

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB6529

Project Name	Egypt Emergency Labor Intensive Investment Project
Region	MIDDLE EAST AND NORTH AFRICA
Sector	Other social services (100%)
Project ID	P126339
Borrower(s)	GOVERNMENT OF EGYPT
Implementing Agency	Ministry of Planning and International Cooperation
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD
Date PID Prepared	March 30, 2012
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1. Key Development Issues and Rationale for Bank Involvement

The deteriorating security situation and uncertainty following the January 25, 2011 Revolution has slowed down economic activity, and increased poverty and unemployment. On February 11, 2011, President Hosni Mubarak resigned from the Presidency of Egypt as a result of a people's revolution that erupted on January 25, 2011. As Egypt is going through a transitional stage of political and economic uncertainty, there have been significant increases in unemployment rates, from 9.6 percent before the revolution to 12.4 percent in December 2011, increasing by 3.5 percent since last year, and poverty rates also increased from 21 percent in 2009 to 25 percent during the same period. Unskilled and semi-skilled workers, especially those who are already unemployed, will be more vulnerable as they are among the poorest segments of society. This may add to the complexity of the transition and could be a trigger for continuing social unrest, hence the urgency of addressing this important issue.

This effect is compounded by the return to Egypt of migrants who were working and living in Libya. These migrants who remain in Egypt account for an increase in unemployment by an additional 0.6 percent. This has been aggravated as more migrants return to Egypt as a result of the unrest that is occurring in other Middle Eastern countries.

Specifically, the implications for the Egyptian economy of the crisis in Libya are significant. Libya is the top destination within the region for Egyptian youth, with 38 percent of youth having migrated to Libya, followed by 29.4 percent to Saudi Arabia. Official figures state that by March 22, 2011, about 147,900 Egyptians had returned to Egypt from Libya. The profile of Egyptian workers in Libya can be described as follows: (i) most come from rural areas (85 percent) from Lower and Upper Egypt; (ii) they tend to have only a basic level of education, with 25 percent being illiterate, and another 24 percent with a vocational education. Only fifteen percent have a general secondary high school or university background.

The expected increase in unemployment and underemployment adds to the complexity of an already existing problem of high unemployment and increasing poverty rates. Loss of employment is the most prominent cause of households falling into poverty. The sudden economic slowdown in the context of accelerating inflation in 2008/2009 reversed the gains in poverty reduction achieved during the period of rapid growth before 2008/2009. At the same time, the incidence of extreme poverty (the inability to meet basic food needs) increased by about 20 percent, as high inflation and rising food prices eroded the

purchasing power of the population. This has created an additional strain on the economy's demand for labor. As a result, extreme and absolute poverty actually increased: as many as 5.1 million Egyptians were severely food deprived in 2008/09 (double the number in 2004/05), and absolute poverty increased from 19.6 percent to 22 percent. During the period 2008/09, 31 million Egyptians (around 40 percent of the population) were poor or near poor. The 2008/09 period was also characterized by a dramatic reduction in opportunities to get out of poverty.

Currently, the Egypt safety net system is comprised of two main programs: (i) the food subsidy program; and (ii) the cash transfer program. The public works program, although implemented by the Social Fund for Development (SFD) for the last 20 years, was not formally considered as a Government's formal safety net program. Increases in budget allocations during the last few years and changes introduced in the design of Egypt's safety net have focused on expanding the food subsidy program and, to a lesser extent, the cash transfer program.

As both unemployment and poverty rates increased by the end of 2011 as a result of the slowing of Egypt's economic growth, Egypt is facing a crisis that requires an emergency intervention such as public works. To address similar situations, several countries have adopted Public Works Programs (PWP) to provide immediate short-term employment opportunities. While this project is designed to meet the needs of the emergency situation, it should also help build the institutional capacity for PWP in Egypt, a tool that is likely to be used frequently in the medium term. The inclusion of PWP as an essential part of Egypt's safety net was recommended by the Bank as early as 2005, to be scaled up and down quickly to respond to shocks based on the country's situation. Given the effects of the January 25th revolution and the return of the Egyptian migrants from Libya, this program will be much needed in Egypt.

Government Response

The Government of Egypt (GoE) is planning to implement a PWP for Egypt that would adopt labor-based methods to address Egypt's short-term needs on an emergency basis to generate job opportunities. The proposed project fits well with this strategy.

The proposed project will be implemented by the Social Fund for Development (SFD). The SFD is a legally autonomous, permanent and well established development organization with a 20-year track record of providing support to needy and underserved communities. In 1999, the SFD obtained a permanent mandate to focus on job creation. The SFD is able to manage considerable amounts of donor resources through grants and loans from more than 20 multilateral and bilateral donors. The World Bank has been a lead agency in developing and supporting the SFD and has granted three IDA credits to the SFD, totaling US\$310 million during the period 1992-2005. In addition, the SFD, with the Ministry of Health and Population (MOHP), jointly implemented the IDA-financed Population Project (Cr. 2830, closed in 2005). The SFD also is the implementing entity for the Enhancing Access to Finance for Micro and Small Enterprises Project (Ln. 7850-EG, approved March 25, 2010).

The SFD is well-placed to implement this project, as a well-established institution with significant experience in interventions that provide services and employment to the poor, and with an increasing focus on community participation, cooperation with NGOs, and decentralization. Since 1992, about EGP 1.8 billion worth of projects have been implemented by SFD in infrastructure under its Community and Human Development Department. In the area of public works, the SFD currently implements two projects, one financed by the European Commission and another by the Kreditanstalt für Wiederaufbau (KfW) Development Bank.

Rationale for Bank Involvement

The GoE has requested the Bank's technical and financial support in the design and implementation of a PWP for Egypt. The program would adopt labor-based methods in order to address Egypt's short-term needs by generating job opportunities for the unemployed unskilled and semi-skilled workers. This program is envisaged to provide income support to vulnerable groups. A secondary objective would be the creation and/or maintenance of infrastructure and community assets using labor-intensive construction techniques.

The Bank has the technical knowledge and long term experience in supporting PWPs as an important component of the overall safety net package in many IBRD and IDA countries, including Egypt. The Bank, following its guidelines for Rapid Response to Crisis and Emergencies (OP 8.00), would be the only international development organization capable of responding to the needs of the country within a short time period.

2. Proposed Objective(s)

The Project Development Objective (PDO) is to create short-term employment opportunities for unemployed unskilled and semi-skilled workers in selected locations in Egypt.

3. Preliminary Description

Component 1: Employment-Intensive Sub-projects (US\$198 million)

This component would include provision of grants to sponsoring agencies to carry out, by governorate and local authorities, sub-projects consisting of small-scale infrastructure public works including, but not limited to, the following activities: canal cleaning and protection, school rehabilitation, housing, and rural roads.

This component would also include provision of grants to sponsoring agencies to carry out, by communities, sub-projects consisting of community services including, but not limited to, solid waste collection, early childhood education, outreach for maternal and child health, nutrition, population services and youth employment in rural and urban settings.

Component 2: Implementation Support (US\$2 million)

26. This component would include provision of project implementation support, including project management, public information and communication, technical verification and quality assurance, monitoring and evaluation, and social accountability mechanisms.

4. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Piloting the Use of Borrower Systems to Address Environmental and Social Issues in the Bank-Supported Projects (OP/BP 4.00)		X	
Environmental Assessment (OP/BP 4.01)	X		
Natural Habitats (OP/BP 4.04)		X	
Pest Management (OP 4.09)		X	
Physical Cultural Resources (OP/BP 4.11)		X	
Involuntary Resettlement (OP/BP 4.12)		X	

Indigenous Peoples (OP/BP 4.10)		X	
Forests (OP/BP 4.36)		X	
Safety of Dams (OP/BP 4.37)		X	
Projects in Disputed Areas (OP/BP 7.60)*		X	
Projects on International Waterways (OP/BP 7.50)		X	

The proposed environmental category is “B.” OP 4.01 is triggered. The Task Team has prepared an Environmental and Social Screening and Assessment Framework (ESSAF) to address, in a sound environmental manner and in line with the World Bank’s safeguards policies, any likely negative environmental impacts potentially resulting from the sub-project activities.

The sub-projects of the proposed Project are likely to result in a number of positive environmental and socio-economic impacts. All of the sub-projects are expected to generate employment opportunities and improve income generation for many individuals as well as improve the living conditions and livelihoods, especially for those representing the low or poorest segments of society in targeted areas and communities. This includes the improvement of housing conditions and solid waste collection for the poor will lead to positive health and environmental impacts. However, despite the substantial positive environmental impacts that will result from the implementation of the sub-projects, there may still be some negative environmental impacts though potentially minor and not significant.

Consistent with the World Bank OP/BP 8.00, an ESSAF has been developed to ensure compliance with the Bank’s safeguard policies during project implementation. The ESSAF provides general policies, guidelines, codes of practice and procedures to be integrated into project implementation. The ESSAF also identifies the types of environmental assessment instruments that are suitable for each sub-project after initial approval. The ESSAF has been developed specifically for ensuring environmental due diligence for all the sub-projects funded by this Project. It is intended to ensure that, for all activities financed by the proposed Project, all efforts are made to avoid and minimize environmental and social impacts; and where they cannot be avoided, that these impacts are identified and the necessary mitigation measures are developed and implemented following the relevant Egyptian laws as well as the World Bank policies. In addition, the ESSAF is to assist the SFD in screening all the sub-projects for their likely environmental impacts, identifying documentation and preparation requirements.

Most of the proposed sub-projects are likely to focus on canal weed reduction and protection of river banks, rehabilitation of rural housing, maintenance of rural roads, school rehabilitation, and solid waste collection. Individual sub-projects will be screened and assigned the appropriate environmental categorization and environmental due diligence will be conducted in accordance with OP 4.01.

Considering the nature and magnitude of potential environmental impacts from relatively limited scale and magnitude of reconstruction works, sub-projects classified as “B” or “C” will be financed by the Project. Any sub-projects classified as category ‘A’ will not be eligible for funding under this operation.

While ensuring due diligence in managing potential environmental risks, one has to recognize the emergency nature of the proposed Project which aims at providing assistance towards creating or maintaining infrastructure using labor-intensive techniques. Given that, the ESSAF is based on the following principles:

- The proposed operation will support multiple sub-projects, the detailed designs of which may not be known at appraisal. To ensure effective application of the World Bank’s safeguard policies,

* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

the ESSAF provides guidance on the approach to be taken during implementation for the selection and design of sub-projects and the planning of mitigation measures;

- The proposed project supports only environmental category “B” or “C” sub-projects as per the World Bank classification for safeguards;
- No sub-projects entailing resettlement will be eligible for funding under the Project as per the World Bank policy OP/BP 4.12.; and
- No sub-projects that involve the use or pollution of international waterways will be financed under this Project;
- Sub-projects entailing weeding activities shall be manual weeding (i.e., by hand) and will not involve the use of pesticides. As a result, World Bank OP 4.09 is not triggered; and
- Consultation and disclosure requirements will be simplified to meet the special needs of these operations. The ESSAF will be shared with and disclosed in the SFD and relevant governorates in Egypt as well as in the World Bank InfoShop.

5. Tentative Financing

Source:	(US\$ M)
Borrower	0
International Bank for Reconstruction and Development	200
Total	200

6. Contact Point

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