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Report No. P-3067-EGT

REPORT AND RECOMMENDATION

OF THE

PRESIDENT OF THE

INTERNATIONAL DEVELOPMENT ASSOCIATION

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED CREDIT

TO THE

ARAB REPUBLIC OF EGYPT

FOR A

BEHEIRA PROVINCIAL POTABLE WATER SUPPLY PROJECT

May 12, 1981

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ARAB REPUBLIC OF EGYPT

Currency Equivalents

Currency Unit	:	Egyptian Pound (LE) - 100 Piasters (Pt)
1 Egyptian Pound (LE)	:	US $1.43
1 US Dollar ($)	:	LE 0.70
1 SDR	:	US $1.228522

Fiscal Year

(Arab Republic of Egypt and BWC)

July 1 to June 30

Abbreviations

AWGA	:	Alexandria Water General Authority
BWC	:	Beheira Water Company
GOPW	:	General Organization for Potable Water
GOSSD	:	General Organization for Sewerage and Sanitary Drainage
NWSA	:	National Water and Sewerage Authority
ODA	:	Overseas Development Agency
PIU	:	Project Implementation Unit
USAID	:	United States Agency for International Development

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ARAB REPUBLIC OF EGYPT

BEHEIRA PROVINCIAL WATER SUPPLY PROJECT

CREDIT AND PROJECT SUMMARY

Borrower:	Arab Republic of Egypt
Beneficiary:	Beheira Water Company (BWC), General Organization for Potable Water (GOPW) in the Ministry of Housing, Reconstruction and Land Reclamation
Amount:	SDRs 46.1 million (about $56.6 million equivalent) including SDRs 1.3 million (about $1.6 million equivalent) to refinance a water supply engineering credit (S-20-EGT).
Terms:	Standard
On-lending Terms:	SDRs 43.2 million (about $53 million equivalent) of the credit would be onlent to BWC at an interest rate of 6 percent for 20 years plus six years of grace. The remainder would be retained by the Government for national training and health education components and used to refinance a water supply engineering credit.
Project Description:	The project supports the Government's policy to decentralize responsibility for basic services to the governorates and would introduce improved cost recovery and financial policies in the sector. It would provide physical facilities and technical assistance to a newly established agency in the Beheira Governorate (BWC). It would rehabilitate and expand facilities in Beheira to meet suppressed demand for safe, reliable drinking water and provide for the requirements of future population growth. The project consists of the following components to assist BWC: (i) extension of two existing plants and construction of four new water treatment plants; (ii) installation of trunk water mains as well as additional storage and pumping facilities; (iii) rehabilitation of existing treatment plants at 9 locations and 106 boreholes and wells including the installation of new chlorination equipment; (iv) leak detection and repair of selected sections of the existing distribution system with serial extensions as required; (v) rehabilitation of about 4000 public standpipes with provision of proper drainage facilities to reduce current pollution risks; (vi) provision of headquarters and five district

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center buildings, staff housing, vehicles and equipment; and (vii) procurement and installation of meters for all house and standpipe connections. The project would also assist the establishment of a national water supply training center with staff and student accommodation as well as funds for the purchase of equipment and vehicles, and a small program to assist health authorities develop health measures complementary with project objectives. Finally, consultants services for management, engineering and training are included in the project to assist BWC during its formative period and to help establish the national training center. While the project is technically straightforward, it aims at fundamental institutional reform and, hence, faces more than ordinary managerial risks. It has been, however, throroughly prepared, and the technical assistance provided under the project should help minimize the risks.

Estimated Project Costs:	US$ Million		
	Local	Foreign	Total
Rehabilitation, distribution	1.66	3.13	4.79
Rehabilitation, source works	3.12	3.95	7.07
Meter replacement rehabilitation wells and standpipes	3.28	2.80	6.08
Water treatment plants	13.52	8.44	21.96
Borehole, pumps and storage	0.77	0.83	1.60
Iron, manganese removal plant and storage	0.19	0.23	0.42
Trunk mains and distribution	7.94	9.73	17.67
System storage	1.62	1.34	2.96
H.Q. buildings, offices and Housing	0.83	1.45	2.28
Chlorination equipment	0.36	0.57	0.93
Electrical connections	0.91	0.30	1.21
Telecommunications	0.05	0.27	0.32
Training center & equipment	0.89	0.50	1.39
Land Acquisition	5.00	-	5.00
BASE COST - SUBTOTAL	40.14	33.54	73.68
Physical contingencies	5.27	5.03	10.30
Consultant engineering and management services	3.04	3.46	6.50
Training services and health	-	1.00	1.00
SUBTOTAL	48.45	43.03	91.48
Price contingencies	13.33	11.97	25.30
Refinancing of Cr. S-20-EGT	-	1.60	1.60
TOTAL	61.78	56.60	118.38

Financing Plan:

	US$ Millions		
	Local	Foreign	Total
IDA	0.00	56.60	56.60
Government	61.78	0.00	61.78
Total	61.78	56.60	118.38

Estimated Disbursements: IDA FY	81	82	83	84	85	86
Annual	2.5 1/	3.7	11.5	20.0	15.1	3.8
Cumulative	2.5 1/	6.2	17.7	37.7	52.8	56.6

Rate of Return: A rate of return was not calculated because the tariffs, which are the minimum measure of the project benefits, have yet to be established as part of the project and hence willingness to pay is yet to be tested.

Staff Appraisal Report: No. 3290a-EGT, dated May 7, 1981.

1/ Includes $1.6 million refinancing of Cr. S-20-EGT.

INTERNATIONAL DEVELOPMENT ASSOCIATION

REPORT AND RECOMMENDATION OF THE PRESIDENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION TO THE EXECUTIVE DIRECTORS ON A PROPOSED CREDIT TO THE ARAB REPUBLIC OF EGYPT FOR A BEHEIRA PROVINCIAL POTABLE WATER SUPPLY PROJECT

1. I submit the following report and recommendation on a proposed development credit to the Arab Republic of Egypt for SDRs 46.1 million (about US$56.6 million equivalent) including SDRs 1.3 million (about $1.6 million equivalent) to refinance a water supply engineering credit (S-20-EGT) approved on December 8, 1977, to help finance the foreign exchange cost of a provincial water supply project. The development credit would have standard IDA terms.

PART I - THE ECONOMY[1/]

2. A report on "Recent Economic Developments and External Capital Requirements" (SecM80-933) was distributed to the Executive Directors on December 24, 1980. Country data sheets reflecting the recently updated and revised macroeconomic accounts are attached.

The "Open Door" Strategy

3. Following more than a decade of inward looking and centralist economic policies, President Sadat in 1974 announced a new "Open Door" policy with the objective of accelerating the pace of development by liberalizing the economy and stimulating foreign and domestic private investment. It is important to stress that the "Open Door" policy was not a radical break with the past but a redefinition of priorities in the face of changing opportunities. Parallel to the changes in economic policy there was progress towards peace which brought with it expectations of rapid economic growth and greater prosperity.

4. To implement the open-door strategy the government took a number of specific policy actions. Among the more important ones were the gradual devaluation of the Egyptian pound (LE), and the concurrent liberalization of foreign exchange regulations. Starting in 1973 when the parallel market rate was introduced, Egypt's currency has been devalued by 44 percent from US$2.56 to US$1.43 per LE at present. Exchange restrictions were eased, specific import allocations were replaced by general import quotas, and more foreign exchange was made available to both the public and private

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1/ This section is the same as for the HADISOLB Rehabilitation Project (P-3059-EGT), the documents for which were distributed to the Board on May 6, 1981.

sector. A new investment law (1974, amended in 1977) offered attractive incentives to foreign firms. Trade agreements, especially with the EEC, opened new markets for export products; at the same time, bilateral trade with COMECON countries was much reduced.

5. In 1975, Egypt was able to reopen the Suez Canal. At the same time petroleum production in the Gulf of Suez started increasing at rapid rates and workers' remittances as well as tourism became significant sources of foreign exchange. Nevertheless, Egypt was facing serious balance of payments problems. The base from which foreign exchange revenues were growing was too small to meet the increase in imports triggered by the liberalization program and the government's commitment to providing ample supplies of basic consumer goods at stable prices. However, large capital inflows, primarily from the oil-rich Arab Gulf states, sustained the "Open Door" policy during the 1975-77 period. These loans and grants also complemented the public sector's fiscal resources and allowed a large expansion of both consumer subsidies and public sector investment.

6. By the end of 1978 the balance of payments started to show clear signs of improvement as a result of the sustained rapid growth in receipts from remittances, tourism, the Suez Canal and petroleum exports. The last two years have confirmed and strengthened this improving trend. Petroleum exports and workers' remittances reached about $2.7 billion each in 1980. On capital account, the cessation of Arab aid following the Camp David agreements was largely offset by a substantial increase in U.S. assistance, and an increase in direct foreign investment, mainly but not exclusively in the oil sector.

7. The Egyptian economy has thus entered the new decade with a much improved balance of payments. Moreoever, the emergence of the petroleum sector has strengthened the budget considerably. Deficit financing through the domestic banking system declined from an average of about 10 percent in the 1975-1979 period, to 5 percent in 1980. Finally, gross fixed investment increased from about 25 percent of GDP in the 1975-1977 period to almost 28 percent over the last two years with the share of national savings in total investment rising from 30 percent in 1974 to 70 percent in 1979; real GDP growth averaged almost 10 percent throughout the period.

8. While much of the momentum for this accelerated pace of development is attributable to the "Open Door" policy, the increasing openness and accompanying structural changes have made economic management more difficult and changed the environment in which economic policies operate. Inflation has emerged as a principal policy concern. Prior to 1975, Egypt was essentially a fixed price economy and resource allocation and investment decisions were centrally determined. Moreover, international and domestic inflation was low, so that while relative prices may have been out of line with world prices, price inflexibility did not create undue macroeconomic imbalance. The situation has since changed radically. The opening of the economy coincided with an acceleration in

world inflation. At the same time, labor migration and the rapid expansion of the economy led to supply bottlenecks in several key sectors. Effective demand, especially for consumer goods, also rose sharply following the income gains that resulted from the growth of tourism, remittances and other receipts. All these factors have exerted sharp upward pressure on domestic prices. In a country unaccustomed to inflation and flexible prices, and where there are no easily functioning mecnanisms for cost-of-living adjustments in wages and salaries, the required price adjustments appeared large and unjust. Some small adjustments were made and, in the uncontrolled parts of the economy, prices and wages did in fact surge upward. In the controlled sector, major changes could not be achieved. As a result the gap between world prices and domestic selling prices of key traded goods has continuously increased, leading to large implicit and explicit subsidies and resulting in an increasingly distorted system of relative prices and incentives.

Kecent Economic Developments

9. Kecent economic trends have been characterized by continued rapid overall growth and the emergence of the petroleum sector as the dominant sector in Egypt's economy. In May 1980, the fiscal and administrative year was shifted from January-December to July-June. As a result, data for calendar year 1980 are not always available and fiscal year 1981 (July 1980 - June 1981) estimates are used instead of calendar 1980 estimates to describe the most recent developments.

10. Overall GDP growth averaged about 10 percent in constant FY81 prices over the last four years.1/ The very high rate of growth reflects the emergence of the petroleum sector and rapid growth in industry, transportation, trade and finance, and Suez Canal traffic. Agriculture stands out by its low growth rate, around 2.2 percent per annum, although it should be stressed that agricultural performance improved compared to the 1965-75 period when growth averaged 1.5 percent. The combination of continued growth in real petroleum output and the doubling in export prices has resulted in considerable changes in the structure of GDP. The share of petroleum in value-added at factor cost has tripled since 1977 to about 19 percent in FY81.

11. Production of crude petroleum is at present averaging close to 650,000 barrels a day (32 million tons a year). There is general agreement in Egypt and among foreign observers that the proven reserves attached to Egypt's large established petroleum fields could not sustain production at present rates beyond the mid-1980's. On the other hand, over the last two years Egypt has added about 100 million tons to the stock of proven reserves largely through a continuous stream of small discoveries. Investment in exploration by foreign oil companies has increased

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1/ In 1975 prices real growth would decline to 8.5 percent, the difference being due to the changed petroleum prices.

dramatically since the oil price increase of mid-1979 and is expected to average at least $600 million annually for the next few years. Given the performance achieved over the last two years and the massive investment program, it is only reasonable to assume that new discoveries will continue to occur. The magnitude of these discoveries remains, of course, highly uncertain.

12. In addition to crude petroleum, the output of natural gas has recorded a steady increase reaching over 2 million tons of oil equivalent in FY81. Substantial investments are planned for the exploitation of existing gas fields and for further exploration, which will hopefully release additional quantities of petroleum for export. However, the level of the exportable surplus of petroleum would also depend on domestic energy consumption, which has been growing by over 11 percent annually in recent years. It is important therefore that efforts to increase production of energy are complemented by measures designed to achieve more efficient domestic use of energy.

13. Reflecting the sharp increase in petroleum export earnings and the continued growth in workers' remittances and Suez Canal revenues, Egypt's foreign exchange earnings have grown rapidly since 1979. At $1.9 billion, the current account deficit in FY81 was lower in relation to GDP (7.5 percent) than in any year since 1973. Net medium and long-term capital inflows are estimated at $2.9 billion, giving an overall surplus in the balance of payments of about $1 billion compared with a surplus of $167 million in 1978 and a deficit of $250 million in 1977. The marked improvement in the balance of payments since 1979 has allowed for some buildup in foreign exchange reserves, which stood at about $1 billion at end-1980 (about one and a half months of imports). Despite the apparent strength of the balance of payments, certain structural features are worth noting: (i) Agricultural and manufactured exports constitute only a very small fraction (10 percent) of Egypt's foreign exchange receipts. Petroleum ($3.1 billion in FY81), Workers' Remittances ($3 billion), the Suez Canal ($0.9 billion) and foreign capital inflows ($2.9 billion) dominate the accounts. (ii) Food imports, at $2.6 billion, are almost equal to petroleum earnings. Moreover, with severely limited arable land and a growing population, Egypt's dependence on imported food is likely to grow. (iii) The share of imported capital goods in overall investment is high. Along with import requirements of industrial raw materials, this implies a continued high import dependence in the medium term.

14. The liberalization of Egypt's trade and payments system has contributed significantly to the balance of payments performance. However, by enhancing capital mobility (through the creation of the so called "free" foreign exchange market 1/) financial liberalization has made it more

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1/ The official exchange rate applies to transactions taking place within the framework of the government's foreign exchange budget and has been fixed at LE 0.70 per $1.0 since January 1979. However, the free market exchange rate has fluctuated between LE 0.75 and LE 0.85 per $1.0 over the last two years.

difficult for the monetary authorities to pursue policies entirely divorced from external circumstances. Attempts to keep domestic interest rates much below world levels will lead to private capital outflows and an upward pressure on the "free" market exchange rate. Policies to mobilize private savings through the development of a domestic capital market must, therefore, be complemented by an interest rate policy that acknowledges the growing sensitivity of capital movements to the relative structure of incentives.

15. Most "competitive" imports and exports were shifted to the parallel market rate of LE 0.70 per dollar at the end of 1977. The rate applying to these transactions has thus remained constant since 1977. Since inflation in the domestic Egyptian economy has been somewhat more rapid than inflation affecting the real value of the dollar, the purchasing power parity deflated value of the Egyptian pound has slowly but steadily appreciated with respect to the dollar over the last 3 to 4 years. Egypt faces the typical problem of real appreciation characterizing many natural resource and oil exporting economies. While oil and service receipts have shown spectacular growth, non-oil merchandise exports have declined in volume since the mid-1970's. Part of this decline may be due to the necessity of replacing Egypt's traditional Eastern European markets with outlets in the convertible currency areas. But the transition should by now have been achieved and increasingly the problem may be due to an erosion of Egypt's competitive cost position and a shift of incentives against exports. The trend towards real appreciation has also reduced the profitability of import competing activities. The situation is complicated, however, by the subsidies provided to domestic producers through low energy prices and other subsidized inputs. These subsidies allow competitive production of some exports and import substitutes inspite of the appreciating real exchange rate. The medium and long-term prospects for the volume and composition of merchandise trade, therefore, are intimately tied to developments in price and exchange rate policies.

16. While rapid growth was achieved over the last five years and there has been a continuous improvement in the balance of payments, the overall fiscal deficit of the consolidated public sector remained very large during the 1976-1979 period, fluctuating between 13 and 22 percent of GDP. The 1980 budget, presented in end-1979 and revised in February 1980, included several proposals to raise revenues and limit the growth of expenditures. The most important of these were: a new sales tax, an increase in electricity tariffs, price increases for public sector companies, and a reduction in consumer subsidies. However, some of these measures were dropped when a new Government took office in May 1980. A different set of measures were announced and a new budget presented to the People's Assembly in response to growing signs of social tension and based on the additional revenues provided by the petroleum sector. Wage increases were awarded to public sector employees, the prices of several commodities were reduced and the government embarked on a large scale import program. The declared

objective of the new budget and the accompanying measures was to break inflationary expectations, raise incomes of disadvantaged groups and reaffirm the government's commitment to ample supplies of basic commodities at stable prices.

17. Despite the large increases in subsidies and the other net expenditure raising measures taken in 1980, the overall fiscal deficit will decline substantially as a percentage of GDP from 19.5 percent in 1979 to about 13 percent in 1980/81. Excluding investment expenditures, the current budget will actually be in surplus. This improved situation is due to the additional resources provided by the petroleum sector and the Suez Canal. Together, petroleum and Suez Canal revenues have more than tripled since 1978 (9.1 percent of GDP in FY81), more than offsetting the deteriorating trend in Central Government savings. This massive increase in public revenues has reduced the need for domestic bank financing from more than 9 percent of GDP in 1979 to less than 5 percent in FY81, the lowest percentage since the mid-1970's.

18. There was hope that increased public sector savings and reduced deficit financing would reduce the pace of monetary expansion that has averaged about 30 percent annually over the last few years. This has not so far been the case because the reduced growth in the domestic assets of the banking system has been more than compensated by much more rapid growth in net foreign assets reflecting the overall surplus in foreign payments. Since a large portion of the increase in reserves has accrued to the government, domestic bank credit to the public sector understates the expansionary monetary effect of public sector operations. During the present phase of foreign asset accumulation, monetary control requires special sterilization policies so that the fiscal improvement can reduce the underlying inflationary pressure which constitutes such a crucial source of concern for Egyptian policymakers and which is an obstacle to many of the required reforms in the areas of pricing and institutional change.

Development Potential and Constraints

19. Egypt has considerable potential for continued rapid development. The reasons for this are, in brief: a large domestic market, a relatively skilled and literate population, an agricultural potential not yet fully developed, varied raw materials (including oil, gas and phosphate), and a key geographical location. Future economic growth may come less easily, however, than during the past years. The gradual need to substitute domestic for foreign savings will become more pressing as net foreign contributions decline in relation to GNP. Capacities are now strained in a number of sectors, including infrastructure. The expansion of new capacities has been slowed down by administrative inefficiency, inadequate fiscal resources and weakness in national coordination and sector programming. Managerial effectiveness in public enterprises and financial incentives for production are often inadequate. Higher levels of economic activity together with labor emigration have led to shortages in critical

professional and technical skills. Educational facilities in Egypt still reflect a non-technical bias and their quality needs to be upgraded.

20. In addition, the rapid economic growth of recent years has been based on the performance of sectors with only weak linkages to agriculture, industry and services where the bulk of the labor force is occupied. For example, the Suez Canal and the petroleum sector currently account for about 22 percent of GDP but only one percent of total employment. While tourism and remittances directly touch the lives of a much greater number of people, they cannot provide a solid basis for employment expansion and technological development. Moreover, the long-term real growth potential for receipts from petroleum, Suez and remittances is uncertain. The challenge for Egypt lies in the necessity of channeling a good part of the surpluses and revenues from these "natural resource" based sectors, into productive investment in agriculture, industry and social infrastructure in order to lay the foundations for self-sustaining growth and employment expansion in the domestic economy. There is tremendous scope for improving the efficiency and dynamism of domestic institutions and production processes, particularly at a time when overall resource constraints have been eased and the absence of short-term crises provides a valuable opportunity to address the difficult problems of long-term structural and technological change.

21. Another key issue is population. At an estimated 42 million in mid-1980, Egypt's population is already very large for its limited arable land area, with an average density exceeding 1300 per sq. km, higher than that of Bangladesh or Indonesia. Recent census results show that population has continued to grow at an annual rate exceeding 2.5 percent, adding almost one million people every year. Moreover, almost half of this increase is concentrated in the greater Cairo area alone. This continues to create pressures on resources for consumption and investment and aggravates the employment problem in the longer run. Although the government has initiated a more aggressive population program, it will take considerable time and further measures to achieve measurable results in fertility reduction.

22. A serious side effect of recent inflation appears to have been a deterioration in the relative distribution of income and a growing disparity in consumption levels. Although inequality and the incidence of absolute poverty is no worse in Egypt than in most economies at similar income levels, continued inflation and lack of progress in more effective taxation of high income groups could lead to serious social problems.

23. To maintain the momentum of development and to meet the challenges of the future, major efforts are required to overcome the structural constraints cited above. Specifically, action is needed to (i) increase the efficiency of government administration through organization and procedural modifications and selective changes in salary structures; (ii) increase real domestic savings through an effective mobilization of domestic resources and fiscal reform; (iii) strengthen the general use of

prices as meaningful indicators of relative scarcities; (iv) develop a long-term export promotion policy including appropriate management of incentives and real effective exchange rates; (v) pursue a vigorous and balanced program to upgrade the country's physical infrastructure; and finally (vi) intensify efforts to develop a coherent and effective population policy. There is an ongoing dialogue on all these important issues between the Egyptian authorities and the Bank. They have also been the focus of discussions among the members of the Consultative Group for Egypt.

External Debt and Creditworthiness

24. Egypt's non-military medium- and long-term public debt outstanding and disbursed as of June 30, 1980, was estimated at about $12.6 billion. Bilateral loans comprised about 7.9 billion or about 63 percent of the debt outstanding while the shares of multilateral credit and suppliers' credit were about 22 and 9 percent respectively, with the remainder being held by financial institutions. Major creditors were the USA and Gulf Organization for the Development of Egypt (GODE), followed by Saudi Arabia, Kuwait, and the Federal Republic of Germany. IBRD/IDA debt comprised about 6 percent of the total disbursed debt. Debt service payments on medium- and long-term debt have fluctuated around 20 percent of export earnings during the last few years.

25. Although there has been a marked improvement in the overall resource situation, and in particular in the balance of payments, in a longer term perspective, Egypt's development needs remain immense. It is still a relatively poor country with a population projected to increase to 55 million by 1990. A large investment program will thus be required if Egypt is to meet the basic needs of its growing population and lay the foundations for self-sustaining growth. This, in turn, implies the need for continued large foreign capital inflows in the medium-term.

26. If Egypt can successfully develop its export and import competing sectors, and given the significant amounts of concessional aid flows, it should be able to meet some of its foreign exchange requirements through borrowing on commercial terms. In the medium- and long-term, debt servicing as a percentage of exports is expected to remain at around 18 percent during the next five years. In the longer-term, the debt service ratio will depend on domestic policies and on developments in the oil sector.

PART II - BANK GROUP OPERATIONS IN EGYPT 1/

27. The proposed credit would be the World Bank's fifty-seventh lending operation. It would bring Bank and IDA commitments made since 1970 to $2129.2 million. 2/ Through these operations, the Bank Group has assisted in the development of the agriculture, industry, power and energy, water supply, population, transportation, telecommunications, tourism, urban and education sectors. Annex II contains a Summary of Bank loans and IDA credits as of March 31, 1981 and notes on the execution of ongoing projects.

28. The Bank has tailored its response to Egypt's basic structural problems in a very broad fashion and in close cooperation with other donors. Its strategy involves entry into a broad spectrum of sectors in order to provide not only direct finance with its relatively limited resources but, equally, to act as a catalyst for other bilateral and multilateral agencies, and as a spur for initiating discussion and positive action on a coherent framework of policies and investment proposals which can tackle the substantive issues. The approach also includes delivery of technical assistance, not only for adequate implementation of specific investment programs but for developing the domestic institutional capability to articulate and implement future policies and investment programs. The Bank's deliberately broad multisectoral intervention has been differentiated by sectors and tailored to the pace at which the Egyptian authorities can reasonably be expected to address these issues and implement the programs.

29. Industry, which has been over the past five years the sector receiving the largest portion of Bank resources and significant attention, illustrates the nature and scope of the Bank's intervention. The government looks upon rapid industrialization as a means to stimulate growth of the economy, create productive employment, cater to basic consumer needs, and generate an "export surplus". Efforts under Bank financed projects have gone beyond the immediate objective of improving capacity utilization (Imports loans and credits Nos. Cr. 524, Ln. 1062 and Ln. 1456) and increasing production capacity and supply of essential commodities in resource-based industries (cotton ginning, textiles, cement and fertilizer

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1/ This section is substantially unchanged from the corresponding part of the President's Report for the Fish Farming Development Project (P2958-EGT) which was approved by the Board on March 17, 1981.

2/ This includes $64 million for the HADISOLB Rehabilitation Project (P-3059-EGT) distributed to the Executive Directors on May 6, 1981.

projects). The more fundamental effort has been directed at introducing policy and structural improvements. Towards this end, the Bank has financed six subsector studies in textiles, building materials, pulp and paper, food processing, metallurgy, and engineering industries, in order to assist the government in formulating a package of policy and investment proposals, which are embodied in our projects. To complement these efforts the Bank has also carried out a study on small-scale industries. Finally, the Bank is assisting the government in a comprehensive study of the construction/contracting industry, which is one of the major bottlenecks facing Egyptian industry today.

30. The illustrative sketch provided above of the scope and breadth of the Bank's intervention in one sector is representative of the multifaceted approach that it has adopted in varying degrees in the entire spectrum of the Egyptian economy. It is a role that is in harmony not only with the Egyptian Government's wishes but is welcomed by the various bilateral and multilateral donors as an appropriate function for the Bank as the Chairman of the Consultative Group. Preparation of projects for future lending follows this strategy, and the pipeline includes projects in education, gas development, rural and urban development, population and nutrition, transportation, water supply, agriculture (including drainage), development finance and industry.

31. Bank Group disbursements in FY81 represented about 10 percent of total disbursements on grants and medium- and long-term loans. The Bank and IDA shares of total external debt outstanding and disbursed were about 3.2 percent and 2.4 percent, respectively, as of June 30, 1980. For the future, the Bank and IDA shares of total external debt outstanding and disbursed (excluding military debts) are estimated to reach about 6.8 and 3.5 percent respectively in FY85. It is estimated that in 1981, debt service payments due to the Bank and IDA will represent about 4.4 percent and 0.2 percent, respectively, of service payments due on Egypt's external debt.

32. IFC participation and lending for projects in Egypt now total about $74 million and include: a ceramics project (approved in 1976); a ready-made garment project (1977); a project for an agricultural complex, primarily for sugar beet (1978); a poultry project (1979); a fish farming project (1979); a building material project (1980); and a tourism project (1980). IFC is discussing several other private sector and joint venture projects.

PART III - THE WATER SUPPLY AND SEWERAGE SECTOR

Water Resources

33. The predominant source of water for Egypt is the Nile River, which provides an assured supply of 55 billion m^3 of water each year. With an expanding population, a growing industrial base and increasing demands for

agriculture, there are competing claims on its use. A UNDP financed Water Master Plan study, for which the Bank is executing agency, is now underway and the first phase has been completed. The Master Plan is being prepared within the context of Egypt's long-term perspective for social and economic development over the next 25 years, but will also give recommendations on short-term policy and investment issues. As far as potable water is concerned, however, the major issue is not likely to be the shortage of water for potable use since this represents only a small fraction (5 to 6 percent) of Egypt's available water resources. Rather the areas of concern are associated with water quality and the distribution of adequate quantities to consumers.

34. Potable water is drawn from two sources: either groundwater or directly from the Nile and irrigation canals. South of Cairo, ground water is usually of good quality although sometimes containing iron and manganese salts. To the north of Cairo and in the Fayoum Depression, ground water may be brackish and require filtration and blending with sweeter surface water. Ground water in the coastal areas of the Delta is generally not suitable for human consumption because of salt intrusion, and communities depend entirely on surface water.

Institutional Arrangements

35. Responsibility in Egypt for providing a public water service is presently divided among a number of authorities. In Cairo and Alexandria, separate authorities which commenced operations as private utility companies in the last century are now responsible to the local Governor. The Canal Zone cities of Port Said, Ismailia and Suez are served by the Suez Canal Authority. Outside of these areas, water supply and production are the responsibility of: the General Organization for Potable Water (GOPW) which serves numerous towns, villages and rural communities, mainly in the Delta; municipal authorities, for the larger provincial towns; and Governorate authorities, for the remaining smaller communities. The municipalities and governorate authorities rely on the GOPW for design and construction assistance but then operate the systems independently.

36. Responsibility for the provision of sewerage services throughout most of Egypt lies with the General Organization for Sewerage and Sanitary Drainage (GOSSD). The GOSSD designs, constructs and maintains sewerage and drainage facilities in all Egyptian towns, except the Alexandria system which is a separate local entity and the Cairo sewerage system which is currently being established. Its technical services are made available to the governorates which operate and maintain provincial sewerage and drainage systems. In addition to Cairo, Alexandria and the Canal Zone cities, 10 cities in Lower Egypt and four cities in Upper Egypt have sewerage systems. Drainage systems without treatment facilities exist in a further 12 Delta towns. Authorities in the water supply and sewerage sector are generally overseen by the Ministry of Housing, Reconstruction and Land Reclamation.

Sector Constraints and Policies

37. The sector has benefitted from a number of studies financed by several donor agencies including the Bank, from which the following picture emerges. It is estimated that between 10 and 20 percent of the urban population and more than 50 percent of the rural population are not adequately served with safe water. For sewerage, only 40 percent of the urban population is served by public services. This situation has adversely affected health and has contributed to Egypt's high infant mortality rate. Operations in the sector, particularly outside the larger authorities serving the major cities, are handicapped by systems which are often old, overloaded, underdesigned and poorly maintained. Operational deficiencies are caused by a dearth of sufficiently skilled staff. Losses through leakage are estimated at up to 50 percent of total water provided in some systems. Coordination in the sector is difficult to achieve as responsibility for operations and policy is fragmented among several government agencies and between the central and local authorities. Excessive central government involvement has stifled local accountability and initiative without providing for clear policy directions or national standards or for planning and implementing priority investment programs. In particular, GOPW and GOSSD, as presently structured, have found it difficult to fulfill their functions effectively because they are constrained by government controls and regulations and are not themselves performance oriented. Finally the sector has suffered from inadequate levels of investment and cost recovery: water tariffs are low and no cost recovery is made for sewerage. It is estimated that for provincial water supplies, revenues cover no more than one third of expenditures. To improve the situation, reorganization is required, staff needs to be trained, operating procedures changed and investments substantially increased.

38. The Government is fully aware of the above shortcomings and is moving to decentralize operations in the sector as well as provide substantial funds for its activities. Of the estimated LE1.7 billion ($2.5 billion at 1979 prices) which will be needed by the year 2000 to improve public water supply facilities in the provinces, the Government has budgeted LE500 million for the 1980-90 water decade, in the expectation that matching funds could be provided by outside agencies. Associated with water supply improvements, it is estimated that waste water disposal in urban provincial Egypt in the year 2000 will cost about LE 1 billion ($1.4 billion) at 1979 prices. The Government has been able to attract a substantial amount of external financing for the expansion of water and sewerage facilities in the major cities: the United States Agency for International Development (USAID), for water supply and sewerage in Alexandria and the Canal Cities; USAID and the United Kingdom Overseas Development Association (ODA), for Cairo sewerage; and the Bank, for the Alexandria Water General Authority (AWGA) under Loan 1369-EGT (para. 40).

39. In contrast, the needs of the secondary cities and rural areas had received little attention until studies financed by the Water Supply

Engineering Credit (S-20) were carried out in cooperation with, and under the direction of, the GOPW. The studies' principal objectives were (i) to study provincial water supply priorities outside the major cities; (ii) to review the existing organizational arrangements and recommend improvements; and (iii) prepare a water supply project suitable for external financial assistance in the Delta. The recommendation to form separate provincial water supply entities with full responsibility for delivery of service, which emerged, is in line with Government policies aimed at effective local control. The powers of the governors are now being specified more clearly, through supplementary legislation, to meet this objective. The Government's decision to establish the Beheira Water Company (BWC) as the beneficiary of the proposed credit to operate water supply facilities in the governorate under public company law 60/1971 is a landmark for the sector and will provide a learning experience which can be applicable throughout provincial Egypt in furtherance of the Government's decentralization objectives. At the same time, the Government has been moving to decentralize the sewerage sub-sector: an autonomous waste water authority for Alexandria has been created separate from the GOSSD and similar arrangements are being made for Cairo. It is now the Government's intention to merge the GOPW and the GOSSD and create a National Water and Sewerage Authority (NWSA), while responsibility for the day-to-day operations in the sector would be handed over to the governorates during a transitional period. The NWSA would monitor broad policies, set technical standards in the potable and wastewater fields, provide technical assistance to and plan and build major projects in individual governorates, and promote inter-governorate cooperation for effective use of resources and manpower. A draft Presidential decree to this effect is currently under review in Egypt.

Bank Lending in the Sector

40. The proposed credit would be the third Bank/IDA lending operation in the water supply sector in Egypt. In February 1977, the Executive Directors approved a $56 million loan (Loan 1369-EGT) for a project designed to provide additional water treatment capacity and related facilities for the AWCA. All contracts have been awarded, and progress is generally satisfactory. The second lending operation was the Water Engineering Credit (S-20) approved in December 1977 (para. 39). The studies financed by this credit were completed in February 1980, and the credit was closed in June 1980. As far as future Bank lending in the sector is concerned, the studies also identified other high priority capital works programs as well as a ten year emergency investment program to repair service works and distribution in the other Governorates. It was agreed that by December 31, 1982, the Government would prepare a detailed program of urgent rehabilitation works for review with the Association (Project Agreement, Section 2.07).

Water Supply in the Project Area

41. The Governorate of Beheira is located in the northwest corner of

the Delta (attached map). Its population is currently estimated at about 2.75 million and is expected to rise to 3.5 million by 1990. Approximately three quarters live in the rural areas and are engaged primarily in agriculture. The remaining population is located in 13 urban centers, the largest of which is the capital city of Damanhur. Over two million of the inhabitants receive public water supplies from the operating authorities, 25 percent through individual connections and the remainder, mostly in rural areas, from nearly 5000 public standpipes. The level of service, however, is generally inadequate; the quality of water delivered is considered poor by normal public utility criteria and may in some instances represent a health risk. Standards may be expected to decline further unless remedial measures are taken. The main source of drinking water is by surface abstractions from the canals and the Rosetta branch of the Nile, but over a third is obtained from groundwater in those areas where water quality is suitable.

42. The GOPW provides over 65 percent of total supply in Beheira with the remainder being produced from municipal treatment plants, boreholes run by the governorate and by imports from the two neighbouring governorates. The total production of water from public services is about 200,000 m3/day although up to 50 percent is lost or otherwise not accounted for. To meet the current estimated average daily demand, 270,000 m3/day of production is required. Production shortages, excessive leaks and unbalanced pumping capacity are factors which have created problems in keeping the systems fully pressurized. When delivery fails in rural areas, consumers are forced to use polluted canals and shallow wells. Some parts of the rural distribution system are completely without water.

The Beneficiary

43. The project facilities would be operated by the Beheira Water Company (BWC), a Governorate joint stock company formed (by Governor's Decree Number 198 of March 28, 1981) under the provisions of public sector company law 60/1971, as amended. The company, the first public utility to be formed under this legal framework, was just recently established within the context of project preparation as a first major step in the Government's decentralization effort. The law allows BWC, as a public company, to set up its own personnel and internal regulations which is an improvement over the present situation in the sector where there have been serious constraints. The assets of BWC include all of the public water operators in the governorate including GOPW's regional facilities, eight municipal water departments, and about 50 rural borehole schemes operated by Housing Departments in the area. BWC is under the authority of the Governor as Chairman of its General Assembly, which reviews and approves major decisions covering policy, annual budgets, accounts and borrowings. The company's Board is responsible for the definition of internal regulations with regard to company organization, management, staffing, accounting and financial systems to ensure that sound management meets the company's objectives. The Chairman of the Board, who is the Company's chief executive, has been appointed and is satisfactory to the Bank. The

company's takeover of full operational responsibility for existing facilities and such staff as are to be transferred will be carried out through a phased program for which consultant assistance is provided in the project. It is estimated that this transfer will take place by June 30, 1983. A satisfactory program and timetable for it will be submitted to IDA by the BWC not later than March 31, 1982 (Credit Agreement, Section 3.03).

PART IV - THE PROJECT

Project History

44. The project originated from studies financed by the Water Supply Engineering Credit (para. 39) and was initially identified by a Bank mission which visited Egypt in April 1979. The project was prepared by the GOPW, with the assistance of consultants financed under the Project Preparation Facility (PPF), and appraised in October 1980. Negotiations were held in Washington from April 6-13, 1981. The Egyptian delegation was led by Mr. Samir Koraiem, Undersecretary, Ministry of Economy. A staff appraisal report entitled "The Beheira Provincial Potable Water Supply Project"(No.3290a-EGT), dated May 7, 1981, is being distributed separately.

Project Objectives and Description

45. The main aim of the project is to pioneer the Government's new policy to decentralize responsibility for water supply services to the governorates including the introduction of cost recovery provisions so that the sector can be financially viable. It has two other major objectives: (i) to assist in the provision of nationwide training for the sector, which is required if decentralization is to succeed; and (ii) to rehabilitate and expand the existing facilities in Beheira to fulfill suppressed demand for safe, reliable drinking water and provide for the requirements of future population growth. Specifically, the project will double existing production capacity and increase supply (water available for consumption) from a current 99,000 m3/day to 294,000 m3/day by 1990 in order to serve an additional 800,000 inhabitants. The lessons learned from the establishment of the new company, as well as improvements in operational and management techniques, are expected to be replicable throughout the sector.

46. The project consists of the following components to assist the BWC: (i) extension of two existing plants and construction of four new water treatment plants; (ii) installation of 250 km. trunk water mains as well as additional storage and pumping facilities; (iii) rehabilitation of existing treatment plants at nine locations and 106 boreholes and wells including the installation of new chlorination equipment; (iv) leak detection and repair of selected sections of the existing distribution system with serial extensions as required; (v) rehabilitation of about 4000 public standpipes with provision of proper drainage facilities to reduce current pollution risks; (vi) provision of headquarters and five

district center buildings, staff housing, vehicles and equipment; and (vii) procurement and installation of meters for all house and standpipe connections. The project also includes: provision of a national water supply training center with staff and student accommodation as well as funds for the purchase of equipment and vehicles, and a small program to assist health authorities develop health measures complementary with project objectives to encourage consumers to make proper use of water and follow good sanitation procedures. The Government has agreed that it will develop such a health education program in consultation with local health authorities and submit it to IDA for review not later than December 31, 1982 and implement the program promptly (Project Agreement, Section 2.06). Finally, consultants services for management, engineering and training are included in the project to assist the BWC during its formative period and to help establish the national training center.

Training

47. A study of training requirements carried out during project preparation identified manpower levels for the sector. It proposed greatly enlarged training activities to improve the standard and efficiency of existing operations in the sector and specifically to meet the manpower requirements of BWC. Initially this will be done by making temporary use of available facilities and concentrating on practical on-the-job training with the assistance of outside technical assistance, to be replaced by local staff as soon as they themselves are trained. A preliminary training program for the next three years has already been developed. The project includes physical facilities and technical assistance for the establishment of a national water training center in Damanhur, which is expected to provide the main source of trained staff for BWC and the sector as a whole. While it is being set up, in-house and on-the-job training will be provided to BWC through management consultancy assistance, and this process has already started with consultants engaged with funding from the PPF. The Government has agreed that by December 31, 1981 it will submit for IDA's review, a detailed training program, which will be implemented in accordance with a schedule to be agreed upon; and that by December 31, 1982 it will submit for IDA's review a detailed plan of action for the operation of the Damanhur National Training Center (Project Agreement, Section 2.04). Because of the importance of training to BWC, it has agreed that it will appoint a training officer, not later than December 31, 1981 to coordinate training activities (Project Agreement, Section 3.02(c)).

Cost Estimates and Financing

48. The total cost of the project, including taxes and duties, is estimated at $118.38 million, of which $56.6 million, or 48 percent, are foreign exchange costs. A detailed cost breakdown is provided in the summary. The overall cost estimates, which were prepared by the consultants and GOPW and updated during appraisal with construction costs and equipment prices for similar work being undertaken by the AWGA under Loan 1369, are considered reasonable. They include appropriate physical and price escalation contingencies of 15 and 34 percent on the total base cost estimate. A total of 1360 manmonths (80 percent could be supplied by

Egyptians) have been included in the project for consultancy services and average $4800 per manmonth, which includes salaries, local costs and overheads. The credit also includes $981,800 to refinance the amount made available under the PPF and $1.6 million to refinance the water supply engineering credit (Cr. S-20-EGT).

49. The proposed credit of SDRs 46.1 million (about $56.6 million equivalent) would cover the entire foreign exchange cost and 48 percent of the total project cost. The credit would be made to the Government, and $53 million (including contingencies) would be onlent to BWC under a subsidiary loan agreement satisfactory to IDA; in recognition of the fact that the beneficiary is a new company, the first of its kind to be established as part of a wider decentralization scheme, and that the project would largely benefit the rural and urban poor and have significant health benefits, an onlending rate of 6 percent is considered appropriate, and BWC would repay this loan to the Government in 20 years plus a grace period of six years (Credit Agreement, Section 3.01(b)). Execution of the subsidiary loan agreement would be a condition of effectiveness (Credit Agreement, Section 5.01). The Government has agreed that it will provide the local cost requirements of the project to BWC in the form of equity, and in addition it will provide, or cause to be provided, the funds for BWC's cash flow requirements for proper operations, to the extent not covered from its own sources (Credit Agreement, Section 3.02). The remaining $2.0 million is reserved for the national training center, including equipment and services, and the health component (Credit Agreement, Section 3.01(b)); and $1.6 million would be used to refinance the water supply engineering credit.

Project Implementation

50. Because BWC is still in the process of formation, the project would be implemented by a project implementation unit (PIU), already functioning within GOPW with the assistance of consultants financed under the PPF. The consultants have completed preliminary work on the organization charts for BWC, functional and job descriptions, alternative salary and incentive structures, and an outline of management, planning, reporting and accounting systems, as well as training and manpower requirements. These will be reviewed and finalized during actual implementation, and the provision of continued technical assistance to the GOPW to implement the project and to BWC to assist in organization and management has been included in the project. The management assistance includes: definition of the composition of the operational divisions; finalization of job descriptions, manpower plans and training/recruitment programs; development of accounting, budgeting, billing, financial and management reporting systems and procedures; assisting in the assets transfer to BWC; assisting BWC in developing its tariff proposals as well as in the implementation of the above through a detailed phased program. The Government has agreed that by December 31, 1981 it will appoint suitably qualified engineering and management consultants in consultation with BWC, where required, on the basis of terms of reference satisfactory to IDA (Project Agreement, Sections 2.03, 3.02(a)). At the conclusion of the management consultants' work, BWC has agreed to submit its

recommendations to the Government and IDA for review and adopt such structures and financial and administrative procedures as are satisfactory to them (Project Agreement, Section 3.02(b)).

51. The project is expected to be completed by the end of 1985. With design work and preparation of bid documents nearing completion, it is expected the bidding will take place in mid-1981, with the first contract awards to immediately follow credit effectiveness. The process of acquiring the land on which new plants are to be constructed has been largely completed; that needed for the national training center is still to be purchased, but no difficulties are foreseen in this regard. The project will be monitored by performance and progress indicators satisfactory to the Association (Project Agreement, Section 2.09(b)). As for the availability of water, the existing abstraction rights will continue to apply for all sources of drinking water, and no difficulties are anticipated in obtaining the additional supplies from the sources presently in use.

Procurement

52. All equipment supply and the rehabilitation of the distribution systems and the treatment plants would be awarded on the basis of international competitive bidding in accordance with the Association's Guidelines for procurement, and contracts would be suitably grouped. A margin of preference of 15 percent, or customs duties, whichever is less, would be allowed domestic manufacturers. General civil and building work would be executed by Egyptian contractors under the project, as they are highly competitive, particularly with regard to pipelaying and construction of water treatment plants. In addition, asbestos cement pipes up to 600 mm in diameter are manufactured and widely used in Egypt but may not be competitive above certain sizes. The major rehabilitation works are to be executed by supply and build contracts, internationally bid, among experienced contractors who would be pre-qualified. It is proposed that pipelaying contracts for pipes of smaller diameter will be executed by combined supply and lay contracts; above 400 mm the civil works contracts would be for laying only. In the interests of efficiency and economy, a selected number of contracts may be awarded after inviting quotations from at least three reliable contractors or suppliers or carried out by the BWC's work force through force accounts; the individual value of such contracts would not exceed $200,000 and be restricted to $1,000,000 in the aggregate (Project Agreement, Schedule 1, Section C).

Disbursements

53. The proposed credit would be disbursed over approximately four and a half years (excluding ongoing disbursements under the PPF) as follows: (i) 25 percent of total expenditures of civil works for treatment plants, pipelines, buildings, etc; (ii) 100 percent of foreign expenditures of equipment and materials imported directly, 100 percent of local expenditure ex-factory and 80 percent of expenditures for imported goods procured locally; (iii) 100 percent of foreign and 80 percent of local expenditures for expatriate or local consultants services for project implementation;

and (iv) 100 percent of foreign and 80 percent of local expenditures for the training and health components and 25 percent for the civil works for the training center. Disbursements to refinance the engineering credit (Cr. S-20-EGT) would be against 100 percent of foreign expenditures.

Financial Position and Tariffs

54. Based on a review of their performance during the past five years, the existing entities' income from operations in Beheira has been about one third of operating expenses and from 15 to 20 percent of total operating costs when depreciation is included. System management and pricing policy are the two major causes of these deficits. Unaccounted for water and the policy of providing free standpipe supplies, which represent about half of total consumption, have meant that the volume of water available for sale is reduced to a small fraction of total production. Thus of the 200,000 m3/day produced, only 99,000 m3/day can be accounted for, of which 46,000 m3/day is delivered free at standpipes. The situation is aggravated by the almost complete lack of effective billing and of reliable metering for private connections (up to 70% of the meters are inoperative) while connections at standpipes are unmetered. Moreover, the pricing policy applied to this residual charging base has remained unchanged since 1961, thereby exacerbating the poor financial performance of the entities and contributing to a lack of understanding among consumers of the real costs of providing water. Current tariffs average 2.2 piasters/m^3 as compared with the projected average incremental cost of production and distribution which is 13 piasters/m^3.

55. Progress towards helping BWC reach financial viability will necessitate a gradual increase in overall average tariff levels to connected consumers, as well as arrangements for charging for standpipe supplies in the future without disturbing the social and health considerations of the present Government policies. However, there are several considerations which should be borne in mind in developing a realistic water tariff policy for BWC. First, the availability of free alternative supplies from untreated canal water or unprotected groundwater sources is likely to be regarded by consumers as a substitute if treated water is perceived as too expensive given their ability to pay. An attitude survey, carried out during project preparation, indicated that most people in Beheira value safe public water and its benefits and seem prepared to pay for it; but the extent of their willingness has yet to be tested. Second, until the completion of rehabilitation works and main project facilities under the project, a reliable public water supply will not be available to most consumers, and it would be unrealistic to expect them to pay higher charges for unsatisfactory service. Third, the Governorate is large, and its population includes comparatively wealthy people with a large portion of the very poorest. This suggests that there is a need to charge the average incremental cost to those able to afford it, possibly combined with some degree of cross-subsidization. To achieve this objective a differential tariff system is essential. During negotiations, the Government and BWC agreed to a phased approach to tariff increases and standpipe charges, which would be synchronized with improvements in service and metering under the project and which includes the following cost recovery objectives: (i) BWC will implement tariff

proposals, satisfactory to the Association, by July 1, 1982; (ii) starting from its fiscal year 1983, the Government and BWC will ensure that BWC's revenues from operations will be adequate to cover all expenditures for operation and maintenance; and (iii) in each succeeding year the Government and BWC will ensure that additional revenues will be generated so that by its fiscal year 1987, BWC's revenues will be adequate to cover its expenses for operation and maintenance costs as well as debt service not covered by depreciation (Credit Agreement, Section 3.04; Project Agreement, Sections 4.04 and 4.05).

56. Because the Government views the delivery of standpipe water as part of the basic services which its local agencies provide, mostly on social and health grounds, recovery of revenues for standpipe usage would be achieved in two phases. In the first phase, the local authorities in the Governorate would contribute for standpipe usage on the basis of an annual charge per standpipe. The Government and BWC have agreed that by July 1, 1982 the local authorities will pay BWC annual amounts for each public standpipe and that these amounts will be established annually, in accordance with methods satisfactory to IDA (Credit Agreement, Section 3.04; Project Agreement, Section 4.05). Proposals for the method of establishing the charges and the amount of the first annual charges to be introduced would be submitted to IDA for review and comment; thereafter, they would be submitted four months prior to the beginning of each fiscal year (Project Agreement, Section 4.05). In the second phase, after complete metering of standpipes has been achieved under the project, the local authorities may wish to continue to pay for life-line supplies at standpipes, but may also adopt procedures for charging consumers for excess amounts. This would discourage waste, help spread the cost of providing water more equitably over all consumers and avoid an excessive burden on connected consumers through cross-subsidization or on the local Government budget. The Government and BWC have agreed that: BWC will submit to the Government and IDA for review and comment, by June 30, 1984, its proposals for charging consumers for standpipe usage; upon the Government's approval of BWC's proposals, these will be implemented promptly and the local authorities will continue to provide payments for such supplies to BWC, to the extent not covered from direct charges to standpipe consumers (Credit Agreement, Section 3.04(d); Project Agreement, Section 4.06).

57. As far as private connections are concerned, the tariff proposals referred to in para. 55 should provide for a basic minimum supply at a price which can be afforded by all consumers and for charging the incremental cost of water to consumers able to afford the full cost of service. The objective would be to reach an average tariff, in the first full year of operation of project facilities, which, with the assistance of a differential tariff system, will be appropriate in terms of economic cost recovery and meet the Government's social and BWC's financial objectives. Periodic increases in the average tariff will be necessary, and it will be important to monitor closely the average level in these early years to ensure that these objectives are properly met.

58. BWC's projected financial statements represent consolidated accounts of the future constituents of BWC on the basis of a gradual

build-up of the company and implementation of its organizational structure coupled with improvements in service, metering, and billing and the introduction of new accounting systems. Even though BWC's internal revenue potential appears to be weak during the initial years, the fact that this potential is growing means that BWC can eventually eliminate the need for external funding. By its fiscal year 1987, BWC should be able to contribute towards its investment requirements; internal funds would be equivalent to about 1.0 percent of total net fixed assets in operation, increasing to 4.3 percent in 1990. Debt service would be adequately covered from 1987 onwards, in the range 1.5 and 2.0 times. BWC has agreed that it will value and revalue from time to time, its fixed assets, including those to be transferred to BWC from its constituents, using a method satisfactory to IDA (Project Agreement, Section 4.07).

Justification

59. The proposed project is a landmark in the Government's attempts to decentralize basic services, in this case the provincial water supply sector. The establishment of BWC, a Governorate public sector company to be run along performance oriented lines, can demonstrate the benefits of good management and provide lessons applicable to other governorates. It can also act as a catalyst for improvements in the industry as a whole.

60. The project is designed to correct the current unsatisfactory situation in public water supply service in Beheira by ensuring that the maximum numbers of consumers will enjoy safe, reliable water through upgrading and expansion of the existing facilities. Besides improving supplies for over two million existing consumers, the project will provide water to an additional 800,000 of which 600,000 are the urban and rural poor. Additional water supply in the urban areas will not cause problems because satisfactory provision exists or is being made for wastewater disposal; similarly in the rural districts traditional sanitation measures will continue to be used. To ensure the maximum benefit is obtained from the project, a sum of $200,000 has been included to assist public health authorities in promoting health measures complementary with project objectives. The project would continue to rely on the present combination of surface and groundwater sources which, after seven different options were costed, proved the least cost solution.

61. The proposed project would produce a number of benefits in terms of health and in safeguarding basic supplies, which either cannot be quantified or are not fairly measured by prices consumers would pay for these supplies. Because of the unquantified but nonetheless real benefits, it has not been possible to establish a meaningful economic rate of return for the project; the tariffs, which are the minimum measure of these benefits, have yet to be established as part of the project, and hence willingness to pay can only be tested in the future. However, at a discount rate of 8 percent the economic analysis suggests that the tariffs proposed for BWC to meet the agreed revenue covenants would correspond to a long-run average incremental cost of 13.0 piasters/m^3 for water produced, which is appropriate in terms of cost recovery as well as in meeting the Government's social and BWC's financial objectives.

Risks

62. While the project is technically straightforward, it faces more than ordinary managerial and institutional risks. BWC is after all the first of its kind to be established in Egypt and is bound to experience teething problems. The effect of a two year delay in executing the project, for example, would increase the average incremental cost of water from 13 to 15 piasters/m^3 and make the financial objectives that much more difficult to reach. Delays in the repair program aimed at reducing water losses would have similar consequences. The project, however, has been thoroughly prepared, and the technical assistance provided to the management of BWC and to GOPW as the implementation agency should help handle implementation difficulties as they arise. The training component is also designed to minimize implementation risks by providing the trained staff not only for the immediate needs of BWC but for the future needs of the entire sector as a whole.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

63. The draft Credit Agreement between the Arab Republic of Egypt and the Association, the draft Project Agreement between the Association, the General Organization for Potable Water (GOPW) and the Beheira Water Company (BWC) and the Recommendation of the Committee provided for in Article V, Section 1(d), of the Articles of Agreement of the Association are being distributed to the Executive Directors separately.

64. Features of the project which are of special interest are listed in Section III of Annex III. The special condition of effectiveness of the credit is: execution of the Subsidiary Loan Agreement between the Government, BWC and GOPW (Credit Agreement, Section 5.01).

65. I am satisfied that the proposed credit would comply with the Articles of Agreement of the Association.

PART VI - RECOMMENDATION

66. I recommend that the Executive Directors approve the proposed credit.

Robert S. McNamara
President

Attachments
May 12, 1981
Washington, D.C.

TABLE 3A
EGYPT - SOCIAL INDICATORS DATA SHEET

	EGYPT			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) /a	
LAND AREA (THOUSAND SQ. KM.)				MIDDLE INCOME	
TOTAL 1001.4			MOST RECENT	NORTH AFRICA &	MIDDLE INCOME
AGRICULTURAL 29.6	1960 /b	1970 /b	ESTIMATE /b	MIDDLE EAST	LATIN AMERICA & CARIBBEAN
GNP PER CAPITA (US$)	100.0	160.0	460.0	818.5	1562.9
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	298.0	275.0	463.0	545.0	1055.9
POPULATION AND VITAL STATISTICS					
POPULATION, MID-YEAR (MILLIONS)	25.9	33.3	39.9	.	.
URBAN POPULATION (PERCENT OF TOTAL)	37.9	42.2	44.0	45.7	63.4
POPULATION PROJECTIONS					
POPULATION IN YEAR 2000 (MILLIONS)			62.0	.	.
STATIONARY POPULATION (MILLIONS)		..	101.0	.	.
YEAR STATIONARY POPULATION IS REACHED			2105	.	.
POPULATION DENSITY					
PER SQ. KM.	26.0	33.0	40.0	40.7	28.1
PER SQ. KM. AGRICULTURAL LAND	982.0	1125.0	1343.0	598.6	81.7
POPULATION AGE STRUCTURE (PERCENT)					
0-14 YRS.	42.0	42.1	40.2	44.0	41.4
15-64 YRS.	55.0	54.7	56.3	52.5	54.7
65 YRS. AND ABOVE	3.0	3.2	3.5	3.5	3.9
POPULATION GROWTH RATE (PERCENT)					
TOTAL	2.4	2.5	2.2	2.6	2.7
URBAN	6.0	3.6	3.0	4.5	4.1
CRUDE BIRTH RATE (PER THOUSAND)	45.0	39.0	37.0	41.6	34.8
CRUDE DEATH RATE (PER THOUSAND)	19.0	15.0	13.0	13.7	8.9
GROSS REPRODUCTION RATE	2.8/c	3.0	2.3	2.9	2.5
FAMILY PLANNING					
ACCEPTORS, ANNUAL (THOUSANDS)	..	206.0	187.0	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	9.0	21.1	16.2	..
FOOD AND NUTRITION					
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)	96.0	99.0	91.0	93.5	106.9
PER CAPITA SUPPLY OF					
CALORIES (PERCENT OF REQUIREMENTS)	102.0	104.0	109.0	103.6	107.4
PROTEINS (GRAMS PER DAY)	73.0	71.0	75.0	69.8	65.6
OF WHICH ANIMAL AND PULSE	17.0	17.0	19.0	17.5	33.7
CHILD (AGES 1-4) MORTALITY RATE	31.0	23.0	18.0	17.5	8.4
HEALTH					
LIFE EXPECTANCY AT BIRTH (YEARS)	46.0	51.0	54.0	54.4	63.1
INFANT MORTALITY RATE (PER THOUSAND)	..	..	108.0	..	66.5
ACCESS TO SAFE WATER (PERCENT OF POPULATION)					
TOTAL	..	..	66.0	62.5	65.9
URBAN	..	..	88.0	82.9	80.4
RURAL	..	..	50.0	45.1	44.0
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)					
TOTAL	..	..	..	..	62.3
URBAN	..	..	..	..	79.4
RURAL	..	..	..	..	29.6
POPULATION PER PHYSICIAN	2600.0	1910.0	1065.0/d	4688.7	1849.2
POPULATION PER NURSING PERSON	2730.0/d	1640.0/d	1150.0/d	1751.5	1227.5
POPULATION PER HOSPITAL BED					
TOTAL	460.0	462.0	470.0	635.5	480.3
URBAN	..	290.0	250.0	..	..
RURAL	..	2110.0	2090.0	..	..
ADMISSIONS PER HOSPITAL BED	..	..	..	..	..
HOUSING					
AVERAGE SIZE OF HOUSEHOLD					
TOTAL	..	..	5.2	..	..
URBAN	4.8	..	..	..	..
RURAL	..	..	..	..	..
AVERAGE NUMBER OF PERSONS PER ROOM					
TOTAL	..	..	1.8	..	..
URBAN	1.6	..	..	..	..
RURAL	..	..	..	..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)					
TOTAL	..	..	45.7	..	..
URBAN	37.8	..	77.0	..	..
RURAL	..	..	19.0	..	..

TABLE 3A
EGYPT - SOCIAL INDICATORS DATA SHEET

	EGYPT			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) /a	
	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	MIDDLE INCOME NORTH AFRICA & MIDDLE EAST	MIDDLE INCOME LATIN AMERICA & CARIBBEAN
EDUCATION					
ADJUSTED ENROLLMENT RATIOS					
PRIMARY: TOTAL	66.0	69.0	72.0	76.4	99.7
MALE	80.0	84.0	87.0	92.2	101.0
FEMALE	52.0	53.0	56.0	59.9	99.4
SECONDARY: TOTAL	16.0	32.0	46.0	33.3	34.4
MALE	23.0	44.0	57.0	41.9	33.5
FEMALE	9.0	21.0	34.0	24.2	34.7
VOCATIONAL ENROL. (% OF SECONDARY)	22.0	19.0	18.0	9.8	38.2
PUPIL-TEACHER RATIO					
PRIMARY	39.0	38.0	40.0	39.2	30.5
SECONDARY	16.0	25.0	29.0	25.1	14.5
ADULT LITERACY RATE (PERCENT)	26.0	..	43.5	39.7	76.3
CONSUMPTION					
PASSENGER CARS PER THOUSAND POPULATION	3.0	4.0	7.5	15.3	43.0
RADIO RECEIVERS PER THOUSAND POPULATION	58.0	132.0	137.0	139.0	245.3
TV RECEIVERS PER THOUSAND POPULATION	1.9	16.0	17.0	29.0	84.2
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	..	22.0	21.0	22.2	63.3
CINEMA ANNUAL ATTENDANCE PER CAPITA	3.0	2.0	..	2.8	..
LABOR FORCE					
TOTAL LABOR FORCE (THOUSANDS)	7481.4	9318.2	11124.7	.	.
FEMALE (PERCENT)	7.3	7.2	8.0	9.6	22.2
AGRICULTURE (PERCENT)	58.4	54.4	51.0	47.0	37.1
INDUSTRY (PERCENT)	12.2	18.8	26.0	23.8	23.5
PARTICIPATION RATE (PERCENT)					
TOTAL	28.9	28.0	28.0	26.1	31.5
MALE	53.2	51.5	51.3	47.4	48.9
FEMALE	4.2	4.1	4.3	4.7	14.0
ECONOMIC DEPENDENCY RATIO	1.6	1.6	1.6	1.9	1.4
INCOME DISTRIBUTION					
PERCENT OF PRIVATE INCOME RECEIVED BY					
HIGHEST 5 PERCENT OF HOUSEHOLDS	17.5/e	17.4/e,f	22.0/g	..	..
HIGHEST 20 PERCENT OF HOUSEHOLDS	44.4/e	42.8/e,f	49.2/g	..	..
LOWEST 20 PERCENT OF HOUSEHOLDS	6.6/e	7.0/e,f	5.1/g	..	..
LOWEST 40 PERCENT OF HOUSEHOLDS	17.5/e	18.7/e,f	14.8/g	..	..
POVERTY TARGET GROUPS					
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US$ PER CAPITA)					
URBAN	..	..	120.0	262.5	..
RURAL	..	..	86.0	140.4	190.8
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US$ PER CAPITA)					
URBAN	..	..	163.0	202.1	474.0
RURAL	..	..	72.0	122.2	332.5
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)					
URBAN	..	..	21.0	22.1	..
RURAL	..	..	25.0	33.1	..

.. Not available
. Not applicable.

NOTES

/a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1974 and 1978.

/c 1950-55; /d Registered, not all practing in the country; /e Rural expenditures; /f 1964-65; /g National, 1974-75.

Most recent estimate of GNP per capita is for 1979, all other data are as of April, 1980.

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "Capital Surplus Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when at least half of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

LAND AREA (thousand sq.km.)
Total - Total surface area comprising land area and inland waters.
Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1977 data.

GNP PER CAPITA (US$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1977-79 basis); 1960, 1970, and 1979 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1978 data.

POPULATION AND VITAL STATISTICS
Total Population, Mid-Year (millions) - As of July 1; 1960, 1970, and 1978 data.
Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1978 data.
Population Projections
Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.
Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.
Year stationary population is reached - The year when stationary population size has been reached.
Population Density
Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area.
Per sq. km. agricultural land - Computed as above for agricultural land only.
Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1978 data.
Population Growth Rate (percent) - total - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-78.
Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-78.
Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1978 data.
Crude Death Rate (per thousand) - Annual deaths per thousand of mid-year population; 1960, 1970, and 1978 data.
Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1977.
Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.
Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION
Index of Food Production per Capita (1969-71=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary gooda (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1978 data.
Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970, and 1977 data.
Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowance of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1977 data.
Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.
Child (ages 1-4) Mortality Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1977 data.

HEALTH
Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1978 data.
Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births.
Access to Safe Water (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.
Access to Excreta Disposal (percent of population - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.
Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.
Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.
Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHOs principal general and specialized hospitals, and rural hospitals local or rural hospitals and medical and maternity centers.
Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING
Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.
Average number of persons per room - total, urban, and rural - Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.
Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION
Adjusted Enrollment Ratios
Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.
Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.
Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.
Pupul-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.
Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION
Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.
Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.
TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.
Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.
Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE
Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc. Definitions in various countries are not comparable; 1960, 1970 and 1978 data.
Female (percent) - Female labor force as percentage of total labor force.
Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1978 data.
Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1978 data.
Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of allsages respectively; 1960, 1970, and 1975 data. These are ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.
Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

INCOME DISTRIBUTION
Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS
Estimated Absolute Poverty Income Level (US$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.
Estimated Relative Poverty Income Level (US$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.
Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

Economic and Social Data Division
Economic Analysis and Projections Department
October 1980

EGYPT - ECONOMIC INDICATORS

Population: 41 million (mid-1979)
GNP per capita: US$460

	Amount (million) US$ at current prices) 1979	ANNUAL GROWTH RATES (%) ACTUAL 1975	1976	1977	1978	1979	EST. 1980/81	PROJECTED 1981/82	1982/83	1983/84	1984/85
NATIONAL ACCOUNTS											
Gross Domestic Product /a	17745.0	10.4	10.3	10.9	11.9	8.2	9.0	8.3	6.5	6.9	6.9
Agriculture	3844.0	6.3	1.6	-3.0	5.5	3.9	2.2	2.1	2.3	2.6	2.7
Industry	3237.0	10.6	4.8	9.8	12.3	6.5	9.8	9.2	9.7	9.5	9.8
Petroleum	2728.0	39.4	52.3	55.2	22.0	10.3	11.6	12.8	3.4	6.0	5.7
Services	7263.0	9.2	11.6	9.4	12.0	10.2	10.8	8.8	8.3	8.0	7.8
Consumption	15010.0	-3.8	8.3	11.0	11.2	4.5	12.0	11.2	8.9	8.0	7.1
Gross Investment	5450.0	54.2	-8.2	9.3	-2.4	9.4	9.6	8.6	7.5	6.7	5.7
Exports of GNFS	5585.0	27.2	30.8	9.0	3.0	5.8	12.4	7.9	4.5	5.8	5.8
Imports of GNFS	8300.0	16.0	-5.3	2.5	4.2	8.9	18.7	11.8	9.2	7.9	5.2
Gross National Saving	3885.0	133.0	74.8	25.7	17.4	-13.4	-	-	-	-	-
PRICES											
GDP Deflator		50.6	55.9	60.5	65.8	81.0	100.0	-	-	-	-
Exchange Rate /b		2.15	1.97	1.75	1.54	1.43	1.43	-	-	-	-

	Share of GDP at Market Prices (%) (at current prices) 1960	1970	1975	1979	1984/85	Average Increase (%) at constant prices 1965 Prices 1960-1970	1975 Prices 1970-1975	1980/81 Prices 1975-1979	FY81-FY85
Gross Domestic Product									
- Agriculture	27.9	25.3	28.2	21.7	16.2	4.7	5.1	1.9	2.4
- Industry & Petroleum	23.7	26.1	25.4	33.6	37.0	3.0	2.6	17.5	8.2
- Services	42.9	40.8	42.8	40.9	41.7	6.3	4.4	10.8	8.2
Consumption	87.3	90.6	90.4	84.6	86.2	4.4	8.0	6.8	8.8
Gross Investment	13.3	13.9	32.3	30.7	27.4	5.8	4.2	1.8	7.1
Export of GNFS	19.5	14.2	21.5	31.5	30.9	4.9	22.8	11.6	6.0
Import of GNFS	20.1	18.8	44.1	46.8	44.5	1.1	13.5	2.5	8.5
Gross National Saving	12.9	7.7	10.9	21.9	17.9	7.2	17.2	22.2	-

	As % of GDP 1960	1970	1975	1979
PUBLIC FINANCE				
Current Revenue	18.5	21.3	34.1	37.2
Current Expenditure	21.5	22.0	39.9	33.9
Surplus (+) or Deficit (-)	-3.0	-0.7	-5.8	3.3
Capital Expenditure	11.8	11.1	16.6	23.0
Foreign Financing	-	-	16.0	4.4

	1960-70	1970-75	1975-80	FY81-FY85
OTHER INDICATORS				
GNP Growth Rate (%)	4.5	5.0	11.9	7.6
GNP per capita growth rate (%)	1.9	2.7	8.7	4.9
Energy consumption growth rate (%)/c	14.9	14.9	13.2	11.4
ICOR	-	-	3.6	4.0
Marginal savings rate	-	-	0.46	0.15
Import elasticity	0.9	1.7	0.9	1.1

/a GDP for 1979 at current prices is valued at market prices. Rates of growth concern GDP at factor cost.
/b Effective rate computed as a weighted average of official and parallel market rates.
/c Electricity only.

April 22, 1981

EGYPT - EXTERNAL TRADE

Population: 41 million (mid-1979)
GNP per capita: US$460

	Amount (million US$ at current prices)	Annual Growth Rate (%) at Constant 1980/81 Prices									
		ACTUAL					EST.	PROJECTED			
	1979	1975	1976	1977	1978	1979	80/81	81/82	82/83	83/84	84/85
EXTERNAL TRADE											
Merchandise Exports	4024	27.2	19.6	3.1	7.7	9.6	10.8	6.6	3.2	5.4	5.3
- Primary 1/	546	-15.3	-8.5	25.7	-29.8	4.5	5.2	1.4	2.0	2.6	3.0
- Manufactures 1/	168	24.8	-14.6	-27.3	17.9	-29.6	9.2	6.1	6.1	6.7	6.7
- Petroleum	2860	72.0	63.3	11.1	16.1	22.6	12.1	7.5	2.8	5.6	5.4
Merchandise Imports	7336	14.1	-5.0	-1.1	8.5	5.9	18.0	11.7	9.1	7.7	5.0
- Food	1677	27.4	16.9	-18.1	25.8	-7.0	21.2	12.8	8.8	6.2	2.3
- Petroleum	243	-34.2	-23.3	-53.3	2.7	-11.8	17.7	6.1	2.7	1.5	0.6
- Machinery and Equipment	2846	59.5	24.8	21.4	-0.7	25.6	14.3	10.4	9.4	7.8	6.8
- Others	2570	17.9	-26.2	10.7	7.5	0.2	20.0	12.9	9.6	9.2	5.6
Prices											
Export Price Index		51.5	49.9	52.3	52.9	76.0	100.0	112.0	124.0	137.0	152.0
Import Price Index		60.6	63.5	70.4	76.1	87.9	100.0	110.0	120.0	130.0	140.0
Terms of Trade Index		85.0	78.6	74.3	69.5	86.5	100.0	102.0	103.0	105.0	108.0

	Composition of Merchandise Trade (%) (at current prices)				Average Annual Increase (%) at constant 1980/81 prices	
	1970	1975	1979	84/85	1975/79	FY81/FY85
Exports					9.8	4.8
Primary 1/	64.2	28.3	13.6	11.8	-4.1	2.4
Petroleum	4.8	25.2	71.0	76.3	26.8	4.9
Manufactures 1/	31.0	46.7	15.4	11.9	-15.3	6.6
Imports					1.9	7.6
Food	13.4	23.6	22.9	26.0	2.9	6.3
Petroleum	8.2	6.9	3.3	3.0	-24.5	2.3
Machinery	23.4	23.7	38.8	37.7	17.2	8.1
Others	55.0	45.8	35.0	33.3	-3.1	8.4

	Share of Trade with Industrial Countries (%)			Share of Trade with Developing Countries (%)			Share of Trade with Capital Surplus Oil Exporters (%)		
	1965	1970	1975	1965	1970	1975	1965	1970	1975
DIRECTION OF TRADE									
Exports	27.0	17.0	14.0	18.0	22.0	10.0	1.0	1.0	4.0
Primary	29.0	19.0	18.0	17.0	22.0	11.0		1.0	3.0
Manufactures	19.0	12.0	3.0	23.0	23.0	9.0	4.0	3.0	5.0
Imports	55.0	42.0	65.0	18.0	25.0	14.0	-	-	4.0

1/ Not including oil and oil products.

April 22, 1981

EGYPT - BALANCE OF PAYMENTS, EXTERNAL CAPITAL AND DEBT
(million US$ at current prices)

	1974	1975	1976	1977	1978	1979	EST. 1980/81	PROJECTED 1981/82	1982/83	1983/84	1984/85
BALANCE OF PAYMENTS											
Export of Goods and Non-Factor Services	2251	2503	3319	3888	4099	5585	8207	9835	11315	13160	15275
- of which merchandise f.o.b.	1818	1875	2169	2346	2558	4024	6007	7160	8185	9550	11125
Imports of Goods and Non-Factor Services	-3959	-5141	-5182	-5879	-6612	-8300	-11388	-13920	-16590	-19360	-21965
- of which merchandise c.i.f.	-3618	-4608	-4659	-5110	-5998	-7336	-9998	-12225	-14575	-16995	-19270
Net Factor Income	70	122	413	472	1098	1143	1412	1650	1865	1980	2020
Net Private Transfers	42	90	87	63	54	50	--	--	--	--	--
Current Account Balance	-1596	-2426	-1363	-1456	-1361	-1522	-1769	-2435	-3410	-4220	-4670
Private Direct Investment	87	225	444	477	387	710	964	1130	1320	1510	1715
MLT Loans (Net)	69	270	647	730	1141	1509	1826	2370	2635	2560	2500
- official	-21	210	490	803	1028	1072	1615	1685	1870	2040	2195
- private	90	60	157	-73	113	437	211	687	765	520	305
Other Capital (Net) 4/	1393	1907	191	339	-181	-599	-300	-330	-360	355	455
Change in Reserves	47	24	81	-90	14	-98	721	735	185	205	0
International Reserves 1/	516	678	642	880	1106	1098	1815	2550	2735	2940	2940
- of which gold	102	102	102	104	104	104	--	--	--	--	--
Reserves as Months Imports 3/	1.7	1.8	1.7	2.1	2.2	1.8	2.2	2.5	2.3	2.1	1.8
EXTERNAL CAPITAL AND DEBT											
Gross Disbursements	2227	3612	2305	3349	2812	2329	2962	3720	4375	4620	4870
Official Grants	1303	1076	792	445	345	110	350	600	735	805	870
Concessional Loans	120	1444	668	1855	1600	996	1461	1420	1475	1530	1545
- DAC	55	199	421	591	799	833	1198	1190	1260	1320	1330
- OPEC	3	1142	171	137	93	43	68	20	5	0	0
- IDA	12	49	42	42	45	55	55	85	110	105	80
- Others	50	54	34	1085	663	65	140	125	100	105	135
Non-Concessional Loans	804	1092	845	1049	867	1223	1151	1700	2165	2285	2455
- official export credits	379	639	214	24	44	50	97	120	170	185	210
- IBRD	-	14	36	37	57	118	163	185	225	295	370
- other multilateral	-	6	-	256	18	5	34	55	65	80	95
- private	425	433	595	732	748	1050	857	1340	1705	1725	1780
External Debt											
Debt outstanding and disbursed	2830	4830	5770	8090	9920	11330	13537	15310	17210	18970	20600
- official	1990	3890	4720	6800	8500	9470	11423	12510	13640	14880	16210
- private	840	940	1050	1290	1420	1860	2114	2800	3570	4030	4390
Undisbursed Debt	1602	2426	3014	4515	4390	4629	5558	5950	6175	6480	6900
Debt Service											
Total service Payment	517	595	665	1099	1211	1040	1658	2030	2490	2935	3400
- interest	70	115	111	340	387	236	645	685	750	870	1035
- payment as % exports 2/	21%	21.6%	16.8%	23.9%	21.8%	14.6%	16.3	16.8	18.0	18.4	18.7
Average Interest Rate on New Loans	6.3	4.7	5.1	5.1	4.6	6.4	6.5	7.3	7.3	7.3	7.2
- official											
- private											
Average Maturity of New Loans (years)	17.2	18.5	23.3	18.7	27.9	24.5	19.5	17.4	17.3	16.2	16.2
- official											
- private											

1/ Foreign assets of Central Bank.
2/ Exports of goods and services not including foreign oil companies exports.
3/ Merchandise only.
4/ Including commercial banks operations and residual balance of payments financing.

April 22, 1981

THE STATUS OF BANK GROUP OPERATIONS IN EGYPT

STATEMENT OF BANK LOANS AND IDA CREDITS

(March 31, 1981)

Loan/Credit Numbers	Approved FY	Borrower	Purpose	Amount in million US dollars less cancellations Bank	IDA	Undisbursed
Ln 243-UAR	60	SCA	Suez Canal Expansion	56.5	--	--
Cr 181-UAR	70	UAR	Nile Delta Drainage	--	26.0	--
Cr 284-UAR	72	ARE	Railways I	--	30.0	--
Cr 393-UAR	73	ARE	Upper Egypt Drainage	--	36.0	2.4
Cr 412-UAR	73	ARE	Development Industrial Bank 1/	--	15.0	--
Cr 423-UAR	74	ARE	Cotton Ginning Rehabilitation	--	18.5	2.1
Cr 437-UAR	74	ARE	Population I	--	5.0	--
Cr 484-UAR	74	ARE	Talkha Fertilizer	--	20.0	--
Cr 524-EGT	75	ARE	Ag./Ind. Imports	--	35.0	--
Ln 1062-EGT	75	ARE	Ag./Ind. Imports	35.0	--	--
Ln 1064-EGT	75	SCA	Suez Canal Rehabilitation	50.0	--	13.5
Ln 1085-EGT	75	ARE	Tourah Cement	40.0	--	2.1
Ln 1098-EGT	75	ER	Railways II	37.0	--	7.0
Cr 548-EGT	75	ARE	Telecommuniations I	--	30.0	--
Cr 576-EGT	76	ARE	Development Industrial Bank II 1/	--	25.0	0.2
Ln 1239-EGT	76	APA	Alexandria Port	45.0	--	27.1
Ln 1276-T-EGT 2/	76	ARE	Fruit and Vegetable Dev.	50.0	--	33.7
Cr 637-EGT	76	ARE	Upper Egypt Drainage II	--	40.0	13.6
Ln 1285-EGT	76	ARE	Upper Egypt Drainage II	10.0	--	10.0
Ln 1292-EGT	76	ARE	Textile Rehabilitation	52.0	--	14.6
Ln 1369-EGT	77	AWA	Alexandria Water Supply	56.0	--	31.3
Cr 681-EGT	77	ARE	Education I	--	25.0	4.0
Cr 719-EGT	77	ARE	Nile Delta Drainage II	--	27.0	7.2
Ln 1439-EGT	77	ARE	Nile Delta Drainage II	27.0	--	27.0
Ln 1440-T-EGT 2/	77	ARE	Nile Delta Drainage II	12.0	--	12.0
Ln 1453-EGT	77	EEA	Regional Electrification	48.0	--	15.1
Ln 1456-EGT	77	ARE	Industrial Imports	70.0	--	18.8
Ln S-005-EGT	77	ARE	Iron Ore Beneficiation and Eng.	2.5	--	0.7
Ln 1482-EGT	78	SCA	Suez Canal Expansion	100.0	--	29.9
Cr 774-EGT	78	ARE	Telecommunications II	--	53.0	51.0
Ln 1533-EGT	78	DIB	Development Industrial Bank III	40.0	--	12.0
Cr 830-EGT	78	ARE	Agricultural Development	--	32.0	26.8
Cr 831-EGT	78	ARE	Urban Development	--	14.0	13.6
Cr 850-EGT	79	ARE	Population II	--	25.0	20.9
Cr 868-EGT	79	ARE	Education II	--	40.0	33.3
Ln S-14-EGT	79	ARE	New Valley Phosphate Engineering and Technical Assistance	11.0	--	3.3
Cr 909-EGT	79	ARE	Tourism	--	32.5	32.1
Ln 1732-EGT	79	ARE	Gulf of Suez Gas	75.0	--	45.2
Cr 935-EGT	79	ARE	Shoubrah El Kheima Thermal Power	--	37.0	36.5
Ln 1733-EGT	79	EEA	Shoubrah El Kheima Thermal Power 3/	102.0	--	102.0
Cr 988-EGT	80	ARE	Agroindustries	--	45.0	44.9
Ln 1804-EGT	80	DIB	Development Industrial Bank IV	50.0	--	45.1
Ln 1837-EGT	80	ARE	Textiles II 4/	69.0	--	69.0
Ln 1842-EGT	80	ARE	MIDB	30.0	--	30.0
Cr 1024-EGT	80	ARE	Cairo Gas Distribution	--	50.0	34.4
Ln 1849-EGT	80	ARE	Pulp and Paper 4/	50.0	--	50.0
Ln 1886-EGT	80	EEA	Power III 4/	7.0	--	7.0
Cr 1052-EGT	80	EEA	Power III 4/	--	120.0	120.0
Cr 1069-EGT	81	ARE	Education III	--	40.1	40.1
Ln 1298-EGT	81	EGPC	Petroleum Exploration 4/	25.0	--	25.0
Cr 1083-EGT	81	ARE	New Land Development 4/	--	80.0	80.0
Cr 1111-EGT	81	ARE	Fish Farming 4/	--	14.0	14.0
Totals				1150.0	915.1	1208.5
Of which has been repaid				65.3	0.9	
Total now outstanding				1084.7	914.2	
Amount sold			7.5			
Of which has been repaid			7.5			
Total now held by Bank and IDA				1084.7	914.2	

1/ Formerly Bank of Alexandria.
2/ Third Window Loan.
3/ Not included is EEC Special Action Credit 20 of $35.0.
4/ Not yet effective.

THE STATUS OF BANK GROUP OPERATIONS IN EGYPT

STATEMENT OF IFC INVESTMENTS
(December 31, 1980)

Year	Obligor	Type of Business	(Amount in US$ million) Loan	Equity	Total
1976	Arab Ceramic Company	Ceramic Industry	4.80	.835	5.635
1977	Nile Clothing Company	Ready-Made Garment Industry	0.43	0.16	0.59
1978	Delta Sugar Company	Agricultural Production, mainly sugar	20.0	3.00	23.0
1979	Ismailia Misr Poultry Company	Food and Food Processing	5.97	1.52	7.49
1979	Ismailia Fish Farming Company	Food and Food Processing	1.93	.55	2.48
1980	Suez Cement Company	Building Materials	30.0	-	30.0
1980	Crocodile Tourist Project Company	Crocodile Tourist Project	4.41	.857	5.267
			67.54	6.922	74.462

C. PROJECTS IN EXECUTION 1/

Cr. No. 393-UAR - Upper Egypt Drainage I Project; US$36 million Credit of June 8, 1973; Effectiveness Date: November 28, 1973; Closing Date: July 31, 1981.

Construction and remodelling of some 1,640 km of open drains have been completed. Of 300,000 feddans in the project area, tile drainage has been completed in about 230,000 feddans. Progress on this activity was slow due mainly to poor construction planning and management by the public sector contractors. The other outstanding activity is the construction of two pumping stations: civil works are more than 75% complete and the pumping equipment has been delivered at site for erection. EPADP's current program shows project completion by June 1982, and accordingly, the Government is likely to request an extension of the current closing date.

Cr. No. 423-UAR - Cotton Ginning Rehabilitation Project; US$18.5 million Credit of July 30, 1973; Effectiveness Date: February 15, 1974; Closing Date: December 31, 1982

The project is estimated to be completed in 1982. Previous substantial delays, primarily due to lack of adequate local funds, have been overcome.

Ln. No. 1064-EGT - Suez Canal Rehabilitation Project; US$50 million Loan of December 20, 1974; Effectiveness Date: April 21, 1975; Closing Date: June 30, 1982

Project execution is generally satisfactory although some items are lagging behind appraisal schedule. Contracts for most items in the project have been awarded and the cost of Bank-financed items is expected to exceed appraisal estimates slightly.

Ln. No. 1085-EGT - Tourah Cement Expansion Project; US$40 million Loan of February 10, 1975; Effectiveness Date: June 9, 1975; Closing Date: December 31, 1982

Procurement of machinery and equipment is completed. Most items are already on site being erected. Slow civil works execution has further delayed project execution. Thus start-up of commercial operations is expected to be only towards mid-1982.

1/ These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

Ln. No. 1098-EGT - Railways II Project; US$37 million Loan of April 2, 1975; Effectiveness Date: August 20, 1975; Closing Date: June 30, 1981

Investment in mobile assets has been satisfactory but progress on fixed installations is slow. The Egyptian Railways' (ER) operations and maintenance situation remains very poor with low availability of locomotives and rolling stock. The track renewal and repair program is also behind schedule. Efforts are now being made to improve rolling stock maintenance with the help of consultants and ER plans to set up separate companies with overseas technical assistance to upgrade track conditions. The 1980-84 draft investment program contains many large investments including new lines for which no economic justification has been demonstrated. The financial situation is poor and a deficit of LE 38 million was recorded for 1979. After many years without tariff increases, substantial increases in freight tariffs were made in 1979, and passenger fare increases are promised for 1981. A decree, effective in July 1980, establishes a National Railway authority and aims to give the railways inter alia considerably more autonomy in relation to tariffs and staff salaries.

Cr. No. 576-EGT - Second Development Industrial Bank (formerly Bank of Alexandria) Project; US$25 million Credit of July 30, 1975; Effectiveness Date: February 19, 1976; Closing Date: April 30, 1981

The credit is now fully committed and about $24.8 million was disbursed as of March 31, 1981.

Ln. No. 1239-EGT - Alexandria Port Project; US$45 million Loan of April 19, 1976; Effectiveness Date: August 30, 1976; Closing Date: December 31, 1983

Progress on the execution of the main civil works and dredging contract is proceeding reasonably well although other civil works are behind schedule. Procurement of most equipment is progressing satisfactorily although the evaluation of bids for radar equipment is behind schedule. Estimated final cost remains within appraisal estimates. Because of the delayed start of the main civil works, the project is now expected to be completed by the end of 1983.

Ln. No. 1276-EGT - Fruit and Vegetable Development Project; US$50 million Third Window Loan of June 11, 1976; Effectiveness Date: December 20, 1976; Closing Date: December 31, 1982

The project is now over two years behind schedule but is making progress. Work on the drainage and irrigation components of the project is proceeding and a large contract has recently been awarded. The seed component has had major problems, which are now being addressed. The Agricultural Development Lending Unit in Bank Misr is making very good progress. The project scope has been expanded to allow financing of agroindustries subprojects, and terms of financing liberalized.

Ln. No. 1285-EGT and Cr. 637-EGT - Upper Egypt Drainage II Project; US$10 million Loan and US$40 million Credit, both of June 11, 1976. Effectiveness Date: January 31, 1977; Closing Date: June 30, 1983

Overall progress on construction of 1602 km of open drains covering 500,000 feddans is 62% complete. Foundation work is in progress on one pumping station included in the Project. Installation of tile drains has just commenced and is complete only in 8,000 feddans. The progress on this activity has been slow due mainly to the time taken by the public sector contractors for import of plastic pipe laying machines and setting up of cement collector pipe making workshops. Also the area of the project was adjusted by exchanging 22,000 feddans of previously tiled area with an equivalent non-tiled area of the Upper Egypt I Project.

Ln. No. 1292-EGT - Textile Project; US$52 million Loan of September 20, 1976. Effectiveness Date: February 16, 1977; Closing Date: March 31, 1982

The project is proceeding with a delay of more than two years caused by a later and slower than anticipated start of the civil works, shortage of steel and cement, and a recent fire on the construction site of one of the two beneficiary companies. The project is now estimated to cost about US$20 million equivalent (all in local currency) more than appraised, due to increased scope and delay of civil works and increase in cost of construction materials beyond what was expected at appraisal. No difficulties are foreseen in financing this, although some government equity contribution would be required in the next two years to supplement the companies' internal cash generation in order to adhere to the financial covenants as well as project costs. Early management problems have now been overcome and both companies have developed effective project implementation units. Disbursements are slower than anticipated reflecting initial delays in procurement. However, about 95 percent of the contracts for machinery and equipment have now been awarded, and the balance is expected to be awarded in the near future.

Ln. No. 1369-EGT - Alexandria Water Supply Project; US$56 million Loan of March 7, 1977; Effectiveness Date: July 6, 1977; Closing Date: June 30, 1982

Bidding for all equipment has been completed and orders placed. Management studies were completed in the Authority and AWA is implementing some of the recommendations. AWA has called for bid proposals for new data processing equipment. The award has been made for the civil works construction of the Bank financed water treatment plant extensions and work has started. Local bidding for 65 km pipeline contracts have been completed and awards made to four contractors; these contracts are now being financed with local funds. Satisfactory progress is being made on meter replacement and reduction of waste, and AWA's regularly submitted reports reflect good general progress.

Cr. No. 681-EGT - Education Project; US$25 million Credit of March 7, 1977; Effectiveness Date: August 19, 1977; Closing Date: December 31, 1981

Project implementation is proceeding satisfactorily. Curricula and staff development, and technical assistance are essentially complete. About 95 percent of all equipment has been procured and nearly all has been installed. Of the 23 institutions to be constructed 22 are completed and operational, and the remaining one will be operational by June 1981. All of the existing institutions being re-equipped are operational. Commitments total about 92 percent of Credit amount.

Cr. No. 719-EGT, Ln. No. 1439-EGT and Ln. No. 1440-EGT - Nile Delta Drainage II Project; US$27 million Credit, US$27 million Loan and US$12 million Third Window Loan of July 15, 1977; Effectiveness Date: April 17, 1978; Closing Date: December 31, 1983

Construction of open drains is on schedule, with completion of some 380,000 feddans out of the total area of 815,000 feddans. Progress is satisfactory on renovation of the equipment of two pumping stations. Of the other four new pumping stations, the foundation work has been commenced on three. The contractors for the installation of tile drains are in the process of importing plastic pipe laying machines and other equipment. This activity is complete only in 4,000 feddans out of the project area of 400,000 feddans.

Ln. No. 1453-EGT -Regional Electrification Project; US$48 million Loan of July 15, 1977; Effectiveness Date: February 6, 1978; Closing Date: December 31, 1981

Physical progress is good. A six month delay in completion of construction is expected, however. Consultants for the extension of the UNDP Power Sector Survey have completed their work. Consultants for the distribution companies are in place. All contracts for equipment, materials and technical assistance have been awarded.

Ln. No. 1456-EGT - Industrial Imports Project;US$70 million Loan of July 15, 1977; Effectiveness Date: November 7, 1977; Closing Date: June 30, 1982

As of March 31, 1981, about $51.2 million has been disbursed and about $56.0 million committed. Utilization of the loan proceeds has been slow mainly because of delays in procurement of equipment for public sector firms.

Ln. No. S-5 EGT - Iron Ore Engineering and Beneficiation Project; US$2.5 million Loan of July 15, 1977. Effectiveness Date: February 2, 1978; Closing Date: December 31, 1981

Consultants preparing both iron ore beneficiation and diagnostic studies have submitted the final feasibility studies. The closing date was extended to help finance consulting services to help prepare a rehabilitation and balancing project for Egyptian Iron and Steel Company and engineering work for pilot beneficiation plant.

Ln. No. 1482-EGT - Suez Canal Expansion Project; US$100 million Loan of September 28, 1977; Effectiveness Date: February 8, 1978; Closing Date: December 31, 1981

Progress in the execution of the project is close to appraisal estimates although in some areas, such as procurement of tugs there has been some delay because of delayed decisions on design which have now been taken. The financial situation of the borrower is sound, total canal traffic continues at levels close to appraisal forecasts and revenue is higher than appraisal estimates.

Ln. No. 1533-EGT - Development Industrial Bank III; US$40 million Loan of April 12, 1978; Effectiveness Date: July 18, 1978; Closing Date: December 31, 1982

Commitments and disbursements are progressing satisfactorily. As of March 31, 1981, $28.0 million had been disbursed and the loan had been fully committed.

Cr. No. 774-EGT - Second Telecommunications Project; US$53 million Credit of March 21, 1978; Effectiveness Date: September 19, 1978; Closing Date: December 31, 1981

Procurement action under this credit is well advanced. Bid evaluation reports on the two remaining items (mobile exchanges and electronic PABXs) are awaited.

Cr. No. 830-EGT - Agricultural Development Project; US$32 million Credit of July 24, 1978; Effectiveness Date: February 20, 1979; Closing Date: December 31, 1983

Project tractors have been procured and distributed. Implementation is being reviewed to determine whether basic project objectives have been met. Improvements in institutions and project management are under consideration.

Cr. No. 831-EGT - Egypt Urban Development Project; US$14 million Credit of August 30, 1978; Effectiveness Date: April 30, 1979; Closing Date: December 31, 1982

There has been progress in the staffing of the project unit, but its technical staff needs to be augmented. Progress in implementation of some of the shelter components and studies has improved; however, there are delays in some of the other components. Measures to resolve the problems are under discussion with the Government.

Cr. No. 850-EGT - Second Population Project; US$25 million Credit of October 30, 1978; Effectiveness Date: May 1, 1979; Closing Date: December 31, 1983

Civil works and procurement of furniture, equipment and vehicles are proceeding satisfactorily. All sites have been selected. Of the 153 sites, construction on about one third has been completed, and the remainder should be completed by September 1981. Progress in implementing the software components is seriously delayed partly due to managerial problems. Measures to be taken by the Government following discussions with a recent review mission should expedite progress in the training, IEC and home visiting programs.

Cr. No. 868-EGT - Second Education Project; US$40.0 million Credit of January 26, 1979; Effectiveness Date: July 18, 1979; Closing Date: March 31, 1984

Project implementation is proceeding satisfactorily. Of the 23 new institutions to be constructed, five are completed, another five will be completed by mid-1981 and 12 will be completed in 1983. One will now be situated in an existing building. Of the 36 institutions to be rehabilitated, 14 will be completed by mid-1981; construction work on the remainder will begin in 1982. All equipment is under procurement with contracts already signed for about 50 percent. All technical assistance has been contracted.

Ln. No.S-14-EGT - New Valley Phosphate Engineering and Technical Assistance Project; US$11 million Loan of May 25, 1979; Effectiveness Date: October 19, 1979; Closing Date: June 30, 1982

Procurement and delivery of mining equipment has been completed and erection is proceeding at mine site; laboratory tests of phosphate rock have been completed and reviewed by the Bank. Draft terms of reference for pre-feasibility study are being discussed with government.

Cr. No. 909-EGT - Tourism Project; US$32.5 million Credit of June 13, 1979; Effectiveness Date: March 26, 1980; Closing Date: December 31, 1985

Project implementation has started. Procurement is underway for electricity, telecommunications, Luxor Hotel Training School and Luxor air terminal components. Planning and Design studies are underway for the roads, water, and museum components. Disbursements are running at 50% of appraisal forecasts, and this percentage is expected to rise by the end of 1981.

Ln. No. 1732-EGT - Gulf of Suez Gas Project; US$75 million Loan of June 29, 1979; Effectiveness Date: January 29, 1980; Closing Date: September 30, 1982

Project implementation is in progress. The onshore contract has been signed and the contractor has mobilized. The three studies included under the project, the exploration and the energy pricing studies as well as the financial management study are underway.

Ln. No. 1733-EGT - US$102 million, Cr. No. 935-EGT - US$37 million and Special Action Cr. No. 20-EGT - US$35 million - Shoubrah El Kheima Thermal Power Project of September 6, 1979; Effectiveness Date: April 8, 1980; Closing Date: June 30, 1986

Bidding documents for electro-mechanical equipment were issued in December 1980. Bid opening dates for major equipment packages are set for May/June 1981.

Cr. No. 988-EGT - Agroindustries Project; US$45 million Credit of May 1, 1980; Effectiveness Date: December 3, 1980; Closing Date: December 31, 1985

The contract for construction of the Cairo abattoir has been awarded, and the bids for construction of the Alexandria abattoir are being evaluated. Disbursements under the credit component through three participating banks have been slow, pending clarification of on-lending interest rates by the Egyptian Government.

Ln. No. 1804-EGT - Fourth Development Industrial Bank Project; US$50 million Loan of May 1, 1980; Effectiveness Date: August 8, 1980; Closing Date: December 31, 1984

Commitments and disbursements are progressing satisfactorily. As of March 31, 1981, $25.9 million had been committed and $4.9 million disbursed.

Ln. No. 1837-EGT - Textile II Project; US$69 million Loan of June 4, 1980; Effectiveness Date: (Not yet effective); Closing Date: September 30, 1984

Effectiveness action underway.

Ln. No. 1842-EGT - Misr Iran Development Bank Project; US$30 million Loan of June 4, 1980; Effectiveness Date: December 31, 1980; Closing Date: June 30, 1985

The project became effective on December 31, 1980.

Ln. No. 1849-EGT - Pulp and Paper Project; US$50 million Loan of June 4, 1980; Effectiveness Date: (Not yet effective); Closing Date: December 31, 1984

Action on effectiveness is underway.

Cr. No. 1024-EGT - Cairo Gas Distribution Project; US$50 million Credit of June 4, 1980; Effectiveness Date: December 4, 1980; Closing Date: December 31, 1985

Contractor has been working since April 1980 and the project is progressing satisfactorily.

Cr. No. 1069-EGT - Third Education Project; SDR 30.3 million (US$40.1 million equivalent) Credit of November 7, 1980; Effectiveness Date: April 16, 1981; Closing Date: June 30, 1985

The credit became effective on April 16, 1981.

Ln. No. 1886-EGT, US$7 million, Cr. No. 1052-EGT, US$120 million - Third Power Project of November 7, 1980; Effectiveness date: (not yet effective); Closing Date: June 30, 1987.

Action on effectiveness is underway.

Ln. No. 1928-EGT - Western Desert Petroleum Exploration Project; US$25 million Loan of January 13, 1981; Effectiveness Date: (Not yet effective); Closing Date: December 31, 1983

Effectiveness action underway.

Cr. No. 1083-EGT - SDR 60.9 million (US$80 million) - New Land Development Project of December 16, 1980; Effectiveness Date: (Not yet effective); Closing Date: December 31, 1987

Action on effectiveness is underway.

Cr. No. 1111-EGT - SDR 11.0 million (US$14 million) - Fish Farming Development Project of April 24, 1981; Effectiveness Date: (Not yet effective); Closing Date: December 31, 1986.

Action on effectiveness is underway.

ARAB REPUBLIC OF EGYPT

BEHEIRA PROVINCIAL WATER SUPPLY PROJECT

SUPPLEMENTARY PROJECT DATA SHEET

Section I - Timetable of Key Events

(a)	Time taken by the country to prepare the project:	21 months (January 1979 to October 1980)
(b)	Agency which prepared the project:	General Organization for Potable Water (GOPW)
(c)	Date of first presentation to the Bank:	January 1979
(d)	Date of departure of appraisal mission:	October 1980
(e)	Date of completion of negotiations:	March 1981
(f)	Planned date of effectiveness:	December 1981

Section II - Special Bank Implementation Action

None.

Section III - Special Conditions

1. Condition of credit effectiveness:

Execution of subsidiary Loan Agreement between the Government, the Beheira Water Company (BWC) and the GOPW (para. 49).

2. Other conditions:

(i) The Government will prepare a detailed program of urgent rehabilitation works in the provincial water supply sector (para. 40).

(ii) BWC will prepare by March 31, 1982 a program and timetable satisfactory to IDA to transfer operational responsibilities for water supply facilities in Beheira in concurrence with the Government (para 43).

(iii) The Government has agreed that it will develop a complementary health program in Beheira and submit it to IDA for review not later than December 31, 1982 and start to implement the program promptly (para. 46).

(iv) The Government will, by December 31, 1981, submit for IDA's review, a detailed training program, which will be implemented in accordance with a schedule to be agreed upon; by December 31, 1982 it will submit for IDA's review a detailed plan of action for the operation of the Damanhur National Training Center (para. 47).

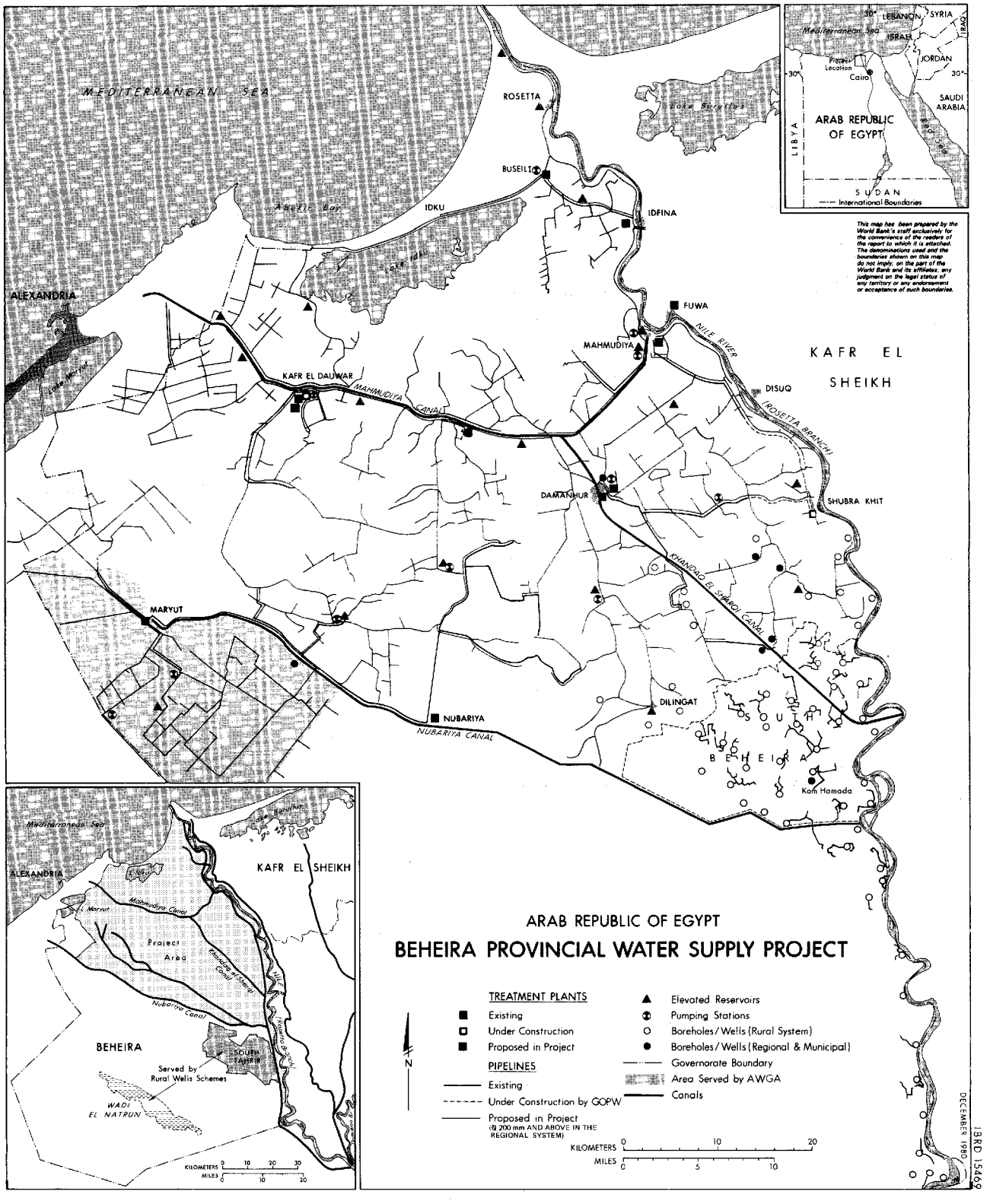
(v) Of the credit proceeds, $53 million will be onlent to the BWC at an interest rate of 6 percent under a subsidiary loan agreement satisfactory to IDA (para. 49).

(vi) The Government will provide or cause to be provided the funds for BWC's cash flow requirements to the extent not covered from its own sources (para. 49).

(vii) The Government has agreed that by December 31, 1981 it will appoint suitably qualified management and engineering consultants in consultation with the BWC on the basis of terms of reference satisfactory to IDA. At the conclusion of the management consultants' work, BWC will submit to the Government and IDA for review recommendations with regard to its organization structure and financial and administrative procedures and adopt those that are satisfactory to them (para. 50).

(viii) BWC will implement tariff proposals, satisfactory to the Association, by July 1, 1982. The Government and BWC will ensure that, starting from fiscal year 1983, BWC's revenues from operations will be adequate to cover all expenditures for operation and maintenance; and in each succeeding year additional revenues will be generated so that by 1987, revenues will be adequate to cover BWC's expenses for operation and maintenance costs as well as debt service not covered by depreciation (para. 55).

(ix) By July 1, 1982 the local authorities in Beheira will pay BWC annual amounts for each public standpipe and these amounts will be established annually, in accordance with methods satisfactory to IDA. BWC will also submit to the Government and IDA by June 30, 1984 its proposals for charging consumers for standpipe usage, and the local authorities will continue to provide payments for such usage, to the extent not covered from direct charges to standpipe consumers (para. 56).


MEDITERRANEAN SEA
ROSETTA
BUSEILI
IDKU
IDFINA
ALEXANDRIA
FUWA
MAHMUDIYA
NILE RIVER
KAFR EL DAUWAR
MAHMUDIYA CANAL
KAFR EL SHEIKH
DISUQ
ROSETTA BRANCH
DAMANHUR
SHUBRA KHIT
KHANDAQ EL SHAROI CANAL
MARYUT
DILINGAT
NUBARIYA
NUBARIYA CANAL
SOUTH BEHEIRA
Kom Hamada
Lake Maryut
Aboukir Bay
Lake Burullus
Mediterranean Sea
Mahmudiya Canal
Project Area
Rosetta Branch Canal
Nubaria Canal
Alexandria Branch
BEHEIRA
SOUTH TAHRIR
Served by Rural Wells Schemes
WADI EL NATRUN
KILOMETERS 0 10 20 30
MILES 0 10 20
Mediterranean Sea
LEBANON
SYRIA
ISRAEL
JORDAN
IRAQ
SAUDI ARABIA
LIBYA
SUDAN
Cairo
Project Location
ARAB REPUBLIC OF EGYPT
International Boundaries
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ARAB REPUBLIC OF EGYPT
BEHEIRA PROVINCIAL WATER SUPPLY PROJECT
TREATMENT PLANTS
Existing
Under Construction
Proposed in Project
PIPELINES
Existing
Under Construction by GOPW
Proposed in Project
(Ø 200 mm AND ABOVE IN THE REGIONAL SYSTEM)
Elevated Reservoirs
Pumping Stations
Boreholes/Wells (Rural System)
Boreholes/Wells (Regional & Municipal)
Governorate Boundary
Area Served by AWGA
Canals
N
KILOMETERS 0 10 20
MILES 0 5 10
DECEMBER 1980
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