



USAID
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Second Annual Report
October 2011 - September 2012
Egypt's Competitiveness Program

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Second Annual Report Egypt's Competitiveness Program

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ACRONYMS

ABA	Alexandria Businessmen Association
ABS	Asset-backed securities
APSS	Annual Program Statements
BAC	Business Advisory Council
CG	Corporate Governance
CMA	Capital Market Authority
CMD	Capital Markets Development Program
COC	Center of Competitiveness
CPA	Consumer Protection Agency
CR	Commercial Registry
CRA	Commercial Registry Authority
CRM	Customer Relationship Management
CSRs	Customer Satisfaction Reviews
DBP	Defined Benefit Plan
DCA	Development Credit Authority
DCP	Defined Contribution Plan
DTC	Development for Training and Consultancy
EBI	Egyptian Banking Institute
ECA	Egyptian Competition Authority
ECP	Egypt's Competitiveness Program
EFS	Egypt Financial Services Project
EGX	Egypt Exchange
EFSA	Egyptian Financial Supervisory Authority
EIFS	Egyptian Institute for Financial Services
EII	Egyptian Institute of Insurance
EIoD	Egyptian Institute of Directors
EISA	Egyptian Insurance Supervisory Authority
EMF	Egypt Micro Finance Program
ENCC	Egyptian National Competitiveness Council
ERRADA	Egyptian Regulatory Reform and Development Activity
ETA	Egyptian Tax Authority
ETPs	Enterprise TVET Partnership
FP	Fixed Price
FTC	Federal Trade Commission
GAFI	General Authority for Investment and Free zones
GEP	Global Entrepreneurship Program
GMUs	Governmental Management Units
GoE	Government of Egypt
GOEIC	General Organization for Export and Import Control
GRU	General Review Unit
IDA	Industrial Development Agency
IMF	International Monetary Fund
IPR	Intellectual Property Rights
IQS	Indefinite Quantity Subcontract
IR	Intermediate Result
IRIS	Institutional Reform and the Informal Sector
ITDA	Internal Trade Development Agency
ITMAS	Integrated Tax Management Accounting System

LOE	Level of Effort
LOP	Life of Program
M&E	Monitoring and Evaluation
MFA	Mortgage Finance Authority
MKI	Mubarak-Kohl-Initiative
MOE	Ministry of Education
MOF	Ministry of Finance
MFI	Ministry of Foreign Trade
MOI	Ministry of Investment
MOHE	Ministry of Higher Education
MOMM	Ministry of Manpower and Manpower
MOU	Memorandum of Understanding
MTI	Ministry of Trade and Industry
NASIP	National Authority for Social Insurance and Pensions
NCS	National Competitiveness Strategy
NGOS	Non-Governmental Organizations
NIDS	National Industrial Development Strategy
NILEX	Nile Stock Exchange
PA	Public Awareness
PMP	Performance Monitoring Plan
PPP	Public Private Partnership
PSCC	Port Said Chamber of Commerce
RBS	Risk-Based Supervision
RFAs	Request for Applications
RFTOP	Requests for Task Order Approval
RIA	Regulatory Impact Assessment
RMG	Ready Made Garments
SBTUs	School-based training units
SEC	Suez Economic Corridor
SEE	Supporting Entrepreneurship in Egypt
SMEs	Small and Medium Enterprises
SO	Strategic Objective
SOW	Scope of Work
SSBC	Smart Services Business Center
STTA	Short Term Technical Assistance
STOs	Subcontract Task Orders
TAPR II	Technical Assistance for Policy Reform II
TASS	Technical Agriculture Secondary Schools
TNA	Training Needs Assessment
TOR	Term of Reference
TOT	Training of Trainer
TSSs	Technical Secondary Schools
TVET	Technical and Vocational Education and Training
UBR	Unified Business Registry
USAID	United States Agency for International Development
VAT	Value Added Tax
VTCs	Vocational Training Centers
WP	Work plan

Executive Summary

Egypt's Competitiveness Program (ECP) is pleased to submit the second annual report covering program activities from October 1, 2011 to September 30, 2012. USAID has funded ECP from September 1, 2010 through December 31, 2013. The three-year program is managed by prime contractor Chemonics International, Inc., in partnership with a consortium of U.S. subcontractors: Innove, The Kaizen Company, SEGURA/IP3 Partners LLC, J.E. Austin Associates and one Egyptian Subcontractor: Development for Training and Consultancy (DTC).

ECP was created under USAID's Strategic Objective 16, "Conditions for Trade and Investment Improved", to provide technical assistance to enhance Egypt's competitiveness through regulatory reform, streamlined business processes, improved labor skills and productivity, and modernization of the financial sector. USAID/Egypt's overall goal is to promote a globally competitive, educated, and innovative human resources-based economy benefiting Egyptians equitably.

ECP startup began September 2010 in Cairo with the arrival of the program director and component leaders. Office space was located and renovated by late October. The ECP Egyptian professional team was fully deployed in November, 2010. The ECP Year I work plan was developed in collaboration with USAID and Government of Egypt (GoE) counterparts and submitted to USAID on December 8, 2010. The ECP program was officially launched on December 19, 2010.

Implementation of the ECP program was dramatically interrupted with the onset of 25 January 2011 revolution which led to the overthrow of President Mubarak. As a consequence the balance of ECP Year I implementation was characterized by a combination of "crisis" interventions on the one hand and a series of "stop and go" initiatives as interim governments, three in all, struggled to implement important development initiatives amid an almost continuous stream of civil unrest as the "Egyptian street" tried to move Egypt away from the immediate past of the Mubarak dictatorship toward the elusive dream of a modern Egyptian state founded on the principles of social inclusion and democratic expression.

In the immediate aftermath of the revolution two interim Ministers of Finance, Dr. Samir Radwan and Mr. Biblawy called on ECP through USAID to provide advice on fiscal and tax policy, in coordination with the IMF, which was crucial at the time given the rapidly deteriorating fiscal position of the country.

The ECP Program: "Strategy into Action":

The main theme advanced by the ECP program in the early days of the revolution was to translate "Strategy into Action". Under USAID's predecessor project, TAPR II, a number of important policy reforms and project activities had laid a foundation for even more tangible results under ECP. For example, the Smart Service Business Center (SSBC) in Alexandria was a successful pilot. It made the process of getting municipal business permits faster and easier. The SSBC was an excellent "proof of concept" but it remained to be scaled up. In 2010 SSBC issued 2,200 licenses and permits in the second largest business center in the country, Alexandria, which has over 170,000 members in the Chamber of Commerce. The ECP proposed to translate the SSBC "proof of concept" and scale it up into a program of size and action to be of use and relevance to the broader business community working and serving in

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Alexandria. This concept of taking promising pilot or “proof of concept” initiatives and scaling them into broadly relevant development interventions has become a distinguishing feature of the ECP Program as it has evolved through time.

ECP, by name and design, marked an important shift in USAID’s previous development approach under TAPR II from broad-based “technical assistance for policy reform” to an initiative tightly focused on improving Egypt’s “competitiveness”. Dr. Michael Porter explains the importance of competitiveness in the following manner: “...the principal goal of a nation is to produce a high and rising standard of living for its citizens. The ability to do so depend on the productivity with which a nation’s labor and capital are employed... the only meaningful concept of competitiveness at the national level is productivity”¹ Accordingly, under ECP USAID has focused on four broad productivity drivers of competitiveness:

- (A) Conducive Regulatory Reforms
- (B) Streamlining Business Processes
- (C) Improving Labor Skills and Productivity
- (D) Strengthening the Financial Sector

Each of these “productivity drivers” is a critical enabler of competitiveness. Under Year I and Year II Work Plan Activities ECP has focused on these four “aggregate” productivity drivers. Under each of these aggregate productivity drivers ECP has drilled down though time to further focus on specific productivity enhancing initiatives where the attention, technical assistance and training resources available under the USAID ECP contract target specific interventions that will yield demonstrable and measurable results. During ECP Year III program efforts will continue to be focused on these four specific productivity drivers, with ever increasing demonstration of development impact:

- (i) Ease of Doing Business: Tamayouz Business Centers operating in Alexandria, Cairo and Qualubeya:
- (ii) Vocational Technical Training:
- (iii) Entrepreneurship Development:
- (iv) And, (IV) SME access to finance. Over the course of the past two years of program activities these stregic themes The ECP approach of “Strategy into Action” translates into supporting specific policy initiatives at the national level while concentrating on implementing specific productivity drivers at the local, governorate level which produce results and, in turn, enhance Egypt’s competitiveness.

The ECP program goal is to have a significant impact at the local as well as national level on the productivity drivers which create or grow businesses, discover and develop new Egyptian entrepreneurs, create jobs and facilitate SME access to finance. Important as they are, ECP is not about training or capacity building *per se*. ECP strives to produce tangible results; ECP is about impact.

¹ Harvard Business Review March-April 1990, p76

ECP Year I Work Plan, Results and the Egyptian Revolution:

The main goals of the ECP Year I work plan included: (i) expansion of the ERRADA into new ministries and governorates; (ii) an updated bankruptcy law; (iii) expansion of Tamayouz permit and license service centers to pilot governorates; (iv) implementation of key recommendations of the ENCC National Competitiveness Strategy begun; (v) provision of skilled workers and the creation of new businesses through vocational training and entrepreneurship development; (vi) regulations drafted for Egypt's new pension system; and, (vii) access to finance for SMEs improved.

The Egyptian January 25, 2010 revolution presented ECP with a number of challenges as well as opportunities. With the dissolution of the Mubarak government and parliament there was little scope or opportunity to advance or develop new policy initiatives. As a result planned policy initiatives from drafting a new bankruptcy law to expanding and deepening the GOE's ERRADA program and several other policy-oriented initiatives were put on hold.

The revolution, however, created or broadened opportunities for substantive ECP interventions, especially those initiatives to translate "strategy into action". The revolution and its aftermath created a greater urgency and need for programs which produce on-the-ground impact and it continues to do so nine months later. At the heart of the revolution was the urgent need for the creation of jobs for youth. The revolution more than anything else, was about the cry from youth; they demanded a better life, social equality, and, above all jobs.

In the months following the revolution the ECP team supported USAID and other donors, in responding to the immediate requests of the Government of Egypt, particularly the Ministry of Finance. During this period ECP's worked with the Ministry of Finance, other government ministries and donors to analyze the wage and compensation system of the central bureaucracy, prepare a job creating SME development program and an initiative to redraft the highly unpopular 2008 Real Property Tax Law, making it more responsive to generating revenue to support the operation and maintenance of services at the local level rather than revenues being returned to the central treasury.

These initiatives and others have required USAID and ECP to "re-think" the purpose and focus of the ECP program going forward. At least for ECP Year II it is not likely that a significant number of planned policy initiatives will go forward given the interim nature of the post revolution government and the absence of a parliament. Policy initiatives will advance on a case-by-case basis if requested by the interim government. However, on the "Strategy to Action" side of the ECP ledger there is substantial scope for not only implementing planned productivity driver initiatives in the ECP's three pilot governorates but to expand these initiatives beyond the pilot governorates to a broader cross section of governorates throughout the country. An expansion of scope of this nature requires that USAID and ECP re-think the Program counterparts. For example, ECP is of the opinion that the Ministry of Local Development, like the Ministry of Finance, will become one of the key ECP counterpart and oversight ministries.

In response to the unsettled post revolution environment ECP submitted a revised work plan on May 26 for the period June to September 2011 but even those short-term plans have been

significantly and adversely affected by the fluid political situation. The ECP Year II work plan was submitted to USAID on October 18, 2012.

ECP MOUs and Indefinite Quantity Subcontract (IQS):

ECP during Year I defined two major initiatives to improve the effectiveness of program implementation and the potential scale of ECP impact. The first initiative was to develop Memoranda of Understanding (MOUs) with three Governorates (Alexandria, Port Said and Sharkia) to implement “productivity driver” activities centered on ease of doing business, vocational skills training, entrepreneurship development and improving SME access to finance. The draft MOUs were initially well received at the governorate level with official signings expected in July 2011. However, as of October, 2011 these MOUs have not been signed as a result of broader policy issues between the USG and the Government of Egypt. ECP expects these issues to be resolved in the near future. This impasse highlights however, the importance of bringing the Ministry of Local Development on board as one of the key ECP policy and oversight partners along with the Ministry of Finance as this would ensure that the ministry with oversight responsibilities for local government was formally involved and responsible for ECP oversight and initiatives involving the Governorates.

The second ECP initiative was the development of an Indefinite Quantity Subcontract (IQS) to enable the program to extend and leverage its technical assistance resources. The IQS is an umbrella contract mechanism that was used to prequalify 16 Egyptian consulting firms and NGOs to provide, under subsequent Requests for Task Order Approval (RFTOP) contracts, training and technical assistance centered on the productivity drivers featured in the Governorate MOUs (vocational skills and entrepreneurial development and SME access to finance). The IQS is in the final stage of the USAID approval process. The ECP IQS is expected to enable the program to vastly expand the extent and coverage of ECP technical assistance and training services by empowering and enabling 16 Egyptian firms and NGOs to directly extend training services and technical assistance to the four ECP participating governorates, significantly expanding the technical assistance and training services that could be provided if limited only to the ECP core technical assistance team working out of Cairo.

Conducive Regulatory Reform (Component A)

ECP is building on the previous accomplishments of the USAID TAPR II project to create a framework for regulatory reform in Egypt that is conducive to economic growth. Creating that framework involves improving the regulatory environment to lower risks and costs for business, establishing a sustainable system for devising and implementing regulatory reform strategies, strengthening anti-competition protection, improving commercial laws and improving Egyptian tax and fiscal policies and procedures.

The component life of project expected results (from the contract) include:

- (i) Broad regulatory reforms
- (ii) Commercial law reforms, fiscal reforms and budget transparency, fiscal decentralization, and investment policies

After the election of President Morsi, ECP counterparts started to engage again in meaningful regulatory reform and have reached out to ECP for assistance. Although the assistance requested is more limited in scope than what the project anticipated; ECP will remain ready and responsive to specific reform opportunities that may emerge from the government. The project has also been asked to provide assistance that was not part of the ECP project, specifically assistance to the Egyptian Tax Authority (ETA) for stabilization of the Integrated Tax Management and Administration System (ITMAS) and the introduction of value-added tax (VAT). Due to the project having only one year remaining, technical assistance must be focused and targeted to deliver robust results.

A1. Support for Regulatory Reform

During year two ECP continued to focus its regulatory reform efforts on assistance to the Egyptian Regulatory Reform and Development Activity (ERRADA). The main goals of ECP assistance were to institutionalize ERRADA as a principal driver of policy formulation and regulatory streamlining in the GOE, including expansion of the scope of ERRADA to include Regulatory Impact Assessments (RIA), streamlining of administrative procedures and establishment of an online database of all Egyptian laws and regulations. Each participating ERRADA ministry should be exposed to the RIA process and supporting technical expertise to allow each participating ministry to effectively integrate the RIA process into their own regulatory activities. As opportunities arise ECP will be responsive to requests for RIA technical assistance.

Over the past year, ERRADA passed through a difficult period that had adverse effect upon its operations. During this period, ERRADA has always been eager to perform its role despite a severe shortage in human and financial resources and without the necessary political support it needed to carry out its responsibilities in the best possible way. In June 2012, a decision was finally made that ERRADA had achieved enough in pursuit of its regulatory reform mission; and there was no longer support from MoF to continue ERRADA operations. ERRADA was officially shut down on the 15th of July 2012.

A1.1 Activities and Accomplishments

ECP continued to support ERRADA over the past year during this tough period. ECP had previously contracted an international RIA expert (Mr. Mario Martelli) to deliver the requested ECP Year Two Annual Report October 2012

RIA training. Part one of the training started on the 21st of January 2012 and continued for 2 weeks. Part two of the training started on the 6th of May and continued till the 10th of May. The objective was to provide practical training to part of the present ERRADA community (GRU and GMU). The purpose of the training was to:

- Learn about the steps for conducting RIA, through various practical exercises of different degrees of complexity.
- Learn techniques for measuring costs and benefits of different policy and regulatory options.
- Discuss practical cases related to RIA and how to overcome them.

During the training, 18 participants from GRU and GMUs, diversified in affiliation, areas of expertise and level of seniority were involved. Trainees included 9 RIA working group members, in addition to another 10 members coming from the ERRADA Community. It was decided, to focus on 3 cases to be considered significant for training and suitable to develop concepts related to RIA as problems, intervention logic, and economic assessment. The 3 cases were Microbuses, Street Vendors and Food Product controls, and Rice Straw. The 1st day of the training week 2 presentations regarding i) Enforcement and Compliance and ii) Monitoring and Evaluation of Regulation were delivered. These presentations completed the set delivered in January 2012.

The following deliverables were completed by ECP:

- A detailed Agenda of the training (agreed upon, with ERRADA); and
- Two PowerPoint presentations (on RIA concepts with exercises).

Finally, last August ERRADA equipment was moved to ECP premises after the agreement between MOF and USAID to maintain the system and equipment at ECP until they decide on the location and affiliation of the new ERRADA. The system and equipment was tested and officially accepted to be complete and functioning by a technical committee including representatives from ECP, ERRADA and MOF. All of the system documentation, databases and modules are now located at ECP.

A2. Support for Commercial Laws, Fiscal Reforms, and Investment Policies

Egypt has in recent years established new entities and implemented reforms in existing agencies with the goals of increasing Egyptian competitiveness and easing administrative burdens on business. To assist in the achievement of these goals ECP is providing assistance to the Ministry of Finance (MoF), Egyptian Tax Authority (ETA), the Industrial Development Agency (IDA), the Egyptian Competition Authority (ECA), and the Ministry of Finance in pursuing passage of critical commercial policies, laws and regulations as well as supporting the GoE's efforts to promote sound public finance management and fiscal decentralization.

As a result of changes in leadership within our counterpart Ministries, no work on commercial law drafting was completed during year two. Plans for commercial law drafting in the next year are pending developments in solving the dilemma of both the constitution and the parliament. Nonetheless, significant assistance was provided to the MOF and ETA in terms of training and in support of stabilization of ITMAS, which is critical for increasing revenues and the potential rollout of VAT.

A2.1 Activities and Accomplishments

Support to the Ministry of Finance (MOF):

Support to the Ministry of Finance in the Implementation of Fiscal Decentralization and Budget Transparency Activities

ECP conducted two intensive courses for senior MoF officials. The two courses—one on tax analysis and revenue forecasting (TARF) and one on public financial management (PFM). Both courses started on 4 December 2011. The two-week TARF program covered the economic foundations of tax policy, revenue forecasting, statistical techniques, and computer-based revenue estimation models for the value-added tax, personal and corporate income tax, excise, property tax, trade taxes, and taxes on natural resources. The application of macroeconomic models, micro-simulation models and typical taxpayer models are also covered.

The study method was a combination of class lectures, case studies, group exercises and presentations, discussion sessions, and hands-on computer exercises. Each day started with lectures covering theoretical aspects followed by practical computer-based applications that enabled participants to immediately apply and absorb the subject matter. Additionally, all participants completed a major tax modeling and forecasting exercise that was directly applicable to work in their departments. The course included a significant amount of hands-on computer work.

The one-week PFM course targeted ministry of finance senior officials working on fiscal management issues. The course focused on economic development, macroeconomic policy, public finance, budgeting and financial administration, local government finance, analytical methods, and policy analysis.

Assignments and reading materials were a core part of these courses. Readings for the PFM course consisted of various journal articles, book chapters, and unpublished OECD/World Bank/IMF/USAID manuals/papers. A couple of sessions focused on the PFM and TARF situation in Egypt. Hany Demian, Senior Assistant to the Minister of Finance gave these lectures. Those sessions required some inside information on the status of the reforms, data, and institutional aspects.

During this year, ECP managed to formulate a comprehensive scope of assistance to MOF that was presented to Ms. Azza El Sayed – Senior Assistant to The Minister for International Relations. The scope included providing technical assistance and training to ensure the full development and implementation of the MOF Integrated Tax Management and Administrative System (ITMAS) and its roll out to 27 Medium Tax Payer Offices (MTOs), coupled with intensive training and Knowledge Development of MOF ITMAS staff?”

Support to the Egyptian Competition Authority (ECA):

ECP's work with ECA had been placed on hold since the Revolution. The only activity was sending an ECA staff member to Washington DC for a three-month fellowship at the Federal Trade Commission starting October 2011. At the middle of Year II, we resumed our collaboration with ECA and its new acting-head then, Counselor Amr Maamoun. A new chairperson was appointed and collaboration with ECA was officially resumed. A series of extensive meetings were held between the Chairperson of the ECA, Dr. Mona El Garf; USAID;

and ECP to discuss support to ECA, the following areas of support were discussed and verbally approved by USAID:

- 1- Federal Trade Commission Internship: ECA requested to send two ECA staff members to the Federal Trade Commission on a 2 months internship.
- 2- Digital Forensics and Mergers and Acquisitions Experts: ECA requested STTA in the field of digital forensics to provide training to ECA to show the different branches of forensics, different levels of complexity and to provide recommendations to what would be the most suitable digital forensics applications and training courses and hardware for ECA. ECA also requested STTA in the field of Mergers and Acquisitions.
- 3- Competition paper with ECES and event plus the OECD report launch: ECA requested funding for the development and printing of a paper on competition (policy and inclusive growth). ECA has also requested funding to host a launch event for the OECD report on competition.
- 4- Video Conferencing Equipment: ECA had several opportunities to receive training through video conferencing; however it did not take place due to the lack of the necessary technical equipment. Therefore ECA requested the assistance in purchasing a high tech video conferencing equipment to assist in eliminating travel costs while offering extended, low budget and comprehensive training to ECA staff.
- 5- Research and investigation work: ECA requested the assistance in renewal subscription for Euro Monitor, which is an international database that provides reports on the consumer markets all over the world.
- 6- Awareness and Advocacy: ECA requested funding to host small one or two day workshops during the months of October and November. ECA also requested assistance in organizing TV campaigns, media conferences, and stakeholder conferences. ECA also requested assistance in the production of a documentary on ECA and short movies on each violation.
- 7- Competition Law Practices conference and workshops: ECA requested assistance in providing awareness sessions for judges and lawyers including 1 conference and 2 or 3 workshops to discuss the implementation of the competition policies as well as competition law..

Support to the Industrial Development Authority (IDA):

Due to the joint efforts of MOIFT and ECP, collaboration with IDA was activated in Year II. USAID/ECP had several meetings with the Industrial Development Authority to discuss future collaboration. Heads of IDA sectors attended the meetings and presented their views on the needed assistance for the coming year. USAID/ECP group were clear in presenting the main objectives and mandate of the Competitiveness Program. IDA summarized their needs for future assistance in the following areas:

- Formulating a Corporate Strategy and Structure for IDA.
- Food industry cluster identification and analysis.
- Producing a promotion movie for IDA activities.
- Exploring the limits and possibilities of incorporating IDA in Tamayuz centers to handle issuing industrial licenses.
- Technical support and training for IDA call center officers.

After additional meetings with IDA in the presence of MOIFT represented by Ms.Nermine Aboul Atta, Head of the Minister's Technical Office, it was agreed that our assistance would cover the formulation of IDA's Corporate Strategy and establishing a representative office for IDA within Alexandria Tamayouz Center. A TOR for the Corporate Strategy was prepared by ECP and

was delivered to MOIFT and IDA for revision and feedback. The TOR was approved and ECP is in the process of selecting the consultants.

Support to the Consumer Protection Agency (CPA)

During this year, ECP and USAID met with CPA director and department managers and agreed on resuming activities related to NGO grants, website development and training activities. Unfortunately, we were asked to freeze our collaboration with CPA until further notice

Streamlined Business Processes (ECP Component B)

ECP Component B has helped to improve the Egyptian business enabling environment by streamlining the processes for starting and operating a business and promoting more open, inclusive and competitive economic policies through support to the Egyptian National Competitiveness Council (ENCC). The ECP component life of project expected results (from the contract) include:

- (i) Simplified business processes including development of a Unified Business Registry (UBR)
- (ii) Ease of doing business improved through the creation of centers for permits and licenses
- (iii) Support to the Egyptian National Competitiveness Council (ENCC) which will include development of competitiveness strategies and supporting action plans for key sectors, such as tourism, higher education, and agro-industries

The three Component B subcomponents (UBR, Ease of Doing Business, and Support to the ENCC) are complimentary initiatives. The UBR will make it simpler and easier to start a business; improving the Ease of Doing Business will make the economy stronger and more competitive and the ENCC publications and outreach initiatives will highlight and quantify the policies and sectors that need improvement as well as promote public-private dialogue to improve policy performance.

B1. Unified Business Registry

The Unified Business Registry (UBR) will centralize and consolidate the current registries into one. There are four (4) current registries, managed by three separate organizations:

1. Commercial Registry: Internal Trade Development Agency (ITDA)
2. Export-Import Registry: General Organization for Export and Import Control (GOEIC)
3. Commercial Agent Registry: General Organization for Export and Import Control (GOEIC)
4. Industrial Registry (factories): Industrial Development Authority (IDA)

Prior to the January 25 revolution all three agencies were under the Ministry of Trade and Industry (MITI). IDA and GOEIC are now under the Ministry of Investment and Foreign Trade (MIFT) and ITDA is now under the Ministry of Supply and Internal Trade (MSIT). This has made development of a unified business registry much more difficult because we are now working across ministries. Consequently, USAID has recommended that ECP focus on implementation of the new software system at the Commercial Registry (at ITDA) during the following year.

B1.1 Activities and Accomplishments

There are three primary activities in this subcomponent: (i) the Unified Business Registry; (ii) training and the development of a procedure manual; and, (iii) legal support to draft or update regulations to permit establishment of the Unified Business Registry.

The Unified Business Registry software was developed by Sakhr an Egyptian firm. This work was initiated under the previous USAID project, Technical Assistance for Policy Reform ECP Year Two Annual Report October 2012

(TAPRII) and completed by ECP in May, 2012. The ECP contract with Sahkr specified a delivery date of November 2011 but the Commercial Registry introduced a second round of change requests so the work was not completed until May, 2012. The UBR IT accomplishments for the year include: (i) software is ready for use; (ii) the Trademark interface is complete; (iii) the Cairo office data has been migrated; (iv) 40 commercial registry employees were trained on the new system; and, (v) the analysis and workflow for the Tax Authority interface has been mapped. The system has been ready to go live but the Commercial Registry staff has not been able to secure permission from the Minister of Supply and Internal Trade to use the system. When the approval is received the software can be installed in the data center and the Cairo office can begin using it. The plan is to begin with the Cairo, Giza and Alexandria offices because they are the largest and account for the vast majority of CR transactions. The Commercial Registry is part of ITDA, which is part of the Ministry of Supply and Internal Trade. Relations between the two organizations deteriorated over the last year until the entire ITDA board of director was replaced. The Commercial Registry has been waiting for permission to proceed with the new system. The main outstanding activity is to implement the IT system in 21 offices and provide additional training. Until permission has been received from the Minister the ECP activities with the Commercial Registry have effectively been suspended.

The second main ECP activity for the commercial registry was training. The objective of the training, like the new IT system, is to make the process for registering a company faster, easier and better. ECP supported training on Customer Service and Code of Ethics to improve the customer experience. The feedback from the training revealed that the Commercial Registry lacked standard procedures. So, ECP assisted in developing, producing and distributing a standard procedure manual. One hundred (100) copies were printed and distributed to the eight-six CR office managers.

A total of 235 individuals participated in the training and the development of the procedure manual as detailed in the table below.

Training	Round	Date	# of participants		
			Male	Female	Total
Customer Service	Round 1	June 23rd – 26th, 2011	15	-	15
	Round 2	June 30th – July 2nd, 2011	15	-	15
	Round 3	July 7th – 10th, 2011	13	2	15
	Round 4	July 14th – 17th, 2011	13	2	15
	Refresher	October 28th, 29th, 2011	26	4	30
Code of Ethics	Round 1	Sep 7th – 9th, 2011	12	4	16
	Round 2	Sep 14th – 16th, 2011	13	2	15
	Round 3	Sep 21st – 23rd, 2011	11	4	15
	Round 4	Oct 5th – 7th, 2011	11	4	15
Focus Groups of Procedures Manual	Round 1	April 23rd, 2012	18	2	20
	Round 2	April 30th, 2012	18	2	20
	Round 3	May 8th, 2012	20	3	23
	Round 4	May 15th, 2012	16	5	21
Total			201	34	235

Training Courses offered to the Commercial Registry Authority

The third area of assistance to the Commercial Registry was legal support. ECP completed: (i) a new draft new commercial registry law for ITDA; (ii) a new draft of the Trade Name law for ITDA; (iii) the procedures manual for commercial registry processes; and, (iv) a legal opinion regarding the Tax interface and unification registration number for ITDA management and the Tax Interface Committee.

B2. Ease of Doing Business

The ECP life of project (LOP) expected results, from the contract, for Ease of Doing Business, include:

- Reduction in time to issue licenses in selected governorates
- Establishment of a RIA mechanism in Alexandria and other selected governorates
- Increase in business operations in the selected governorates

The primary goal of this ECP subcomponent is to build upon earlier efforts and create customer service centers which make it faster and easier to start a business and obtain required permits and licenses. Our critical assumption is that improvement in the ease of doing business will foster and enable an increase in business operations. More business means greater economic growth, more jobs and increased tax revenues.

Under TAPRII USAID created a Tamayouz center in Cairo, a Smart Service Business Center (SSBC) in Alexandria and began a Tamayouz center in Alexandria. The Tamayouz centers were designed to expedite the approval processes for **starting a business**. The SSBC expedites the process for obtaining the municipal approvals for **operating a business** including: (i) store license; (ii) road occupation license; (iii) sign license; (iv) personal license; and (v) building and demolition permits. By the end of TAPRII implementation of the Tamayouz Centers in Cairo and Alexandria had largely stalled due to internal issues within the respective Chambers of Commerce. ECP began its work by focusing primarily on continuing the Tamayouz Alexandria implementation and supporting the SSBC

B2.1 Activities and Accomplishments

In Year 1 ECP submitted status reports on the Tamayouz and SSBC including a proposal to dramatically expand the center from a successful pilot into a program with that would have a larger scale impact on the economy. These reports were submitted to USAID just as the revolution was unfolding. The revolution dramatically and adversely effected both the government and the Chamber of Commerce in Alexandria. In response to the new environment USAID and ECP decided to focus primarily on an implementation in Port Said. The Port Said implementation started well but soon stalled due to a lack of support from the Governor and the Port Said Chamber of Commerce (PSCC).

In July 2011 ECP hired Dr. Amjad Zaim to provide an assessment of the potential for a Tamayouz center in the Sharkia Governorate. Based on the assessment and the positive response of the Governor and Sharkia Chamber of Commerce Board of Directors, ECP began an implementation in September 2011. Just as in Port Said, the implementation in Sharkia started well but soon stalled due to a lack of political will and implementation support. With the support of the National Federation of Chambers of Commerce ECP developed a plan for a national Tamayouz program. Alexandria was chosen as the site for the proof of concept and the Center of Excellence because it: (i) had an existing logistics center which contained some of the key services; (ii) had the political support – Ahmed El Wakil is both Chairman of the Federation of Egyptian Chambers of Commerce (FEDCOC) and Chairman of the Alexandria Chamber of Commerce; (iii) had existing IT infrastructure that was not being fully utilized, such

as the queuing system; and, (iv) preliminary training had already been done at the start of ECP.

On June 28, 2012, Tamayouz Alexandria was officially opened by Ambassador Ann Patterson, Minister of Supply and Internal Trade, HE Attya and FEDCOC Chairman, Ahmed El Wakil. The center is the first of the planned national network. It will serve as a model and a Center of Excellence which will be the proving ground and training center for Tamayouz implementation across the country. The opening was a big success and the initial response from the public has been excellent. In the first 10 days of operation the center had 1,111 customers and provided 826 services including 250 services to new companies.

Tamayouz is a success but there are still challenges. ECP is working with the Federation and the Alexandria Chamber to improve the service delivery further by reducing the opportunities for corruption. The approach includes: (i) a baseline survey so that we can quantify the improvement and the impact of the center; (ii) replacing the Tamayouz manager; and (iii) increasing the marketing campaign so that potential customers know about the center and the service cost and time required. ECP is presently in the process of hiring the Manager.

B3. Support for National Competiveness

The ECP LOP expected results are: (i) Key recommendations of the Competitiveness Strategy implemented; and, (ii) Improved competitiveness rank in tourism, agro-industry and higher education.

In Years 1 and 2 ECP planned to assist the ENCC in finalizing the National Competiveness Strategy and begin implementation of the key recommendations. This included a particular focus on ways to improve competitiveness in tourism, agro-industry and higher education. A national competitiveness strategy was ready to present to the Prime Minister in December 2010 but the strategy stalled due to the revolution. Immediately after the revolution the ENCC plans were largely put on hold because the ENCC grant approval was delayed by the GOE for several months and the ENCC lost most of its employees. Seif Fahmy was named as ENCC Chairman and in June 2012, Amina Ghanem became the new ENCC Executive Director.

B3.1 Activities and Accomplishments

The ENCC activity areas supported by ECP during year two included: (i) the National Competitiveness Report; (ii) the Suez Economic Corridor; (iii) GAFI-IFC Subnational report; and, (iv) the Governorate Competitiveness Index.

The ENCC hosted its annual conference and published the 8th National Competitiveness Report, "A Sustainable Competitiveness Strategy for Egypt" on September 17, 2012. The conference included presentations, panel discussions and interactive sessions on five topics: (i) a competitive economy with social inclusion; (ii) achieving food security in Egypt; (iii) Suez Economic Corridor development; (iv) Labor Competitiveness; and, (v) Egypt's Competitiveness Strategy.

The fifth session was presented by Prime Minister Hesham Kandil. The panel included a Presidential advisor, Ministers of Tourism, Investment, International Cooperation and Housing as well as representatives from the Freedom and Justice Party (Muslim Brotherhood), the Nour Party and an investment firm. Over 700 people attended the conference and many followed and participated on-line via Facebook and Twitter. #encc2012 was a trending topic and received the highest number of tweets in Egypt during the conference.

The Suez Economic Corridor is one of the flagship projects in the National Competitiveness Strategy. The concept has been around for some time. Under TAPR2 the idea was championed by the ENCC and promoted by ENCC Chairman, Hossam Badrawi. In October 2010 ECP presented a short concept paper which summarized the opportunity and proposed a feasibility study. That concept paper was developed into a briefing document which explained the opportunity more fully and included a preliminary SOW. That document went through several iterations before being presented on August 9, 2011 in an ENCC meeting hosted by Hossam Badrawi and Seif Fahmy. Hossam Badrawi then met with the Supreme Council of Armed Forces to present the concept and the response was favorable. The briefing document was edited and translated so that it is available for presentation to the Government of Egypt and other potential stakeholders. It was also published in the ENCC's 8th National Competitiveness Report. The Mega Projects Unit of the General Authority for Investment and Free Zone (GAFI) championed the concept and requested approval of the former Prime Minister. The proposal is awaiting a decision from the Minister of Investment and the current Prime Minister. When GAFI receives approval they will request assistance from USAID/ECP.

The third main activity area for the ENCC this year was the GAFI-IFC subnational report. In 2008 the IFC produced a subnational report on Egypt which included three governorates and three indicators. In 2011 IFC proposed doing a subnational report including 15 governorates and seven indicators. In June 2011 IFC signed an MOU with GAFI to produce the report. USAID agreed in principle to support the initiative. Since then USAID, ECP and IFC have been working toward agreement on the budget and contract mechanism. The plan is for ECP to provide a grant of \$250,000, or one-third of the total budget. The implementation has begun and the report will be complete by April 2013.

The fourth main activity under the ENCC is the Governorate Competitiveness Index. The goal of this activity is to produce a rating of competitiveness at the governorate level in Egypt. ECP contacted the Asia Foundation in 2011 to solicit their guidance because they are managing similar programs in countries such as Indonesia, Bangladesh, Cambodia and Vietnam. The Foundation provided some initial guidance and contacts. ECP then drafted a scope of work for a full time consultant to manage the implementation of the index. Dr. Mona El Garf joined ECP in July 2011 to manage this activity. A working group was formed which included representatives of USAID, ENCC, ECP, the Ministry of Local Development, Information Decision Support Center (IDSC), Ministry of Investment and the Ministry of Planning and International Cooperation (MIC). The working group defined the scope of the index and developed a preliminary list of potential indicators.

Improved Labor Skills and Productivity (ECP Component C)

Improving the skill level of the Egyptian labor force and its productivity in the targeted sectors is critical to ECP's goal of enhancing Egyptian competitiveness through increased productivity and employment. Component activities look to remedy the weaknesses identified in the World Economic Forum's most recent Global Competitiveness Report with respect to labor market efficiency. Two major efforts comprise the component's activities: improving technical vocational education and training to meet the demands of the market place and supporting and nurturing entrepreneurship development. The activities of the two sub-components support the common goal of job creation. In both efforts ECP recognizes the importance of incorporating gender equity in all its activities. Global research has clearly demonstrated that increasing employment opportunities for women through improved vocational training and entrepreneurship activities are critical factors in fostering economic growth.

The component results include: (i) improved skills to market through Technical and Vocational Education Training (TVET); (ii) promotion of entrepreneurship activities; and, (iii) support for development of a PPP for the proposed Cairo University International Branch (Note: This task is currently on hold.)

These initiatives are mutually reinforcing as together they improve the skill levels of the Egyptian labor force, enhance the productivity of targeted sectors critical to Egyptian competitiveness and encourage entrepreneurial business startups which contributes to job creation.

C1. Skills to Market

Key Counterpart: Ministry of Education, Technical Education Sector

To improve productivity and employability, ECP focuses on employer labor demand to identify and support training that result in increased labor productivity and employment. ECP's vocational training efforts target the three sectors identified as having the greatest need for improved skills and potential employment: food processing, ready-made garment production and tourism. ECP concentrates its efforts in the secondary technical schools and in-company training in the target sectors, but will explore the feasibility, on a case by case basis, of offering training at other Egyptian institutions. Currently, the Skills to Market Component works in Port Said, Beni Suef, Alexandria, Sharkia, Luxor and Red Sea (Hurghada) governorates, and anticipates moving into Aswan, South of Sinai, and possibly additional governorates where tourism represents an important source of employment potential. Program expansion is also under consideration in to Ismalia, Assuit, and Fayoum where ready-made garment operations are well established. Finally during ECP Year III consideration is being given to further expansion in Alexandria and Port Said governorates to include the petrochemical sector. ECP principal counterparts in all these actives are the Ministry of Education, Technical Education Sector and the MIFT's Industrial Training Center (ITC).

C1. Activities and Accomplishment

In ECP Year I, ECP signed a Memo of Understanding (MOU) with the Ministry of Education for the implementation of a pilot vocational training in the support "soft" skills for ready-made garment production and food processing in technical high schools in four (4) target governorates. The MoU paved the way for ECP to form the School-Based Training and Employment Units.

Amendment of the signed MoU between the Ministry of Education and ECP was signed during ECP Year II to add new governorates into ECP/ TVET activities, including the Red Sea, South Sinai, Assuit, Fayoum, Luxor, Ismailia, Damietta, and Qalyoubia.

The ECP/TVET team visited the technical secondary schools in the newly added governorates to orient them on the ECP/ TVET activities and to select appropriate cadres for the School Based Employment Units (SBEU) and School Based Training Units (SBTU). Around 15 SBEUs and SBTUs are presently being established.

ECP supports the MoE's efforts to improve the quality of vocational education that leads to higher productivity in 17 selected technical secondary schools through the creation of SBTUs. These units, modeled on the MOE Teacher Cadres in public academic schools, link teachers and target industries to ensure training course content provides the skillset demanded by the market. The SBTUs will ensure the presence in each pilot school of a cadre of qualified, informed vocational instructors with the capacity to implement and monitor up-to-date technical and soft skills trade training. The SBTUs are critical to the sustainability of the program. During the first and second years, ECP conducted nine intensive one-week courses for seventy-six (76) teachers from eleven (17) target schools and one MoE official.

Seventeen SBTUs have been established in the represented schools (5 in Alexandria, 3 in Port Said, 4 in Beni Suef, 3 in Sharkia, 1 in Luxor and 1 in Red Sea (Hurghada). After training, teachers return to their schools to complete three tasks with ECP technical assistance: (i) conducting a school training needs assessment and an assessment of the gaps; (ii) designing the first year training plan to address and prioritize the identified gaps; and, (iii) finalizing the first SBTU training package. All seventeen schools completed their tasks and started in delivering training course content. Ongoing support was provided to cascade training implemented by the SBTUs' cadres.

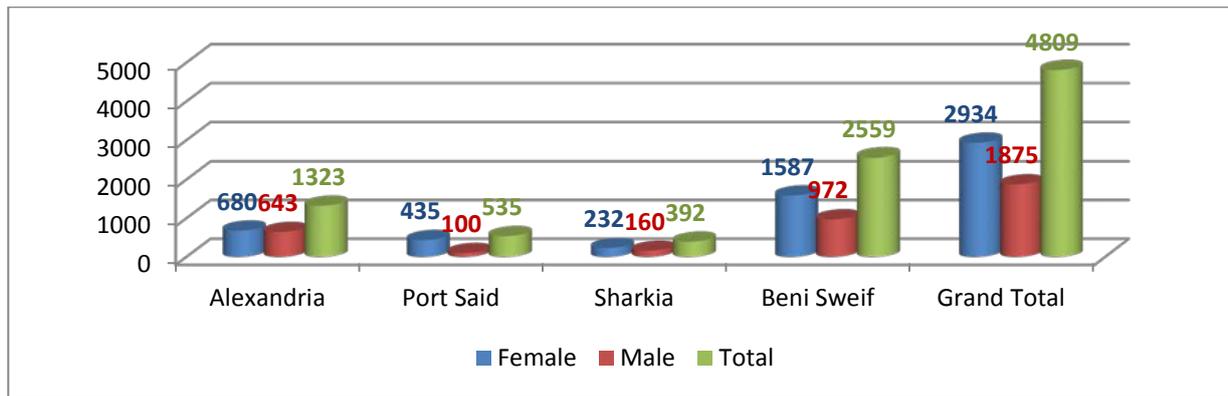


Training Course by SBTU in Beni Suef

The ECP team observed the training at several schools and provided support through field visits to schools. **4809- secondary technical school instructors and school staff has been trained** as a

result of ECP technical support in best practice instructional methodology. Going forward ECP will support the SBTUs with provision of follow-up training, mentoring and limited equipment.

As the technical schools move toward adapting a dual education system, instructors are to be trained in active learning techniques that require student-centered instruction and promote critical thinking, dialogue, and problem solving. ECP hosted two active-learning workshops that were facilitated by an experienced TVET trainer which was attended by 46 representatives from the eleven (11) SBTUs and the MoE. The following graph presents the total number of trained teachers and school staff under ECP/SBTUs



In March 2012, Ministerial Decree #137 was issued, which added quality assurance to the SBTUs accreditation standards. ECP's vocational training team conducted round table workshops to prepare a training manual for quality assurance and accreditation. The purpose of the manual is to support the launch of a series of training workshops targeting SBTU cadres to familiarize them with both the concept of quality assurance as well as the accreditation process in their respective schools. ECP, facilitated by two of the trained SBTUs cadres and two ECP members, sponsored three accreditation workshops attended by 85 representatives from the seventeen (17) SBTUs and MoE during ECP Year II.

To be of lasting value training must be linked to employment. In order for the training schools to offer a comprehensive vocational program those results in employment, ECP facilitates the formation of School-Based Employment Units (SBEU). These units, based on the same model as the school-based training units, focus entirely on linking matriculating graduates to private sector employment. SBEUs:

- Liaise with companies to identify employment possibilities for training graduates
- Offer career guidance and job counseling to trainees
- Establish an employment database to track employability
- Secure training apprenticeships and/or on-the-job training in the relevant sector for trainees
- Ensure the entrepreneurial and employability skills curricular units are presented in each course and updated as needed

During the first and second years, ECP conducted the introductory SBEU workshops for sixty-eight (68) participants. The workshops were attended by school principals, candidates for SBEU cadres, and MoE Technical Education staff along with private sector representatives, to explore the feasibility of establishing SBEUs in seventeen (17) pilot schools. The results of the workshops included:

- Unit structure definition and working relations
- Unit staff job description and tasks
- Unit first draft plan based on results of SWOT analysis

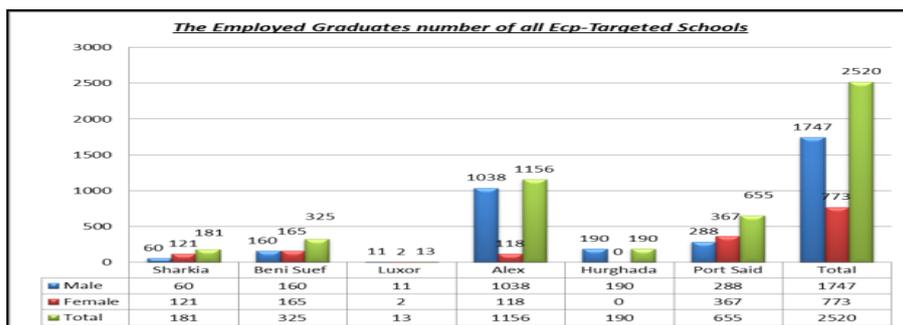
ECP obtained a ministerial decree authorizing the establishment of School-Based Employment Units in technical secondary schools; the decree specifies incentive payments for the employment cadres. This decree represents a tremendous step forward in emphasizing the importance of employment services at each school. Realizing the importance of linking training to employment, ECP focuses on strengthening the employment services in each target school through the establishment of school-based employment units. Thus, the following activities were implemented in the employment sector:

- ECP conducted training for SBEU cadres from six governorates. The training introduced the SBEU concept, detailed the unit's responsibilities, and facilitated the development of each unit's first year plan. The activation of these new units brings the total number of SBEUs established to 17 in six governorates.
- Ministerial decree #54 dated 26 January 2012 provides for the establishment of SBEUs in additional governorates. This ministerial decree follows ministerial decree #509 dated 13 December 2011 that established 8 SBEUs in 3 governorates. Both decrees contain performance incentives for members of the SBEUs.

The TVET team also conducted an investor's workshop in Hurghada to assess the needs of the tourism sector. Both the MoE and tourism technical secondary schools were in attendance. The results of the workshop were promising, including an increase in the number of employment activities regarding tourism as well as an increase in the willingness of hotels to establish training units on their premises.



SBEU member hanging an announcement of available vacancies



During Year II ECP focused on linking private industry to schools through the SBEUs and supporting them to ensure the sustainability of the program.

ECP trained SBEUs cadres from 17 schools in 6 governorates on employability skills (phase 1 & 2) in order to disseminate the training to their graduates during the summer camps. Based on the employability skills training course (Phase 1 & 2) which ECP conducted for the SBEUs which emphasized the required skills for laborers looking for work in order to be able to enter the market easily, in addition to customary C.V. writing and interviewing skills.

The SBEUs now are concentrating their efforts on assisting the private sector companies to fill the vacancies. The SBEUs have identified approximately 7,000 employment opportunities to date; 2810 opportunities have been identified through 11 employment fairs (summer camps) conducted by 16 schools. More than **2520 job opportunities have been filled.** The graph above shows the number of employed youth due to ECP's assistance in different governorates.

ECP has also created a database for SBEUs to list their graduates who are looking for work. The vocational training sub-component focused on launching employment summer camps, an initiative through the SBEUs. The goal of the camps is to link the schools to industries in order to locate job opportunities for graduates and train the students on employability skills.

Board of Trustees (BOT) to consider in their coming plans.

At the request of the Technical Education Sector, MoE, ECP offered additional training activities for the BOTs which presented Financial Training for Technical Secondary Schools' Boards of Trustees (BoTs). ECP supported three workshops facilitated by the head of the Financial Department, Ministry of Education. The goals of this training initiative were:

- BoTs' financial practices are aligned with MoE policies and practices
- Provided the technical schools' Boards of Trustees the best ways of managing school funds
- The training was conducted as part of the MoE decentralization process, as the BoTs will oversee the financial management of the schools, including fee generation activities.
- Support both SBTUs and SBEUs

In October 2012, two refresher training courses for SBEUs and SBTUs were conducted. 84 and 105 participants joined the two workshops respectively. Five MOE Undersecretaries, six technical Education managers in addition to 68 SBEUs and 77 SBTUs members, in addition to school principals joined the two- day workshop. Teams from different units from the seventeen schools presented success stories as well as challenges. Opportunities were given to school members to sit with undersecretaries in the respective governorates to address and overcome challenges.



Student's practical training in Luxor



Refresher training for 17 SBTUs in Alexandria



Samsung representatives in visiting ECP schools in Beni-Souf

SBEUs in Beni Suf received a request form Samsung Company to assist them secure employees for their newly opened factory in Beni Suf. 400 job opportunities are available in Samsung facilities. Beni Suf SBEUs started the recruitment process. SBEUs started to collect CVs, do initial interviews and select the most appropriate candidates to go for a final interview at Samsung. More than 540 candidates were interviewed

SBEUs in Sharkya work closely with the Egyptian Canadian Company for Ready Made Garments, where a new factory- based classroom was established. SBEUs facilitated the process and assisted the company to obtain all MOE necessary approvals. Sharing the success story, more company- based classrooms will be opened in other governorates.

Belbis SBTU unit succeeded to create training opportunities for Ready Made Garment teachers at Salemko S. Fashion in Sharkia Governorate.

The SBEU in Borg Al Arab industrial school in cooperation with the labor office in Alexandria organized a successful employment fair on October 20, 2012 25 companies participated in the employment fair and over 1200 participants visited the fair. 5,000 job opportunities were offered during the successful event.



In cooperation with the Industrial Training council (ITC), ECP/ TVET supports the establishment of a Labor Market Intelligence System (LMIS). An ECP consultant provided the framework for an optimal labor market intelligence system (LMI). The framework will provide a design for an LMI system with the capacity to map the entire set of interlinked institutions and processes that determine the flows of job opportunities and labor supply in industries in the 29 governorates of Egypt. The aim is to provide a blueprint for a practical model that the Ministry of Industry and Foreign Investment (MoIFT), Government of Egypt (GoE), can use to develop an optimal LMI system. The study aims to:

- determine the fundamental features required by an optimal LMI system
- examine the financial and institutional dimensions of the LMI
- evaluate the feasibility and extent of involving relevant stakeholders, such as the private sector
- design a blueprint from which the MoIFT can develop a fully functioning LMI

C2. Entrepreneurship Promotion

The Entrepreneurship Promotion subcomponent has actively worked to engage entrepreneurs and encourage their creative and technical development, ultimately resulting in new job-creating businesses. The ECP “Life of Project” (LOP) contract for Entrepreneurship Promotion outlined the following expectations for success:

- Improved connection and coordination among local entrepreneurship organizations, universities and research organizations;
- Increased availability of mentoring opportunities for entrepreneurs;
- Wider access to finance;
- Improved capacity and business development in Egypt;
- Increased media coverage of Egyptian Entrepreneurs;
- At least 100 participants from ECP-supported events will start their own businesses;
- At least 300 young perspective entrepreneurs will graduate from entrepreneurship trainings;
- Improved legal environment for entrepreneurs in Egypt.

The need for entrepreneurship promotion to bolster innovation to strengthen the Egyptian economy is greater than ever, and serves as a model of potential growth in post-conflict ECP Year Two Annual Report October 2012

conditions in the Middle East. ECP will respond with urgency to support the development of Egyptian entrepreneurs, whose impact has vast, resonating potential for job creation and economic growth.

C2.1 Global Entrepreneurship Program (GEP) and Supporting Egypt's Entrepreneurs (SEE): Activities and Accomplishments

ECP/GEP's goal focuses on starting, nurturing, and financing entrepreneurs with high-growth potential; who will create employment and introduce new ideas into the marketplace.

ECP's goal under both the GEP program and the USAID-financed SEE initiative is to promote and enhance the overall development of the entrepreneurial ecosystem of Egypt, by fostering a new generation of job-creating startup businesses. ECP/GEP organized startup promotional and training events, such as: *Start-Up Weekends* in Alexandria, *Start-Up Cup* in Cairo, *2011 Global Entrepreneurship Week* in Alexandria, and the *Alexandria Business Women Association Event*. ECP/GEP has also focused on improving access to mentor support by creating a strategy for the GAFI Bedaya Center; which involved supporting training for mentors, and managing two "speed mentoring" sessions in Cairo and Alexandria. ECP/GEP surpassed original target goals, which was to attract 300 participants at these events. More than 1,000 participants attended the events. ECP/GEP surmounted this target as well, at the end of the second year. These events were covered extensively by the Egyptian media, which served to raise public awareness of Egyptian entrepreneurship, and potential possibilities for the population as a whole. Egyptian media is eager to provide coverage of all these events; as they represent new development opportunities for the country. To date, ECP/GEP has attracted over 160 instances of media involvement since the beginning of the year. In Year 2, ECP/GEP was able to collaborate with media organizations such as Al-Ahram and Good Morning Egypt, in order to highlight Egyptian entrepreneurs. Simultaneously, the project continued to generate international media generated by supporting USG activities such as Secretary of State Hillary Clinton's Trip to Egypt, where she visited some of the startups that ECP/GEP supported.

These entrepreneurship activities have already sparked success through the launch of 35 Egyptian entrepreneurs who have participated in the ECP/GEP-sponsored events; 12 of these entrepreneurs have received commercial financing; and two of these firms received two rounds commercial financing. ECP/GEP estimates that at least 200 jobs have been created from the initiation of these companies.

In order to facilitate increased access to financing for the entrepreneurial endeavors, the subcomponent is catalyzing angel investment groups throughout Egypt. ECP/GEP has supported two events promoting awareness of angel investing opportunities, as well as angel investing training in Cairo and Alexandria. It also initiated and facilitated new relations between entrepreneurs and angel investors. Evidence of long-lasting impact of angel investing, was demonstrated with the launching of the Cairo Angel Group, which was formed with the help of ECP. Another angel investment group in Alexandria, which will be part of the Alexandria Business Association, is also still forming. ECP/GEP has also facilitated three Angel Investment deals worth 2.5 Million Pounds.

Additionally, a strong component of ECP/GEP's goals is to ensure that the participation in all activities is represented by at least 30% women. ECP/GEP is still diligently progressing toward this goal; already having achieved about 23% women participation in activities. Additionally,

several of the startup businesses ECP/GEP has worked with, are managed by women entrepreneurs, including: Sweet Heaven, SuperMama and EventUs.

C2.1 Developing Entrepreneurship Skills Status Activities and Accomplishments

ECP is focused on creating awareness in Egypt about entrepreneurialism and its various opportunities in several influential arenas. One important goal is to make entrepreneurship a relevant and lively topic at Egyptian universities; introducing entrepreneurship courses and programs. ECP/GEP is concurrently working to direct more private sector funding into entrepreneurship programming, and to catalyze entrepreneur advocacy groups to influence a healthier business environment.

ECP Activities have supported student awareness events held at three universities, including: Port Said University, Aim Shams University and the American University in Cairo; where a total of 1,200 students learned what it means to become an entrepreneur. ECP/GEP also created the Entrepreneurship Curriculum Development event in coordination with the Middle East Council for Small Business & Entrepreneurship (MCSBE) in order to promote the initiation of an entrepreneurship curriculum at Egyptian public universities

Attracting private sector funding to support entrepreneurial activities will be crucial for sustainable growth post ECP/GEP involvement. Fortunately, ECP was able to mobilize 11 private firms to support entrepreneurship events through CSR program financing; as well as motivate 12 American entrepreneurs and 60 Egyptian entrepreneurs to volunteer over 100 days of mentoring time.

Currently, there exists no public-private dialogue for entrepreneurs, to advocate on behalf of their best interests to the Egyptian Government. ECP took measures to correct this important component supporting two successful events, called *Entrepreneurs' Voices*. These events raised discussions to address challenges and concerns related to advocacy taking place in Alexandria and Port Said. The positive results of the event in Port Said were demonstrated, when concerns raised were presented to the Governor of Port Said, who promised to address them; stimulating one of the first public-private dialogues between entrepreneurs and the Egyptian government.

Strengthened Financial Sector (ECP Component D)

The strengthened financial sector component of ECP is focused on improving non-banking supervision; supporting pension reform; and, prompting SME “access to finance”. Accomplishments in ECP Year II include: (i) building capacity of the Financial Sector Institute (FSI) and moving it towards formal opening through the development of the FSI business plan, organizational structure, job descriptions, and core training policy and procedures manuals; (ii) completing a professional training program for securities brokerage firms’ compliance officers; (iii) developing an action plan for establishing an arbitration and dispute settlement center for non-bank financial disputes; (iv) completing an assessment of the Social Fund for Development (SFD) business-incubators program including recommendations for program restructuring; (v) initiating TA for developing and implementing an SFD BDS strategy by completing a preliminary BDS market assessment in Alexandria; (vi) completing an assessment of Foreign Direct Investment (FDI) data analysis and developing an action plan to establish in GAFI a specialized unit for gathering, analysis and dissemination of FDI information; (vii) completing a study on incentives for formalization of micro and small businesses; (viii) delivering training in access to finance to potential SMEs borrowers in Cairo and Alexandria; (ix) completing a draft guide to micro and small business in access to finance; (x) drafting a series of guides for start-up and formalization of micro and small business; and, (xi) sponsoring professional certification and training of MOF actuarial staff in the UK.

Strengthened Financial Sector

ECP’s Strengthened Financial Sector (ECP Component D) activity will enhance Egypt’s competitiveness by strengthening the financial sector including non-bank financial services, pension reform and access to finance by small and medium size enterprises (SMEs). The component life of project expected results, from the contract, include:

- (i) Support for the Egyptian Financial Supervisory Authority (EFSA) and the development of a regulatory framework for insurance, mortgage, capital markets, financial leasing, factoring, and microfinance companies
- (ii) Improved regulatory framework for the pension system in Egypt
- (iii) Improved access to finance for SMEs

ECP is working with Egyptian Financial Supervisory Authority (EFSA) to strengthen non-bank financial supervision; with Ministry of Finance (MoF) on the new public pension law; and, with General Authority for Investment and Free Zones (GAFI) and the Egyptian Banking Institute (EBI) on improving SME formalization and access to finance, as well as assisting the Social Fund for Development (SFD) in assessing and developing a strategy for their Business Incubator and their Business Development Services (BDS).

Since the revolution the new and old Pension System has been moved from the MoF to the Ministry of Pensions and Social Insurance. The new responsible Ministry is uncertain that it wants to implement the new Pension Law. As a result the Pension Reform has been put on hold pending further GoE action.

D1. Non-Bank Supervision

Technical assistance under this subcomponent includes three main areas: (i) non-bank financial regulations; (ii) the non-bank financial services training institute; and, (iii) the EFSA

arbitration center. The developments in Egypt as a consequence of the 25 January revolution have had a marked impact on the stability and priorities of our counterparts. However, ECP regained their full engagement during ECP Year II.

D1. Activities and Accomplishments

Activities in this subcomponent fall into five categories: (i) new rules and regulations for non-bank financial markets; (ii) market awareness workshops; (iii) training institute business plan, organization chart, and manuals; (iv) training programs for non-bank supervisors and professionals; and, (v) business plans, organizational chart and manuals for the EFSA arbitration center.

New Rules and Regulations and market awareness workshops for Non-Bank Financial Markets

EFSA has five new/revised laws pending approval by the Parliament: revised mortgage finance law; a new private health insurance law; a new private pension funds law; a revised financial leasing law; and, a new non-banking financial supervision law (including microfinance). Given the present transitional political period in Egypt, none of the above laws is expected to be passed in 2012, but hopefully in 2013. The status will be closely monitored during Year III and TA will be provided by ECP as and when needed. No market awareness workshops were conducted pending issuance of new laws and regulations.

Training Institute Business Plans, Organization Chart, and Manuals

Work on business plan, organization chart and policy and training procedures manuals were completed in Year II.

Training Programs for Non-Bank Supervisors and Professionals

ECP assisted FSI in developing training materials for a training program for compliance officers of securities brokerage firms.

Business Plan, Organizational Chart and Manuals of EFSA Arbitration Center

In Year II, ECP worked with EFSA on developing a plan of action for establishing the arbitration center that was approved by EFSA Chairman. Implementation of the plan of action will follow during ECP Year III.

D2. Pension Reform

Since the revolution the new and old Pension System has been moved from the MoF to the Ministry of Pensions and Social Insurance. The GOE decided to freeze adoption of the new Pension Law; thus related TA is on hold pending further GoE action.

However, ECP was able to complete Actuarial Training for some of the MoF Government Actuarial Department (GAD) staff in Year II that was started in Year I.

D3. SME Access to Finance

Promoting SME access to finance is a high priority for the GOE, as well as SME businesses. Main counterparts who worked with ECP during Year II were: SFD, GAFI and EBI.

D3. Activities and Accomplishments

- ECP, jointly with EBI and GAFI, delivered training in access to finance for potential SMEs borrowers in Cairo and Alexandria. Training was provided to around 40 SMEs.
- At the request of the Mission, ECP conducted an assessment of microfinance market following January 25th revolution. The assessment was completed in Year II.
- Conducted an assessment and made recommendations for strategy of SFD-funded business incubators.
- Began work with SFD in assessing their Business Development Service (BDS) activities and writing a strategy to re-engineer SFDs activities to ultimately create more formal businesses and to increase their lending capabilities to micro and small businesses throughout the country.
- Conducted market assessment for BDS in Alexandria for ABA to consider establishing a BDS center.
- Provided recommendations to GAFI on formalization incentives informal business sector.
- Provided TA assistance to GAFI in its effort for analysis of FDI data and developed a plan of action for establishing a specialized department within GAFI for this purpose.
- Developed an IQS mechanism and subsequent STO for Potential Borrowers in which local Egyptian contractors will provide training and direct hands-on assistance to borrowers in the Alexandria, Sharkia, and Port Said governorates in accessing finance from Banks or other financial institutions.
- Completed writing a Basic Borrowing Guide for small businesses which will give them the tools and knowhow in approaching banks for loans. The Guide will be printed and disseminated country-wide shortly.
- Partially completed a Formalization Guide for micro and small businesses to properly register their business, and become part of the formal business sector in Egypt.
- Continued to provide assistance to induce HSBC to utilize their DCA Guarantee for SMEs in Egypt. The Guarantee was executed on September 28, 2011; however the bank went through major changes and froze most lending during ECP's Year II, so no lending took place utilizing the DCA Guarantee. However, recent changes taking place at HSBC and new management indicate that HSBC will begin using the DCA facility fairly soon.

Cross-cutting Component (ECP Component E)

The ECP Cross-cutting team's mandate is to provide comprehensive support across ECP's program components centered on developing and providing coherent training, communication and public awareness and IT support services. Additionally, the cross-cutting team provides operational and management support to the ECP team.

The contractual component life of project expected results include:

- (i) Implementation of training, and commodities procurement
- (ii) Grants to U.S. and non-U.S. NGOs
- (iii) Monitoring and Evaluation

E.1. Training and Procurement

E 1.1 - Training

The ECP training team's objective is to build counterpart human capacity and to develop institutional capacity within the participating organizations. Over the past year, ECP worked with GoE counterparts, and entrepreneurs to design and enhance their capacity in their respective program technical areas.

Despite the instability of the Egyptian economy and political situation, the program exceeded its contractual training requirement for ECP Year II, both in terms of the number of events and total number of participants.

Component	Number of Events	Total Participants	Contract Requirement
Component A	6	106	
Component B	13	781	
Component C	39	3251	
Component D	4	36	
Total	62	4174	12 events 360 participants

The ECP training team always looks for opportunities to realize savings to the U.S. government. The team examines all cost elements involved and strategize on ways where we can reduce costs while maximizing the impact of program resources. ECP estimates that these techniques saved the U.S. government approximately \$45,000 during this year. The program achieved this by encouraging lodging either at or at nearby hotels to the training venue. ECP also accommodated participants in double rooms, whenever feasible. Additionally, ECP also benefited from discounted rates on catering for events, and whenever possible, ECP used the counterpart's venue and facilities.

E1.2 Commodities Procurement and IT

The ECP commodities budget is a plug-figure of \$1.0 million, which covers the program office IT procurement and the counterparts IT procurement. Also, in accordance with the contract, ECP shall procure and refurbish equipment for more vocational training sites. Those needs are currently being assessed.

To date the total procured Commodities and IT procurement is \$250,000. The ECP IT department provides additional technical support to program counterparts as well as overall operational program support to the program team.

E1.2 Activities and Accomplishments

Conducive Regulatory Environment (Component A)

ERRADA: Review, audit and document ERRADA IT assets, including the ERRADA IT systems (Inventory system, Regulations review system, e-Registry system and ERRADA online website).

ERRADA: Transfer ERRADA IT equipment to ECP custody until a permanent hosting institution for ERRADA is decided.

MoF: Support ETA in establishing communication channels with the ITMAS vendor, in order to prepare for negotiating a stabilizing contract for ITMAS.

Ease of Doing Business (Component B)

Tamyouz: Procured a server for Tamyouz Alexandria center to host the CRM (Customer Relationship Management) system

Tamyouz: Procured IT equipment for Tamyouz Alexandria center (workstations, printers, scanners, switch and software licenses)

ENCC: Renovated the ENCC' new office including the establishing of the office IT network system, the internet connection and the telephone system.

ENCC: Procured IT equipment for ENCC (Laptops, access points, wireless adaptors and software licenses)

ENCC: Established the ENCC online social media facility for the ENCC Eighth Annual Conference

Skills to Market (Component C)

Vocational Training: Procured IT equipment for 15 vocational schools' employment units (laptop, multi-function printer and digital camera for each school)

Vocational Training: Procure Server to host the vocation schools employment databases/systems.

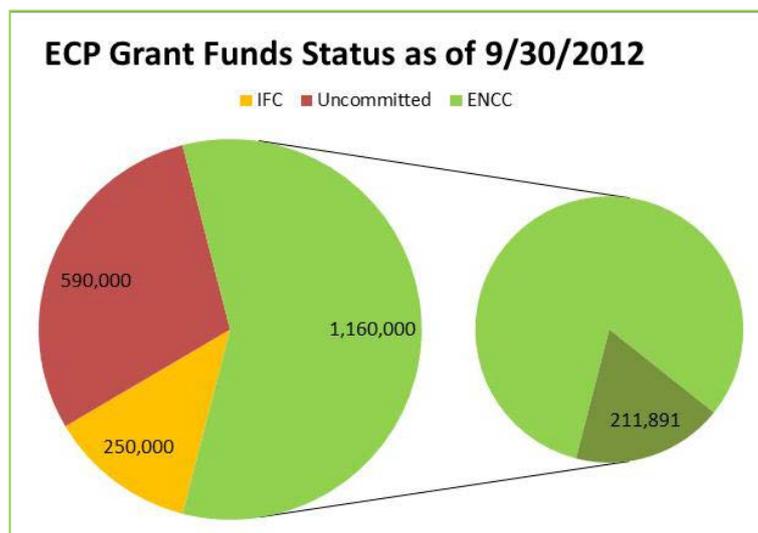
E.2. Grants to U.S. and Non-U.S. NGO

Grants disbursements and activities has become one of the biggest challenges under the ECP program due to the current issue related to foreign funding of NGOs. The GOE/Ministry of Insurance and Social Affairs (MISA) put a hold and is not granting timely approvals for grants to local/international organizations and NGOs. ECP and USAID need to develop alternatives in order to continue to move activities originally designed to be undertaken by the grants component for Year I and Year II of the program. The total amount for grants under ECP is \$2,000,000.

Component B:

MISA approved the pending grant to the Egyptian National Competitiveness Council (ENCC) after a waiting period of six months. The grant amount is EGP 6,960,000 (\$1,160,000). The grant is for a period of 24 months ending April 30, 2013. We expect to extend the grant ending date due to the delays in obtaining the MISA approval.

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ECP is in final negotiations with the IFC to provide them with a grant of \$250,000. The purpose of the grant is to support IFC/GAFI in producing a “Doing Business in Egypt” report. The first subnational report covered three governorates and measured their performance on three Doing Business topics: starting a business, dealing with construction permits and registering property. The grant agreement was drafted and approved by USAID and is now being reviewed and approved by both Chemonics Home Office and IFC/World Bank Home Office.

Several attempts were made to cooperate with the Consumer Protection Agency – CPA, a Government entity that has NGO department working with various governorates in Egypt. ECP was looking forward to awarding grants to two umbrella NGOs (\$160,000) in an attempt to provide technical assistance to smaller NGO. The purpose of the grant was to provide capacity building to seven small NGOs to ensure sustainability of their current activities. These attempts failed due to the atmosphere of distrust of American funds created after the Egyptian revolution.

The below table illustrates the budget status of the grant funds as of 9/30/2012

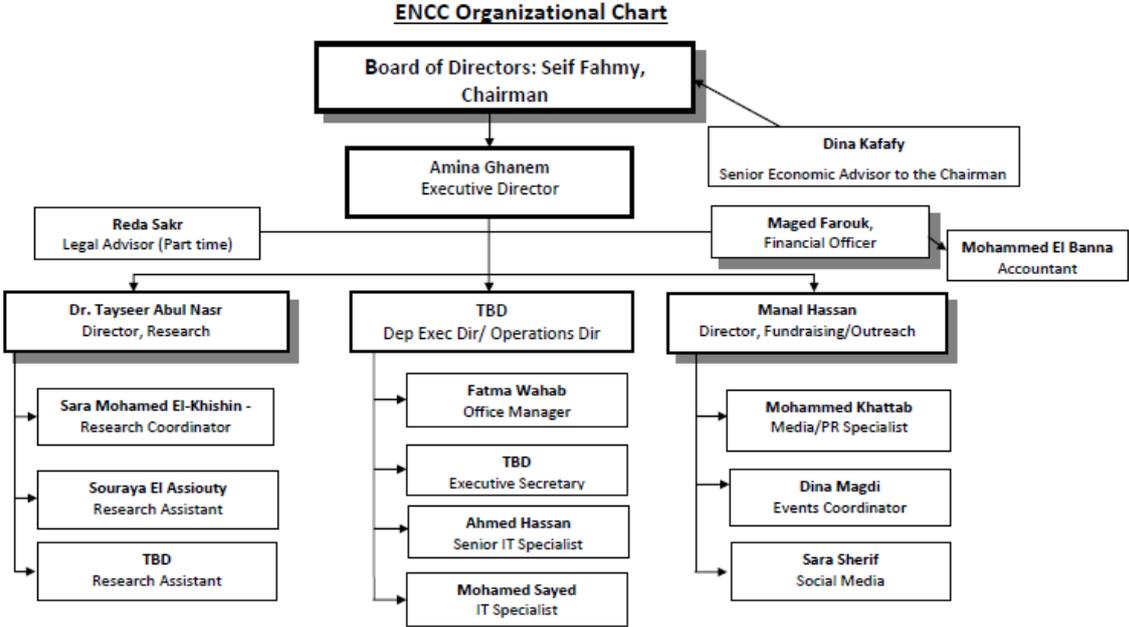
IFC Grant (Planned)	\$ 250,000
ENCC Grant (Active)	\$ 1,160,000
Uncommitted	\$ 590,000
Total Grants Budget	\$ 2,000,000

ENCC Grant:

The ENCC total grant amount is LE 6,960,000 equivalent to \$1,160,000. The grant was signed in April 2011; however, the NGO received MISA approval in January 2012 and started charging their activities to the grant funds at that time. As shown in the above chart, the total amount charged to the grant as of the end of August 2012 is LE 1,271,346 equivalent to \$ 211,891. Most of the grant funds spent was to support salaries of the ENCC staff in performing the project’s activities and achieve the target results and outcomes.

ENCC finalized its work plan with the board members and reflected ENCC’s vision, mission and strategic objectives for benchmarking, improving competitiveness of Egypt and measuring those improvements. They drafted briefs in Arabic and English about ENCC including the vision, mission, strategic objectives, the publications, workshops and seminars conducted by the council. They prepared Q&A sheet on the concept of competitiveness to determine and measure the level of competitiveness within nations and among them.

At the early stages of implementation staff turnover was high. One of the main challenges was the absence of the executive director. Dr. Mona El Baradei – Executive Director was replaced by Mrs. Amina Ghanem. Ms. Dina Kafafy became the Senior Advisor to the Chairman. A new organization chart was developed and approved by the board members. ENCC is currently trying to recruit for all vacant positions in order to strengthen the structure of the NGO. See below the new organization chart.



The ENCC office facility was shared with the Egyptian Regulatory Reform and Administration Development, ERRADA for the past five years. In July, this support ended and ENCC relocated to new office premises. ECP provided support to ENCC by assisting them in the renovation and refurbishment of the new office. ECP procured computers, networks and air conditions. The move was done in a very efficient and effective manner which had a very small impact on grant operations.

Currently ENCC is settled in its new rented premises and is fully operational. The new office premise is in Syria Street, Mohandesin.

Besides the USAID grant funds, and through communications, conferences and workshops during the past year, ENCC has succeeded in gaining the respect of several sponsors. These sponsors are Emirates Heights, Eamar Egypt, and El Ahly for Real Estate Development, Arab African International Bank, Aramex, Siac Holding, Sarmady and Citadel Capital. The sustainability of ENCC depends on the continued effort to gain sponsorship to maintain the current activities and hence become sustainable.

E.3 M&E and Performance Monitoring Plan

E.3.1 Activities and Accomplishments

- Participated with ECP’s components’ teams in tracking and recording developments of the indicators included in the Performance Monitoring Plan (PMP). Full sets of data were prepared on a quarterly basis.

- Participated in the preparation of the USAID's Integrated Performance Monitoring Plan, including Assistance Objective 16 (AO16) Plan, Performance Monitoring Operational Plan (PMOP), and the Annual Program Statement (APS) Plan.
- Conducted food price survey and prepared reports (on the 10th, 20th, and 30th of every month).
- In the context of USAID's General Assessment & Rapid Appraisal activities, conducted a literature review and compiled a database of research and studies (100+) in the field of Public Finance Management (PFM), covering Egypt and other countries.
- Participated in the evaluation and cost analyses of ECP's IQS proposals.
- Responded to ad hoc requests by USAID for economic data and information.
- Prepared for the Year 3 M&E activities, including: Impact Analysis, and Data Quality Assessment.

E.3.2 Website and Communications

E.3.2 Activities and Accomplishments

- The second EGLink series initiated and list of stories created and sent to USAID/DOC for approval.
- Updated the USAID Economic Growth Web Server "www.usaideconomic.org.eg" using internal resources. This activity is a work in progress. ECP during this quarter was directed by the DOC office not to put additional resources into updating the website. USAID/Washington will take this responsibility in the future. Formal direction as to the future of this website will be development in coordination with the DOC office.

E.4 Public Awareness

Public Awareness & Communication for year II focused on strengthening the positive image of USAID through highlighting ECP achievements in the media. PA has also organized TV interviews with USAID officials to create credibility and give more weight to the support given by the USAID to develop the Egyptian economy.

The ECP Public Awareness (PA) and Communication continued to work to raise awareness among primary and secondary target audiences about Egypt's Competitiveness Program and to provide technical support to the four ECP components and their counterparts.

The ECP communication strategy developed in Year II included a section for "Transitional Communication Plan" to better deal with the changing political and economic situation happening in Egypt post the January 25th revolution. It also included a joint PR campaign with USAID to support building a positive image of USAID.

During ECP Year II, the program was able to facilitate a significant number of TV interviews, radio interviews, press and online media coverage, which increased the awareness of USAID/ECP achievements, especially entrepreneurship, vocational education and ENCC grant program. Highlights include GEW in Alexandria and Port Said, Startup weekend in Cairo and Alexandria, Startup Cup competition, mentors celebrations, graduation ceremony of school based training units and school based employment units awareness events. Each of these events were supported by effective communication tools and materials, documentary films, and evaluation processes to measure the effectiveness of our activities.

E.4 Activities and Accomplishments

- Females were reached through targeted communication messages and vehicles, based on the demographic assessment for current and potential entrepreneurs.
- Targeted messages aimed to highlight the USAID/ECP achievements, create positive perception among startups, to encourage them to register their business, motivate teachers and students of the vocational sector to participate in upgrading their qualifications.
- Media coverage highlighted the opening of Tamayouz Alexandria, and the role of USAID in developing and updating customer services and technical procedures. The steps required in order to facilitate and streamline businesses and increase number of business transactions and registration of businesses.
- Targeted public awareness activities to increase awareness among entrepreneurs, focusing on mentors and angel investors through wide media coverage
- Successful media coverage in a variety of media vehicles: TV interviews (57), radio interviews (8), press releases (119), videos (10), documentary film (1)
- Communication materials: ECP brochure, GEP fact sheet, 3 Tamayouz brochures on How to start your business, about Tamayouz, how to register your business, and the food prices survey reports.
- Created a US-friendly Media Group who provide wide media coverage for all our events and news

F. Program Management

Staffing and Operations

Nancy Parks, Component C Leader, joined the ECP team under a short-term contract in October 2011. She departed the project on July 20, 2012. She was replaced by Phil Hurst who joined ECP on September 4th, 2012. Phil Hurst, due to personal reasons, resigned and departed post on October 28, 2012.

John Yates, Component A Leader joined ECP under an extended Short-term contract on September 4, 2012.

Project Operations

Chemonics requested Contracting Officer consent to enter into an Indefinite Quantity Subcontract (IQS) for Firm Fixed Price and Firm Fixed Price Award Fee sub task orders to be issued to 16 subcontractors, for professional consultancy services in support of the entrepreneurial development, small-medium enterprise (SME) development and access to finance, and vocational training components under the Egypt Competitiveness Program (ECP).

The IQS mechanism is a tool that is meant to be deployed to enhance competitiveness. ECP emphasis on competitiveness is based on the understanding that a nation's ability to produce a high and rising standard of living for its citizens depends on how productively the nation's labor force and capital are employed. Accordingly, to enhance Egypt's competitiveness the ECP/IQS is focused on increasing labor and capital productivity in three key areas: Access to finance; vocational training and associated employment; and, entrepreneurship development.

In addition to enhancing these key productivity drivers, the ECP program is premised on the fact that the vast majority of Egyptian entrepreneurs and businesses operate in local markets in defined geographic spaces at the Governorate, Markaz and village levels. For this reason the services requested in the Indefinite Quantity Subcontract (IQS) will be delivered at the Governorate level with three Governorates (Alexandria, Port Said and Sharkia), serving as the initial pilot Governorates. The program will expand to additional governorates based on the progress achieved in the initial governorates ECP expects to sign the IQS subcontracts in the first quarter of Year III.

G. Financial Management

The table below indicates the total actual amounts for ECP invoiced between September 2011 and September 2012, in addition to a monthly breakdown for the first quarter of FY 2012. The table also includes projections for October through December 2012. Please note that these figures exclude possible cost estimates associated with the pending approval for the ECP/IQS with its three productivity drivers; vocational training, entrepreneurship, and SME access to finance.

Amount Invoiced Project to Date (September 2011 – September 2012)			
Month	Work Days Ordered	Other Direct Costs	Total
Sept. 2011 - Sept. 2012	\$4,631,777	\$2,981,803	\$7,613,580
Projections for Quarter Ending in December 2012			
October 2012	\$468,035	\$188,939	\$656,974
November 2012	\$420,101	\$213,886	\$633,987
December 2012	\$495,544	\$246,560	\$742,104
Total – Quarter 1 FY 2012	\$1,380,680	\$649,385	\$2,033,065
% of Obligated Funds as of September 30, 2012			88%