementation	Target (Type and Quantity)																				
USAID (Mil)	GOE (Mil)																				
\$	LE																				
618.0	384.459																				
118.7	187.400																				
32.5	67.000																				
1.8	8.000																				
<u>771.0</u>	<u>7.000</u>																				
771.0	653.859																				

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ANNEX E

REVISED FINANCIAL PLAN

Activity	Estimated Cost \$ (000)
<u>1. Engineering - Design/Cost Estimate</u>	
a) Final design for the expansion of Abu Rawash WWTP	4,500
b) Final design for pump stations and culvert	2,500
c) Final design for the expansion of collection system	4,000
d) Feasibility studies	500
e) Contingency	1,000
2. Environmental assessment Studies	500
<u>3. Institutional Technical Assistance</u>	
a) Institutional support and training	6,000
b) Operation and Maintenance support	4,000
c) Evaluation	500
d) Contingency	1,500
T O T A L	25,000

NOTES: Estimates for the above items based on DR/UAD engineering estimate and previous experience in design and institutional reform activities under other wastewater projects.

CAIRO SEWERAGE II FINANCIAL PLAN

PROJECT NO. 263-0173

AID Grant

Millions of U.S. Dollars

	<u>Previous⁽¹⁾ Obligations</u>	<u>This Amendment</u>	<u>Total Oblig. to Date</u>	<u>Estimated Lop Budget</u>
Construction	618.00	0	618.00	618.00
Engineering	118.70	0	118.70	131.70
Studies	1.30	0.50	1.80	1.80
Training and O&M Support	21.00	11.50	32.50	32.50
Total	759.00	12.00	771.00	784.00

**Government of Egypt Contribution
Millions of Egyptian Pounds
By GOE Fiscal Year (FY)**

	<u>84/85 Through 93/94</u>	<u>FUTURE YEARS</u>	<u>ESTIMATED LOP BUDGET</u>
Construction ⁽²⁾	559.204	12.655	571.859
Engineering	43.827	23.173	67.000
Training and Support	1.000	7.000	8.000
Studies and Support	2.000	5.000	7.000
Total	606.031	47.828	653.859

(1) Reflects realignment of project budget by Project Implementation Letter No. 64.

(2) This amount includes:

- a) LE 187.4 million (equivalent of \$57 million) which were provided from the GOE-owned Special Account.
- b) LE 240 million (cost of land) granted by the Egyptian Government for the Project Construction.



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

RECORD OF CATEGORICAL EXCLUSION FROM USAID ENVIRONMENTAL PROCEDURES

Project Location: Egypt

Project Title/ID: Cairo Sewerage (CS) II Project Paper Supplement # 3 (263-0173)

Funding (Fiscal Year and Amount): FY94 - FY98 \$25,000,000 (total LOP budget increase)

Prepared By:

Date:

Seifalla Hassanein

8.16.94

Seifalla Hassanein Environmental Specialist, PDS/ENV

Environmental Action Recommended: Categorical Exclusion as per 22 CFR 216.2(c)(1)(i) and (c)(2)(i)

Associate Mission Director's Concurrence:

Date:

William Smith

8/17/94

William Smith, A/AD/DR

Decision of Environmental Coordinator, Bureau for the Near East:

Approved:

Date:

Clearances:

- EWashington, PDS/ENV
JFrankiewicz, DR/UAD
CDerrick, PDS/PS
RRhoda, OD/PDS/ENV
PSullivan, LEG
ANewman, AOD/DR/UAD

- EW Date: 8-16-94
JF Date: 8/16/94
CD Date: 8/16/94
RR Date: 8/16/94
PS Date: 8/17/94
AN Date: 8/17/94

RECORD OF CATEGORICAL EXCLUSION
FROM USAID ENVIRONMENTAL PROCEDURES

1. Project Location: Egypt
2. Project Title/ID: Cairo Sewerage (CS) II
Project Paper Supplement # 3
(263-0173)
3. Funding (Fiscal Year and Amount): FY94 - FY98 \$25,000,000
(total LOP budget increase)
4. Prepared By: Date:

Seifalla Hassanein 8.16.94
Seifalla Hassanein
Environmental Specialist, DR/UAD
5. Action Recommended: Categorical Exclusion as per 22 CFR
216.2(c)(1)(i) and 216.2(c)(2)(i)
6. Discussion of Major Environmental Relationships of Project

Background

This Project Paper (PP) Supplement extends the PACD of the Cairo Sewage (CS) II project an additional two years through September 30, 1998 and increases the LOP Budget by \$25 million. The Supplement obligates \$12 million to support the Cairo General Organization for Sanitary Drainage (CGOSD) in its transformation toward a self-sustaining utility. The Supplement also conditions a subsequent obligation of \$13 million for the engineering designs required for future system expansion upon CGOSD meeting certain policy reform benchmarks.

The PP Supplement will therefore finance the foreign exchange costs of: (a) increased technical assistance in connection with the operation, maintenance and training of current CGOSD facilities in Cairo; (b) detailed investigations, feasibility studies, and refined cost estimates for the expansions in the collection, treatment and disposal systems for the next expansion of the project outlined in the 1992 Master Plan; (c) an update of the 1982 Environmental Assessment focussing on the proposed engineering design activities in this amendment; (d) final engineering designs for pump stations, conveyance culverts, collectors and the Abu Rawash wastewater treatment plant expansion; and (e) final project evaluation of the institutional support component.

Discussion

The activities in this Project Paper Supplement will not involve activities that have a harmful effect on the natural or physical environment. The inputs for this Supplement are: technical assistance for facilitating institutional reforms and training; feasibility studies; an update of an existing environmental assessment; engineering designs for expanding a wastewater collection and treatment system; and a final project evaluation. While no construction work will be undertaken under this Supplement, the final engineering designs for the wastewater collection and treatment facilities are components of activities that will have an impact on the environment when they are constructed. Therefore, this PP Supplement will finance an update of the original project environmental assessment (EA). This EA update will be undertaken in parallel with the engineering design process to assist in the selection and development of the most suitable design alternatives.

Since the project supplement activities have no harmful effect on the natural and physical environment, therefore, all the project supplement activities qualify for Categorical Exclusion according to 22 CFR 216.2 (c)(1)(i) "The action does not have an effect on the natural or physical environment" and 22 CFR 216.2 (c)(2)(i) "Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.)". Therefore, the proposed project supplement is categorically excluded from further environmental review. Neither an initial environmental examination or an environmental assessment is required to approve the funding and implementation of this Supplement.

Any future USAID funding for the construction of the expansion of Abu Rawash and the collection system will require the review and approval of the EA update financed under this Supplement. Therefore, in order to prevent delay in the approvals of a follow-on construction project, we recommend that the Bureau Environmental Officer reviews the updated EA before the selected engineering firm completes detailed engineering designs and tender documents. This early approval will insure that no future changes will be required to the working drawings and tender documents of the proposed expansion as a result of the EA review.

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