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FINAL REPORT

**EGYPT'S COMPETITIVENESS PROGRAM (ECP)
AUGUST 31, 2010 – JUNE 30, 2014**

July 2014

This document was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc.

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AUGUST 31, 2010 – JUNE 30, 2014**

Contract No. EEM-I-00-07-00008

Implemented by Chemonics International Inc.

In collaboration with:

BCIU/Thatcher

Bull SAS

Developers for Training and Consultancy (DTC)

Innové

Institutional Reform and the Informal Sector (IRIS)

JE Austin

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Start Up Cup

The Kaizen Company

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FORWARD

Egypt's Competitiveness Program was implemented by Chemonics International Inc. pursuant to Contract No. EEM-1-00-07-00008, awarded by the United States Agency for International Development (USAID). This report presents the key reforms and results achieved by the project related to competitiveness in Egypt.

USAID/ECP produced mixed results due to the ongoing political situation in Egypt, beginning with the January 25, 2011 revolution. Some program activities were halted or reduced in scope due to the reluctance or inability of the Government of Egypt (GOE) to move forward with them. At the same time, new private sector and other initiatives were successfully implemented. On balance, USAID/ECP has produced important results for both the GOE and the private sector that will assist in the economic growth of Egypt.

USAID/ECP would like to express our special gratitude and appreciation to all of our counterparts and stakeholders, in particular:

- The USAID/Egypt Mission and the project's former Contracting Officer Representative Mr. Ali Kamel, the new COR Dr. Rasha Hakim, and Activity Managers Ingi Lotfi and Manal El Samadony
- All of the USAID Contracting Office representatives for their support and assistance
- The numerous Egyptian counterparts and stakeholders from the public and private sectors for their close cooperation, commitment, and partnerships
- Our exceptional team of local and international consultants for their professional and personal commitment to Egypt's development
- The home office and field project staff for their exceptional dedication and effort

Cairo, Egypt
July 30, 2014

ACRONYMS

ABA	Alexandria Business Association
BDS	Business Development Services
CPA	Consumer Protection Agency
CRA	Commercial Registry Authority
DCA	Development Credit Authority
EBDA	Egyptian Business Development Association
EBI	Egyptian Banking Institute
EBRD	European Bank for Reconstruction and Development
ECA	Egyptian Competition Authority
ECP	Egypt's Competitiveness Program
EFS	Egypt Financial Services Project
EFSA	Egyptian Financial Supervisory Authority
ENCC	Egyptian National Competitiveness Council
ERRADA	Egyptian Regulatory Reform and Development Activity
ETA	Egyptian Tax Authority
ETPs	Enterprise TVET Partnership
FDI	Foreign Direct Investment
FEDCOC	Federation of Chamber of Commerce
FSI	Financial Services Institute
FTC	Federal Trade Commission
GAFI	General Authority for Investment and Free Zones
GEP	Global Entrepreneurship Program
GOE	Government of Egypt
IDA	Industrial Development Agency
IMC	Industrial Modernization Centre
IMF	International Monetary Fund
IQS	Indefinite Quantity Subcontract
ITC	Industrial Training Council
ITMAS	Integrated Tax Management Accounting System
M&E	Monitoring and Evaluation
MIFT	Ministry of Industry and Foreign Trade

MOE	Ministry of Education
MOF	Ministry of Finance
MOI	Ministry of Investment
MOITI	Ministry of Industry, Trade and Investment
MOU	Memorandum of Understanding
MSME	Micro, Small, and Medium Enterprise
NGO	Nongovernmental Organization
RIA	Regulatory Impact Assessment
RMG	Ready Made Garment
SBEU	School-Based Education Unit
SBTU	School-Based Training Unit
SCAF	Supreme Council of the Armed Forces
SFD	Social Fund for Development
SME	Small and Medium Enterprises
TVET	Technical and Vocational Education and Training
USAID	United States Agency for International Development
VAT	Value-Added Tax

EXECUTIVE SUMMARY

From September 1, 2010 through June 2014, USAID/Egypt-funded Egypt's Competitiveness Program (ECP) provided technical support to enhance Egypt's competitiveness through regulatory reform, streamlined business processes, improved labor skills and productivity, and modernization of the financial sector under USAID/Egypt's Assistance Objective – 16 (AO-16), “Conditions for Trade and Investment Improved.” The initial program lifespan was for three years with an end date of August 31, 2013. The program was given a no-cost extension until June 30, 2014. In addition, a modification of the contract along with a Wind-Up Plan was approved on December 22, 2013, which significantly changed the focus away from the Government of Egypt (GOE) and toward the private sector.

The assistance to be provided under the ECP contract focused on strengthening Egypt's competitiveness by easing regulatory constraints, supporting innovation and entrepreneurship, improving the business enabling environment, improving labor skills and productivity, and modernizing the financial sector. The key results to be accomplished under ECP were:

- Supporting the development of a conducive regulatory environment
- Streamlined business processes in business registries and licensing
- Improved labor skills and productivity to meet market demand (this is broken into separate facets for vocational training and entrepreneurship)
- Strengthened financial sector including improving access to finance for small and medium enterprises (SMEs)

Due to ECP's extended scope, the project produced a wide variety of results and impacts. Political sensitivities demanded that ECP be flexible to address the ever-changing needs and entreaties of the GOE and USAID. Some aspects of the original program were eliminated, modified, or wound-up; others were completed as originally programmed due to constraints in the political, economic, and security environment.

ECP built and implemented an excellent model for streamlining business registration via the Tamayouz Centers. “Tamayouz” means excellence in Arabic, and to that end, the centers provide quick and easy assistance in registering a new business, obtaining licenses, and other services. The centers substantially reduce the time needed for registering a business from approximately 15 days to 35 minutes, in addition to saving customers multiple trips to various registration and licensing entities. Furthermore, ECP provided substantial assistance to the GOE's Commercial Registry Authority to devise an IT system that can link all commercial registry offices to a central database storing the information. This will shortly be brought to scale at the national level, allowing quick access to the database throughout the country.

Improving labor skills via vocational training proved to be one of the most successful aspects of ECP. ECP's School-based Training Units (SBTU) delivered cascade training for 15,197 teachers and school staff. They also delivered training to 989 students on capacity building and soft skills at the schools' units. The School-based Education Units (SBEU) were able to directly secure jobs for about 8,631 job seekers. The program emphasized a market-driven approach that brought the private sector's needs to the Ministry of Education's related Technical Education

Sector (VocEd) schools. ECP developed a two-pronged approach, training the schools and their teachers in meeting the needs of respective industries while working directly with individual companies to develop their relationships with the schools and training the company's workforce, focusing on middle management vocational training. The companies were also shown how to recruit and retain students. This public-private sector relationship has been extremely successful and the Minister of Education plans to use this methodology and expand it to cover every governorate in Egypt. In addition, ECP conducted three large highly successful private sector job fairs with the concurrence of the MOE. The fairs brought together more than 230 companies from different sectors, offering more than 34,000 job opportunities and attended by more than 20,000 job seekers nationwide. An estimated 3,000 jobs were secured through the fairs.

One of the most important and successful initiatives achieved by ECP was developing entrepreneurship in Egypt in coordination with the U.S. State Department's Global Entrepreneurship Program (GEP). Initiatives focused on building entrepreneurs and entrepreneurship, such as "StartUp Weekends," "StartUp Battles," "StartUp Cups," mentorship, creating "angel" investors, "crowdfunding," and other activities to empower entrepreneurs involving collaboration, learning, and competition. In addition, ECP implemented a special entrepreneurship event for women only that was successful in creating momentum for women to play a larger role in this sector. The event was aimed at giving women a better understanding of their economic power and the impact of their work at the national level. ECP also worked to increase entrepreneurship awareness and create a sound entrepreneurial environment to further the goal of a sustainable entrepreneurial spirit in Egypt long after USAID assistance ceases.

ECP's component on strengthening the financial sector has been extremely important for the growth of the Egyptian economy. In 2009 the GOE legislated and developed the Egyptian Financial Supervisory Authority (EFSA), which supervises all non-banking financial entities. ECP was charged with assisting EFSA and their training wing, the Financial Services Institute (FSI), in building the capacity of these nascent entities. ECP provided EFSA and FSI with substantial technical and hands-on assistance, training, and support for their undertakings, which enabled them to provide the needed regulatory and support in this aspect of the financial sector. ECP also worked closely with banks and other financial institutions to increase the access to credit for developing MSMEs. This involved activities such as providing hands-on assistance to potential borrowers applying to banks to obtain loans, providing assistance to the Social Fund for Development (SFD) in reengineering their activities to be able to provide finance and assistance to micro and small businesses, developing a national strategy for developing Micro, Small, and Medium Enterprises (MSME), assisting the General Authority for Investment and Free Zones (GAFI) in developing an investment fund for SMEs, assisting in formalizing informal businesses, etc. While all of these initiatives achieved some success, additional and ongoing support to assist MSMEs in Egypt will be needed in order to change the attitudes of financial institutions as well as potential borrowers.

Over the life of ECP, the program faced many political, economic, and security-related challenges. Despite the ever shifting environment, the team was able to achieve tangible results while operating under work plans that reflected the uncertain implementation environment.

SECTION I: ENVIRONMENT FOR IMPLEMENTATION

Over the life of ECP, the program faced many political, economic, and security-related challenges. Some aspects of the original program were eliminated, modified, or wound-up, and others were completed as originally programmed due to constraints in the political, economic, and security environment. Despite these factors, the team was able to achieve tangible results while operating under work plans that reflected the uncertain implementation environment.

A. Political Environment

The January 25, 2011 revolution marked the beginning of a transitional period for the government of Egypt, which presented some challenges to project implementation. As the government of Hosni Mubarak toppled and the Supreme Council of the Armed Forces (SCAF) assumed control of the GOE, new ministers and counterparts were appointed, and given the fluid nature of this transformation, the ministers and counterparts were understandably reluctant to engage in some project activities.

After Mohamed Morsi's one-year tenure as president, a political roadmap was implemented, including the formation of an interim government, a new Constitution, and the recently-concluded presidential elections. Numerous changes in the ministries continued during this period.

After Mr. Morsi's tenure concluded, the relationship between the GOE and the U.S. government shifted, and ECP focused its work primarily on the development of the private sector. After June 30, 2014, the election of the National Assembly has the potential to provide a new political roadmap moving forward.



B. Economic Environment

The January 25th Revolution and political instability caused significant disruptions in Egypt's economic development. In particular, foreign direct investment (FDI) and portfolio investment has declined as companies have waited for the political situation to resolve, and the depletion of foreign reserves has made it difficult to pay for imports in dollars. The tourism industry – a mainstay for income – has contracted significantly. Egypt's financial problems are also related to fuel and food subsidies, which represent a major portion of the GOE's current expenditures. Balance of payment problems pose the most immediate constraint to Egypt's economy, and the difficulties associated with implementing an improved public financial management system preclude the GOE from addressing other persistent problem areas in the economy.

C. Security Environment

Security challenges have persisted and have caused serious disruptions in political and economic processes. Due to the security risks, there have been two mandatory evacuations of expatriate staff which slowed technical implementation. The first evacuation occurred after the January 25th Revolution and lasted for one month; the second occurred at the beginning of July 2013 and lasted for two months. There have been ongoing protests – some peaceful, and some violent – in almost every governorate during the life of the project. As such, occasional in-country travel restrictions were imposed for ECP staff in certain areas. The GOE has been prudent about dealing with security matters, which unfortunately limits their ability to invest the requisite time and resources in economic growth activities.

SECTION II: SUMMARY OF ACCOMPLISHMENTS

A. Program Objectives and Components

Despite the challenges in Egypt, ECP delivered results in streamlining business processes, substantially improving marketable skills through vocational and technical training, developing entrepreneurship throughout Egypt, and strengthening the financial sector. Even ECP's component work on developing conducive regulatory reform was able to provide the government with roadmaps to change and to streamline governmental regulations.

ECP was able to ease the business registration and licensing process in spite of the difficulties overall facing streamlining business processes in registration and licensing offices. The creation of Tamayouz Centers, essentially a one-stop shop, meant individuals no longer were required to visit different GOE offices over a period of many days to complete the registration of their business. A Tamayouz Center can complete business registration within a few hours at one office. Once a good operational model was in place, local governorates realized that it could be replicated and produce simplified and rapid business registration and licensing services. A number of governorates requested ECP's assistance. ECP also developed a new registration system for businesses for the Commercial Registry Authority under the Minister of Supply and Internal Trade that unified the registration process throughout the country. ECP provided substantial assistance in the form of a grant and other technical assistance to the Egyptian National Competitiveness Council to further the competitiveness agenda and to advocate for changes in government related to various sectors in the country.

Improved labor skills and productivity to meet market demand, an original component of the program, also contained a directive to promote and develop entrepreneurship in Egypt. To address these separate areas, the component was divided into two subcomponents: 1) improved skills to market through vocational and technical training; and 2) developing entrepreneurship. Both subcomponents faced few difficulties related to the turmoil in Egypt, and both have made substantial strides over the life of the program. Vocational training was market-driven, focusing on markets and private companies' needs for skilled labor. Youth in Egypt were especially interested in entrepreneurship, and ECP successfully developed and nurtured this sector. Work in developing entrepreneurship also resulted in the creation of several networking groups in country to assist with housing, mentoring models, angel investing, and small business incubation.

Work on strengthening the financial sector focused on streamlining the non-banking financial sector and its regulatory authority, the Egyptian Financial Supervisory Authority (EFSA). ECP worked with commercial banks to influence them to provide more financing to MSMEs, and supporting the Social Fund for Development (SFD) to reengineer itself to support micro and small businesses. Under the original contract, the program developed its scope of work for the deliverable to assist the Ministry of Finance (MOF) in enacting the new Pension Law for Egypt, but this was negated when a new Cabinet cancelled the law. In addition, ECP worked to develop business development services (BDS) and business incubators to be offered in business associations and other entities. While making progress in these activities, banks are moving slowly in lending and are still reluctant to lend to MSMEs. However, in light of changes in the security and economic environment, this situation could improve.

B. Major Results and Impact

Due to ECP's extended scope, the project produced a wide variety of results and impacts. Given the political sensitivities arising from the turmoil in the country, ECP needed to be flexible to the ever-changing needs and entreaties of the GOE and USAID in implementing the program.

ECP built and implemented an excellent model for streamlining business registration via its Tamayouz Centers. The centers ("Tamayouz" means excellence in Arabic) provide quick and easy assistance in registering a new business, obtaining licenses, and other services. The centers substantially reduce the time needed for registering a business from approximately 15 days to 35 minutes, in addition to saving customers multiple trips to registration and licensing entities. Furthermore, ECP has also provided substantial assistance to the GOE's Commercial Registry Authority to devise an IT system that can link all commercial registry offices to a central database storing the information. This will shortly be scaled at the national level, allowing quick access to the database throughout the country.

Improving skills to market via vocational training proved to be one of the most successful aspects of ECP. ECPs SBTUs delivered cascade training for 15,197 teachers and school staff. They also delivered training to 989 students on capacity building and soft skills at the schools' units. The SBEUs directly secured jobs for about 8,631 job seekers. The program emphasized a market-driven approach that brought private sector needs to the Ministry of Education's related Technical Education Sector (VocEd) schools. ECP developed a two-pronged approach, training the schools and their teachers in meeting the needs of respective industries while working directly with individual companies to develop their relationships with the schools and training the company's workforce, focusing on middle management vocational training. The companies were also shown how to recruit and retain students. This public-private sector relationship has been extremely successful and the Minister of Education plans to use this methodology and expand it to cover every governorate in Egypt. In addition, ECP conducted three large highly successful private sector job fairs with the concurrence of the MOE. The fairs brought together more than 230 companies from different sectors, offering more than 34,000 job opportunities and attended by more than 20,000 job seekers nationwide. An estimated 3,000 jobs were secured through the job fairs.

One of the most important and successful initiatives achieved by ECP was developing entrepreneurship in Egypt in coordination with the U.S. State Department's Global Entrepreneurship Program (GEP). Initiatives focused on building entrepreneurs and entrepreneurship, such as "StartUp Weekends," "StartUp Battles," "StartUp Cups," mentorship, creating "angel" investors, "crowdfunding," and other activities to empower entrepreneurs. In addition, ECP implemented a special entrepreneurship event for women only that was successful in creating momentum for women to play a larger role in this sector. The event gave women a better understanding of their economic power and the impact of their work at the national level. ECP also worked to increase entrepreneurship awareness and create a sound entrepreneurial environment to further the goal of a sustainable entrepreneurial spirit in Egypt long after USAID assistance ceases.

ECP's component focusing on strengthening the financial sector has been extremely important for the growth of the Egyptian economy. In 2009 the GOE legislated and developed the EFSA, which supervises all non-banking financial entities. ECP was charged with assisting EFSA and their training wing, the Financial Services Institute (FSI), in building the capacity of these nascent entities. ECP provided EFSA and FSI with substantial technical and hands-on assistance, training, and support, enabling them to provide needed regulatory support. ECP also worked closely with banks and other financial institutions to increase access to credit for developing MSMEs. This involved providing hands-on assistance to potential borrowers applying to banks to obtain loans, providing assistance to the SFD in reengineering their activities to be able to provide finance and assistance to micro and small businesses, developing a national strategy for developing MSMEs, assisting GAFI in developing an investment fund for SMEs, assisting in formalizing informal businesses, etc. While all of these initiatives achieved some success, additional and ongoing support to assist MSMEs in Egypt is needed in order to change the attitudes of financial institutions as well as potential borrowers.

SECTION III: ACHIEVEMENTS BY COMPONENT

A. Component A — Conducive Regulatory Reforms

ECP was designed to build on previous USAID projects by continuing to work on a framework for conducive regulatory reforms in Egypt. This included improving the regulatory environment to lower risk and the cost of doing business; establishing a sustainable system for devising and implementing regulatory reform strategies; strengthening competition and consumer rights protections; improving commercial laws, tax policies, and procedures; and addressing fiscal policy reform.

A1. Commercial Laws, Fiscal Reforms, and Investment Policies

ECP delivered an updated Bankruptcy Code, Unified Companies Law, and Executive Regulation on Permits and Licensing, as well as an inventory of business laws and regulations under the Egyptian Regulatory Reform and Development Activity (ERRADA). The majority of work in this area directly targeted ERRADA and the MOF.

A2. Egyptian Regulatory Reform and Development Activity (ERRADA)

One of ECP's primary objectives was to institutionalize ERRADA as a principal driver of policy formulation and regulatory streamlining in the GOE. With ECP's assistance, ERRADA launched the e-registry of inventoried Egyptian laws and regulations and prepared a regulatory impact assessment (RIA) methodology guideline manual. ECP also provided extensive training to ERRADA on RIA techniques and procedures. After the revolution, ERRADA was transferred from the Ministry of Investment (MOI) to the MOF. The MOF then decided they did not want to be responsible for ERRADA and essentially ceased its operations. USAID asked ECP to house their IT equipment (servers) until another ministry could house the unit. ECP subsequently transferred the IT equipment to the Ministry of Industry, Trade and Investment (MIFT), which will house and support ERRADA moving forward.

A3. Support to the Ministry of Finance

ECP provided substantial assistance to the MOF over the life of the project in several key areas:

- *Direct assistance to the MOF.* Immediately following the January 25, 2011 revolution, ECP arranged a high-level mission of experts on fiscal and tax policy, as well as labor policy and wage compensation for the then-interim MOF. In collaboration with the International Monetary Fund (IMF), ECP conducted a policy and economic impact analysis of the current property, income, and sales tax systems and their administration. A report was prepared with options for improving and modernizing the various tax systems. In addition, ECP conducted education and public awareness seminars on tax policy and administration, utilizing both international and Egyptian perspectives. ECP also fielded a former head of IMF's Tax Policy Unit and a senior tax expert from Duke University to develop road maps for the future modernization of Egypt's income, sales, and property tax systems, which were presented to the MOF.

- *ITMAS stabilization.* A previous USAID-funded project assisted the MOF by providing an Integrated Tax Management and Administrative System (ITMAS) software package to the Egyptian Tax Authority (ETA) that was to replace their old and outdated system. However, the ITMAS software encountered a large number of bugs (747) in the system that prevented it from functioning properly. USAID asked ECP to work with the French software company that provided the system to try and resolve the problems. After spending substantial time and effort working with ETA and the software provider, ETA and ECP concluded that ITMAS would not be effective, and the effort was terminated at the end of year 3.
- *Preparation for introduction of VAT.* Although the introduction of Value Added Tax (VAT) was contingent on stabilization of the ITMAS program, ETA asked ECP for assistance in preparing for the introduction of VAT. In coordination with ETA, ECP drafted a general approach to introduce VAT and develop an implementation plan. The approach proposed elements to be included in a formal plan, including identifying the sales threshold for VAT taxpayers; drafting legislation, tax forms, and procedures; and developing risk management for VAT refunds. By establishing a strong framework, ECP empowered ETA to continue building a strategy to successfully introduce VAT.
- *Real property tax law.* ECP conducted an assessment of the previous 2008 Real Property Tax Law, and drafted a revised law for the MOF, submitted to the Prime Minister and the head of the SCAF for final review and approval. Unfortunately, the draft law was not acted upon due to the political situation. The draft law can be revisited and is available for approval when the political situation stabilizes.
- *USAID FY2008 cash transfer program.* In coordination with USAID and the MOF, ECP prepared seven benchmark verification reports for the program based on completion of the following as required under the program:
 1. New tax regime for small and micro businesses
 2. New comprehensive budget law
 3. Real estate tax rates reduced to about 10 percent
 4. Customs law
 5. Reduction of customs clearance time
 6. Amend Companies Law
 7. Bankruptcy reform

Some benchmarks were fully achieved, while others were partially or not achieved. This enabled some of the cash in the program to be transferred to the MOF by USAID. ECP is not aware of the actual monetary amounts transferred or withheld by USAID.

A4. Support to the Egyptian Competition Authority (ECA)

ECP arranged and sponsored a fellowship for an ECA staff member for an internship with the U.S. Federal Trade Commission (FTC) to understand how FTC operates and how the ECA can benefit from utilizing FTC's knowledge and methodologies. ECP provided training on mergers and acquisitions to 14 ECA staff, which enabled them to understand the intricacies of consolidating businesses and to respond to questions and problems that might arise in their role of supervising these activities. In addition, ECP provided hardware and software that was essential for ECA to deliver and understand digital forensics during operations. ECP also

provided training to the GOE economic court judges and personnel related to ECA’s new law amendments. The training covered three topics: implementation of economic legislation, enforcement of judicial judgment in the field of economic litigation, and banking transactions. Each topic was covered in two separate training sessions, for a total of six training events to 267 judges and court personnel.

A5. Support to the Consumer Protection Agency (CPA)

ECP provided direct technical assistance to bolster public awareness of the CPA. ECP developed and held a workshop for 30 economic court judges to discuss the law on consumer protection. In addition, the workshop dealt with CPA’s role in cases filed in court and how to better prepare judges to deal with them. A large workshop on public awareness was organized for CPA to address their role, which previously had been ambiguous. ECP also organized the 2013 World Consumer Rights Day that discussed fraud and counterfeit prevention as a way to regulate and stabilize the Egyptian markets, help elevate the economy, and attract more foreign investment. ECP provided additional assistance to NGOs that are supporting the CPA throughout the country by emphasizing CPA’s role in protecting consumers. This support has been directed at studies and surveys on food safety, and helping NGOs working under CPA shape their fundraising and capacity building efforts. In coordination with consumer protection NGOs, ECP organized four large public awareness workshops in Alexandria, Aswan, Minya, and Tanta; an estimated 120 participants attended each workshop to discuss the proposed draft of the new consumer protection law.



Egyptian stakeholders discuss the new consumer protection draft law at a CPA at an awareness event in Alexandria

B. Component B — Streamlined Business Processes

This component was designed to enhance Egypt’s competitiveness by streamlining the processes of obtaining government approval to start and operate a business and by supporting the Egyptian National Competitiveness Council (ENCC). The contract results include: 1) a Unified Business Registry (now known as the Commercial Registry); 2) ease of doing business improved through the creation of centers for registration, permits, and licenses; and 3) support to the ENCC that includes development of competitiveness strategies for key sectors including tourism, higher education, and agro-industry.

B1. Unified Business Registry

In the past, the GOE operated four different commercial business registries in Egypt under three different agencies/ministries: the Commercial Registry, the Export/Import Registry, the Commercial Agent Registry, and the Industrial Registry. In 2008 a presidential decree was issued to unify the registries, but gained little traction. ECP helped bring the process under one entity, the Commercial Registry Authority (CRA), in line with international standards. During the final stages, ECP procured software for the registry system and provided technical assistance

to pilot it, enabling the migration of basic and complex data from individual registries into one single database. The pilot process took a long time to complete, but was successful, and the data migration can now take place throughout the country. The Giza office of the CRA was the first office to become operational under the new system.

B2. Ease of Doing Business

The objective of this subcomponent was to make it easier for Egyptians to start and operate businesses, or to make changes in the structure of an existing business. According to the 2012 World Bank “Doing Business” report, it takes six steps or procedures and seven days to start a business in Egypt. This is based on starting a company under the Investment Law using a one-stop shop at GAFI’s headquarters in Cairo. However, this does not accurately describe the challenges of starting a business in the country. The vast majority of companies in Egypt are formed under the Trade Law and cannot use the GAFI facility.

Thus, the process for most SMEs can take weeks or even months to properly register and start their business, without any practical assistance to complete the paperwork required.



A customer exchanges business registration documents at the Tamayouz Center in Alexandria

Each Tamayouz Center offers the basic services needed to establish a formal business, which are: 1) notarize a lease or ownership of the physical business; 2) obtain a tax identification number; 3) obtain a Chamber of Commerce Certificate; and 4) obtain a Commercial Registry Certificate. The centers also offer other services to existing registered businesses, and some can provide business development services, as well as some other governmental licenses and permits.

ECP partnered with the Federation of Chamber of Commerce (FEDCOC) in 2012 and opened a model Tamayouz¹ Center in Alexandria, and in 2013 opened another in the city of Banha, Qalyubia Governorate. ECP procured \$16,000 in IT equipment to the Tamayouz Qalyubia Center. In 2014, ECP opened two more Tamayouz Centers, one in Port Said and another in Sohag. These one-stop-shops for registering a new business also provide municipal permits and licenses for businesses, significantly reducing the time needed to register a new business. Now, a simple business registration can be accomplished in an hour or two, with more complex registrations taking slightly longer to complete. To date, ECP has procured a total of \$44,642 in IT equipment to the two centers, assisted approximately 74,594 customers, and registered an estimated 19,418 businesses. This activity has been extremely successful and the GOE and FEDCOC have expressed their desire to replicate the centers in every governorate in Egypt.

¹Tamayouz is the English spelling of a work in Arabic meaning “excellence.”

B3. Support for National Competitiveness

The Egyptian National Competitiveness Council was established in 2004 as an NGO by a group of businessmen and women, government officials, and academicians with financial support from USAID to improve national competitiveness by influencing policymaking. ECP provided direct support to ENCC via a three-year, \$1,160,000 grant to develop key recommendations for a national competitiveness strategy focused on improving Egypt’s international competitiveness ranking in tourism, agro-industry, and higher education. In addition, ENCC developed sub-councils for tourism, food safety, entrepreneurship, and higher education. ENCC also publishes a national competitiveness report each year and unveils the report at a large event attended by the GOE and stakeholders. ENCC was able to draft an important new and strengthened Tourism Strategy for Egypt, which resulted in a Prime Minister Decree that will address the present tourism shortfalls in the country based on the strategy developed.

C. Component C — Improved Labor Skills and Productivity

Component C was divided into two subcomponents, one focused primarily on vocational education and the other on entrepreneurship.

C1. Subcomponent C1: Skills to Market

This component focused on market demand to identify training that will lead to increased labor productivity and employment in three targeted sectors. ECP concentrated its efforts in secondary technical schools, company training and internships, and several successful job fairs.

Developing capacity of teachers. Working with the technical education sector under the Ministry of Education (MOE), ECP focused on employer demands to identify training that would yield increased labor productivity and employment. ECP’s vocational training efforts first targeted three sectors identified as having the greatest need for improved skills and potential employment: food processing, ready-made garment (RMG) production, and tourism. The petrochemicals sector was added later. ECP’s efforts were concentrated in secondary technical schools and on-the-job training. With the assistance of the MOE, ECP created School-Based Training Units (SBTUs) and School-Based Employment Units (SBEUs). Twenty-five SBTUs and 25 SBEUs were established in selected schools in the targeted governorates of Beni Suef, Port Said, Sharkia, Alexandria, Luxor, Aswan, Fayoum, and Red Sea “Hurghada.” Instructors were trained to offer professional development cascade training to prospective instructors in the schools and to liaise with private industries to identify on-the-job training/apprenticeship opportunities. A total of more than 14,000 secondary technical school instructors and school staff have been



A teacher mentors a student on garment production at one of the many SBEUs in Egypt

trained in best practice instructional methodology. The SBTUs of Beni Suef have been so successful that the Beni Suef MOE Regional Office requested the SBTU model be rolled out to all technical secondary schools in the governorate. Nineteen new SBTUs were opened in “non-ECP” schools using ECP SBTU trained members to lead the instruction. Moreover, SBTU units composed of 49 individual members graduated from four governorates in a widely publicized ceremony attended by MOE, USAID, and U.S. Embassy officials. Another 14 SBTUs from the rest of eight governorates were formally graduated in two SBTUs refreshers that were attended by the MOE minister and other high-level officials.

As a result of ECP’s work, the minister of education and his head of technical education sector informed ECP of the sector’s intent to establish SBTUs and SBEUs in all 1,954 technical secondary schools in Egypt, based on ECP’s model.

Public-private partnerships. The SBEUs now are working closely with private sector companies from different governorates to identify needs and to help fill available vacancies. SBEUs have succeeded in placing more than 8,000 job seekers into appropriate vacancies with formal contracts and agreements. SBEUs from different schools and governorates organized 32 school camps, which were attended by companies from the three targeted industries. Additionally, SBEUs in Sharkia have worked closely with the Egyptian Canadian Company for Ready Made Garments, where three new factory-based classrooms were established. SBEUs facilitated the process and helped the company obtain the necessary MOE approvals. The SBEU embedded in the Borg Al Arab Industrial School (Alexandria Governorate) worked closely with the Mediterranean Sea Factory to establish two nascent factory-based classrooms. Also, the SBTU unit in Belbis created training opportunities for ready-made garment teachers at Salemko S Fashion in the Sharkia governorate.

Improve labor market and information system. ECP provided SBEUs and SBTUs with technical assistance including database development and market research to establish in-company training units, as requested by the MIFT. ECP introduced employability skills training programs (job search techniques, resume writing, interviewing skills, etc.) to the SBEUs to ensure that school students receive proper training in employability skills before they graduate. ECP supported the development of a Labor Market Intelligence System framework in cooperation with the Industrial Training Council (ITC), ECP/Technical and Vocational Education and Training (TVET). The framework provides a design for the system to map the entire set of interlinked institutions and processes that determine the flow of job opportunities and labor supply by industries in the 27 governorates of Egypt.

In addition, ECP led pre-assessment meetings for the tourism sector at Red Sea, Aswan, Luxor, and Alexandria for the purpose of upgrading the skills of existing laborers. A final assessment report was developed and delivered with recommendations. In addition, pre-assessment meetings were conducted with the RMG sector in Alexandria for the purpose of upgrading the skills of existing workers. A final assessment report was prepared including recommendations for next steps. A training program was developed and is currently underway.

Job fairs. ECP hosted three large, highly successful job fairs in Beni Suef, Luxor, and Alexandria utilizing the relationships with the SBTUs and SBEUs. To achieve results, ECP developed close relationships with the large private sector businesses in the same general areas, which participated in the fairs. At the first fair in Beni Suef, approximately 46 companies participated, offering approximately 8,000 new job opportunities in various fields, and more than 15,000 job seekers attended the event.

Approximately 70 companies participated in the Luxor event, offering 6,500 jobs to 2,000 job seekers. The Alexandria job fair was the largest yet with more than 120 companies offering approximately 20,000 jobs.



Young job seekers interacting with prospective employers at the Beni-Suef job fair

A job fair booklet was distributed to job seekers that contained most of the job opportunities offered at the fair with a complete description of the companies and contact information. In addition, the booklets were distributed in a number of governorates, also listing the contacts of all the SBEU representatives in the 25 units that ECP supported in the eight governorates. The Governor of Alexandria asked ECP/USAID to either extend or to hold another similar event due to the great success been achieved by the fair.

Recruit, retrain, and retain (3Rs). ECP initiated a Recruit-Retrain-Retain (3R) pilot project in cooperation with the ITC affiliated with the Ministry of Industry and Foreign Trade. The purpose was to deliver human resources interventions in 12 small and medium size companies in the RMG and the food processing industries in the Governorates of Sharkia (10th of Ramadan industrial zone) and Alexandria (Borg El-Arab industrial zone) to address challenges of skill shortage and high turnover by enhancing the abilities of industrial enterprises to attract, retrain, and retain a qualified and stable workforce. The companies were trained and mentored in proper HR management so they can recruit, retrain, and retain employees. The training also helped promote a better working relationship between companies and their employees.

The technical secondary schools, the Ministry of Education, and local businesses report being very pleased with the support ECP has given to schools, businesses, and job seekers.

C2. Subcomponent C2: Developing Entrepreneurship Skills

The 2010 Global Entrepreneurship Monitor Report ranked Egypt as one of the lowest performing countries for entrepreneurs who want to grow, develop products, or go after new markets. Recognizing the critical need to increase entrepreneurship with a direct bearing on job creation, ECP's developing entrepreneurship skills subcomponent focused on supporting, growing, and facilitating financing for entrepreneurs. The first of many activities was to create awareness of entrepreneurship among youth, existing small businesses, and potential investors in the country. ECP developed public awareness events that highlighted the importance of entrepreneurship in creating new businesses and jobs. A number of start-up events were held by ECP to show young would-be entrepreneurs how to develop new business ideas and bring them to fruition. ECP also

created mentorship opportunities to support and assist young entrepreneurs in developing or growing their existing businesses.

Public awareness and start-up events. As part of supporting entrepreneurship, ECP activities focused on creating awareness of entrepreneurship in young people and potential investors. ECP developed awareness events that highlighted how entrepreneurship creates new businesses and jobs. StartUp events were held by ECP around the country to show young would-be entrepreneurs how to develop new business ideas and bring them into fruition. Large StartUp events were held in Alexandria, Cairo, Aswan, and Luxor, and were extremely successful in bringing entrepreneurship to the forefront of thinking and in emphasizing the importance of new businesses. ECP also developed mentorship opportunities, recruiting mentors to help entrepreneurs develop or grow their existing businesses. It is estimated that ECP assisted more than 8,000 potential and existing entrepreneurs over the life of the program.

ECP also sent young Egyptian entrepreneurs on study tours to Silicon Valley in the United States, and delegations to Dubai to attend the Global Entrepreneurship Summit. These activities provided participants with a global view of entrepreneurship and helped foster useful contacts, mentors, and potential investors for Egypt.



A female entrepreneur innovates her way to funding for her business

Developing entrepreneurship skills can be taught in universities, and ECP worked with several to spread the idea of creating a curriculum addressing the unique challenges faced while operating your own business. ECP also worked with several governmental entities (MOI, GAFI, and SFD) interested in helping build entrepreneurship skills in country by providing information and training on how to support entrepreneurs.

Angel investing. Investment in entrepreneurs is also a key factor for success as banks are unlikely to support startups or even small businesses in Egypt. To this end, ECP developed Angel investors and one informal Angel network with the ability to make equity investments. Most investors also provide hands-on mentoring. Teaching entrepreneurs how to train other entrepreneurs allowed ECP to build a cadre of trainers and ensure sustainability in the long run.

Mentoring. In mentoring, business persons or other experts with hands-on experience work with entrepreneurs to help them develop and operate their businesses. Mentors also work with entrepreneurs to develop ideas that they can “pitch” to angel investors or other finance people. “speed mentoring” was introduced in Alexandria in cooperation with YES Egypt, where entrepreneurs received “quick” and invaluable advice from experienced business owners. Sixteen mentors and 35 entrepreneurs participated in the event. Another speed mentoring event, in cooperation with American University Cairo (AUC), was held in Cairo. ECP also helped GAFI develop its mentoring strategy and strengthen entrepreneurial activities at its Bedaya Center through focus groups for entrepreneurs in Alexandria, Cairo, and Port Said. ECP also hosted a one-day seminar in Cairo for mentors to strengthen Egypt’s mentorship program.

D. Component D — Strengthened Financial Sector

This component addressed improving the competitiveness of the financial sector through technical assistance. The original focus was on activities to: 1) strengthen non-banking financial markets regulation and supervision related to EFSA; 2) support the MOF in advancing the new public pension law; and 3) promote SMEs' access to finance. Initiatives in these three areas were subsequently modified due to the political situation in Egypt.

The activities to promote SMEs' access to finance were designed and implemented primarily at the governorate level, where technical assistance included training and support to potential SME borrowers looking for finance in Alexandria, Port Said, and Sharkia. ECP also carried out activities that promoted and supported access to finance for SMEs more broadly by creating a more favorable environment for SME lending. This included supporting the SFD in developing strategies and action plans for developing business incubators and business development services, and promoting advocacy within MSME associations. Overall, work in this component incorporated ease of doing business activities and the vocational training and entrepreneurship subcomponents to contribute to the goal of increasing employment and productivity. Component D activities also intersected with Component A, Conducive Regulatory Framework, in performing a general assessment of GOE public finance management for future USAID donation programs. ECP accomplished the following:

D1. Non-banking Financial Supervision

- Trained 70 judges in basic non-banking financial laws and regulations and advanced capital markets laws and regulations under EFSA/FSI. This provided important insight for the judges involved in the laws and regulations affecting non-banking institutions.
- At the request of EFSA, trained 23 professional representing 18 securities brokerage companies in corporate compliance under EFSA rules and regulations.
- Developed three new specialized training programs for FSI in insurance and capital markets for industry professionals.
- Supported start-up operations and built organizational capacity (business plan, organizational structure, job descriptions, and training manuals) of EFSA's FSI that delivered 234 training programs to 7,422 market professionals in fiscal years 2011/2012 and 2012/2013.
- Reviewed and participated in drafting EFSA regulations on "Sukuk," Islamic Shihira-type bonds, as a new financing tool.
- Reviewed EFSA general rules of microfinance and proposed draft law on the same.
- Provided recommendations and action plan to EFSA for establishing the non-bank financial services arbitration and dispute resolution center.
- Conducted two assessments of financial complaints and legal disputes and arbitration centers in Egypt in relation to an EFSA proposed Financial Arbitration Center.
- Provided short-term technical assistance and presented international best practices in setting up financial arbitration centers and assessed Egypt's legal and regulatory framework to identify legal and operational issues that need policy decisions by EFSA to establish the Egyptian Financial Arbitration Center.

ECP's substantial assistance to EFSA/FSI helped them grow into professional regulators who also provide training and assistance to the non-banking financial sector.

D2. Social Fund for Development (SFD)

SFD requested assistance in assessing their business incubator program and for developing strategy recommendations for future operations. ECP brought in an expert on business incubators, completed a thorough and comprehensive assessment, and developed strategy recommendations for SFD. The results were welcomed by SFD, which then requested hands-on assistance in carrying out the recommendations and strategy. ECP accomplished the following:

- Assisted SFD in assessing and then developing an action plan to repair or close down the existing six SFD-funded incubators.
- Provided technical assistance in building capacity of the SFD business incubators program and building capacity of incubators' management.
- Conducted a market assessment for a new proposed business incubator in Abo Rawash so SFD could determine if it was feasible to continue with the proposed project. The assessment proved that the project was not practical, and that SFD should drop the idea, which SFD subsequently agreed to.
- Assisted SFD in developing a BDS strategy and implementation plan based on a BDS market assessment and an SFD capacity assessment for the entire organization. Supported SFD to start implementation of the action plan, and was given additional short-term technical assistance for the strategy and implementation.
- Assisted SFD in assessing and developing an M&E system for the entire organization, along with continued assistance in putting the system in operation.
- Conducted and presented to SFD a study of the structure, programs, and services of the U.S. Small Business Administration that SFD might utilize in restructuring itself into an SBA-type organization.
- Conducted and presented to SFD research on U.S. SBA-type activities in Malaysia, Turkey, Brazil, and Chile related to supporting MSMEs that SFD could use in restructuring itself.

While ECP's substantial short-term technical assistance and other assistance over the last three years have helped bring about meaningful changes, SFD will need USAID or other donor help to fully realize the changes underway and planned for the future.

D3. Business Incubators

At the request of private organizations, ECP assessed the capacity of three organizations, the American University in Cairo (AUC), the Industrial Modernization Centre (IMC), and the Egyptian Business Development Association (EBDA) to establish and manage business incubators. ECP accomplished the following:

- Provided an international expert and developed and trained 31 professionals in business incubation management for organizations that had requested assistance in developing new and existing business incubators in Egypt.
- Mobilized 17 private and public professionals representing 13 business incubation programs/organizations supporting entrepreneurs and startups to form the first Egyptian

Network of Business Incubation (an NGO) for sustainable networking and assistance to business incubators.

ECP helped develop the principles of proper business incubators in Egypt and assisted in developing a business incubator association. Additional support in this area is needed to continue the process and build a network of actual incubators.

D4. Business Development Services (BDS)

ECP initially assisted SFD in developing its BDS capacity, which was then carried over to other associations and groups that desired assistance in implementing actual services. BDS has become an important issue in developing MSMEs and assisting in their growth and professionalism. As such, a number of organizations asked ECP for support and hands-on help in developing BDS units within their organizations. ECP accomplished the following:

- Assessed the capacity of six organizations (GAFI Bedaya Center, Egypt Business Women 21, ABA, EBDA Cairo, EBDA Alex, and AUC) to develop and create BDS units within their organizations.
- Provided short-term technical assistance to SFD, ABA, Sohag Chamber of Commerce, and others in developing BDS activities within their organizations.

BDS is needed throughout the country to provide the necessary services to MSMEs and to help in formalizing informal businesses in the country. While ECP certainly has developed awareness and need, and has helped several organizations provide the services, additional assistance in this area is needed over the long-term.

D5. Advocacy

ECP trained a total of 108 professionals representing 29 business and MSMEs associations in five governorates in advocacy skills. These organizations asked for assistance in developing advocacy within their groups to present the needs of MSMEs in Egypt, and to learn how to address these needs with federal and local governmental entities. While it is envisaged that ECP's assistance in developing the advocacy skills will continue in the future, additional follow-on support is needed from USAID or other donors.

D6. Formalizing Businesses

The majority of micro and small businesses in Egypt are operated on an informal basis and thus do not pay taxes and are hampered in growth potential. ECP assessed and proposed incentives to transform micro and small business from informal to the formal sector. The recommendations were applied by the Government by issuing Law No. 101 of 2012 to amend the Income Tax Law to provide tax exemption to businesses transforming into the formal sector within 12 calendar months. ECP accomplished the following:

- Authored, printed, and distributed 4,500 copies of SMEs Guide for Business Establishment and Licensing in industrial activities to investors in 10 governorates and industrial cities through Industrial Development Agency (IDA) offices, business associations, and Chambers

of Commerce; the guide was intended to assist and encourage informal businesses to become formal registered entities

- Authored, printed, and distributed 3,000 copies of SMEs Guide for Business Establishment and Licensing in tourism activities to small investors through the Ministry of Tourism in governorates; the guide was intended to assist and encourage informal businesses to become formal registered entities

These guides have been important to providing needed assistance in formalizing businesses and can be used in the near- and long-term for all Egyptian formal and informal businesses.

D7. SME Access to Finance

While banks are reluctant to loan to small companies, these same companies lack experience in requesting loans from banks. ECP provided technical assistance and training in access to finance to 137 SMEs through an IQS mechanism utilizing local consulting firms. ECP accomplished the following:

- Facilitated access to finance from banks to 19 SMEs in the amount of L.E. 18 million
- Supported USAID in concluding a \$17 million (revolving to \$34 million) Development Credit Authority (DCA) with HSBC banking and financial services group for SME lending, resulting in three approved loans amounting to L.E. 15.6 million
- Authored, printed, and distributed 5,000 copies of SMEs Guide for Access to Finance to small investors in seven governorates, giving potential borrowers information and knowledge on how to apply for a loan and the information required by most banks to make a loan
- Supported GAFI structuring and restructuring its SMEs private equity fund under the Bedaya group within GAFI

Substantial future assistance is needed to change the attitude of financial institutions to provide funding for SMEs. While ECP assistance was welcomed, more work is needed to change bankers' attitudes as well as helping potential borrowers learn how to borrow. The latter could and should be developed under good BDS initiatives.

D8. GAFI

In the past, foreign direct investment information provided by government was sporadic, incomplete, and at times controversial due to the number of GOE entities compiling information. GAFI's FDI Unit was charged with compiling all FDI information in their unit to ensure quality and completeness of the information. ECP completed an assessment and action plan for establishing a GAFI specialized unit for gathering, analyzing, and disseminating FDI information at the national level and provided capacity building to the FDI Unit. ECP provided an international expert to work on the design and provide hands-on assistance to the personnel in the unit. The FDI Unit was officially established and started operations. ECP also provided GAFI's FDI Unit procurement for IT equipment and software required for analyzing FDI data.

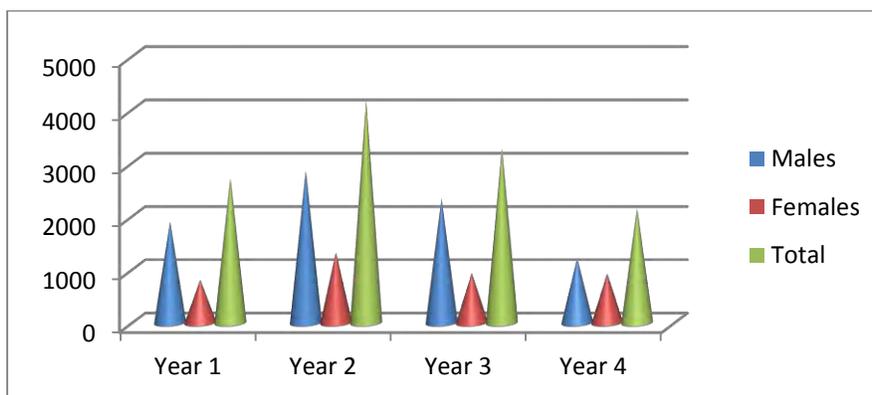
E. Component E — Crosscutting

The crosscutting component addressed a variety of areas for ECP, primarily managing accounting, logistics, grants, and training activities, and providing public awareness and monitoring and evaluation. While only one large grant was awarded under the project, ECP implemented numerous training and public events across the country in support of all technical components, which proved important to completing tasks and deliverables. The majority of the training and public awareness activities supported ECP’s skills to market as well as the entrepreneurial activities. The role of the crosscutting component has been essential to the successful operation of the program.

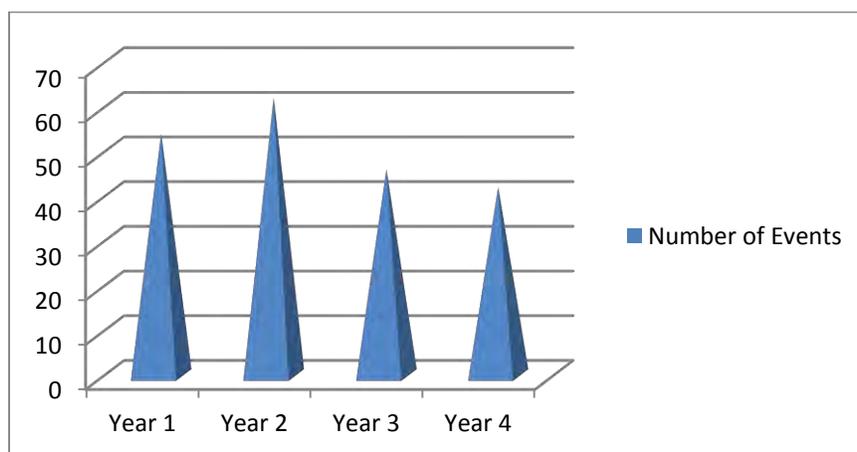
Crosscutting. The crosscutting component supported ECP’s four other components by: 1) providing and coordinating all training-related planning, direct assistance, and logistics; 2) coordinating and conducting all commodities procurement; 3) managing the M&E aspects of the program; 4) managing public awareness and branding; 5) providing all IT assistance; and 6) managing grant disbursements and financial obligations for the program. None of these activities are standalone and required close coordination with other project activities to provide a professional, systematic, and seamless programmatic approach.

Training was highly successful throughout the program, including in-country training and assistance in several Observational Study Tour (OST) events outside of Egypt. While in the first three years training averaged about 12 events per year, during the ECP extension period the events increased to four and sometimes more than six events per month. They have varied in scope and size.

Males and Females Trained by ECP



Number of Training Events – Life of Project



Commodities procurement under the program was provided to GOE ministries and sub-entities to enable or increase the productivity of these entities. The total amount of procurement for the life of project is \$655,578.

Cash transfer program. In 2011, ECP prepared for USAID the verification reports for the cash transfer program. Under this program, Egypt, acting through its Ministry of International Cooperation, and the United States, acting through USAID, signed a Memorandum of Understanding (MOU) that identifies three objectives: 1) stimulate the micro and SME sectors and improve budget transparency to increase macroeconomic stability; 2) improve the trade regime; and 3) improve the business climate. The objective of this review was to work with the MOF and other GOE counterparts to assess the implementation status of benchmarks 1.1, 1.2, 1.3, 2.1, 2.2, 3.1 and 3.2 of the USAID cash transfer program as of March 2011. Using primarily MOF documents, the review identified each objective and the related benchmarks, means of verification, and terms of disbursement. Subsequently, ECP reviewed the verifications and documents to ascertain the implementation status of the benchmarks identified under the USAID cash transfer program. The disbursement of USG funds was contingent upon the GOE approval and the benchmarks identified in the CTP verification report.

USAID AO16 & APS performance monitoring plan. ECP tracked the progress of indicators listed in USAID’s integrated management plan (in consultation with USAID AO16 implementing partners and USAID activity managers). USAID’s integrated management plan includes the Assistance Objective 16 (AO16) plan, and the Annual Program Statement (APS) plan. USAID AO16/APS results were supported by back-up files presented to USAID.

Data quality assessments. In year 3, ECP prepared the data quality assessments for selected indicators in the USAID AO16/APS integrated management plan. Data quality assessments are prepared for each USAID partner in the integrated management plan.

Public awareness, communication, and branding focused on supporting a positive image of USAID by conveying timely and accurate messaging that USAID/ECP had assisted Egypt in developing jobs and economic opportunities.

IT assistance was provided by two dedicated and professional individuals, covering not only ECP's in-house needs but also those of counterparts. Assistance to counterparts included procuring IT equipment for government and other entities to ensure proper operations and implementation.

The crosscutting team also provided *grants and accounting* operations and implementation assistance. The total amount set aside for grants under ECP was \$2 million, with only one grant awarded under the project to the Egyptian National Competitiveness Council for 6,960,000 EGP (approximately \$1,160,000). The purpose of this grant was to provide capacity building to ENCC to strengthen its mission and to become sustainable in the long run, and to become able to advocate for policy reform to the GOE. The grant was extended through March 2014. The team also provided accounting and operations coverage for the project.

SECTION IV. OBSERVATIONS, LESSONS LEARNED, AND RECOMMENDATIONS FOR THE FUTURE

A. Observations and Challenges by Component

Component A

A number of regulatory reform initiatives were initiated under ECP, although only a few came to fruition. Assistance to the ERRADA was a key activity under this component, but support for this assistance from the Ministry of Finance diminished and finally disappeared entirely. ERRADA was unable to reform and reorganize under a new ministerial makeup. ECP subsequently volunteered to house ERRADA IT servers in its offices for more than two years to ensure the massive amounts of previously captured data would not be lost. Recently the Ministry of Industry, Trade and Investment (MOITI) decided to host ERRADA under its auspices, and ECP has assisted in transferring the servers to MOITI to ensure that ERRADA is operational once again.

A number of commercial laws were drafted pertaining to the Bankruptcy Code, Unified Companies Law, and Executive Regulations on Permits and Licensing. The ongoing political situation resulted in no action being taken by ministries to move these initiatives forward. ECP provided substantial financial and technical support to help the MOF in their ITMAS stabilization project. The software, however, could not be changed to resolve all of the problems encountered.

Despite the political instability, the project also assisted the ECA and CPA in several activities.

Component B

Component B faced some minor setbacks after the first revolution and what followed afterwards; however, it has managed to meet its major deliverables.

Component C

Component C1 experienced slowdowns due to administrative problems with the MOE as highlighted below, but nevertheless managed to exceed its original deliverables.

- During the ECP life of project, Egypt's Minister of Education position turned over five times, as did the heads of the technical education sector; additionally, there were major changes in the positions of undersecretaries and the technical education managers. The school principals in all the governorates in which component C1 was implementing its activities also changed. These changes posed many challenges as each time a position turned over a new individual needed to be brought on board with ECP goals, objectives, approaches, and achievements.
- Also, during President Morsi's period in office (August 2012 to June 2013), a ministerial directive was instituted barring any training or workshop from being held for people at all levels in the MOE except on weekends and official holidays. This directive caused disruption in the implementation of C1 activities during this period.

Component C2 met all of its original deliverables with the exception of instituting an entrepreneurship course and curriculum in any of the universities.

Component D

This component experienced slowdowns in some activities due to the situation in country. In the Wind-Up Plan mandated by the Mission, some activities with the GOE were halted or wound up. In addition, a major feature of the component — to help the MOF implement a new Pension Fund for Egypt — was abandoned by the ministry. Other activities were delivered as planned.

B. Lessons Learned

It is challenging to demonstrate the entire program’s impact and legacy, primarily due to the political turmoil experienced. As described below, most components produced an impact that will be sustainable at the close of ECP. Progress on other achievements, while underway, will need ongoing USAID or other donor assistance to continue and evolve into sustainable achievements.

Conducive regulatory reform activities provided substantial initial support to ERRADA, the MOF and its ETA, as well as toward some draft laws. Unfortunately, there were no tangible results from these activities due to the political situation and other insurmountable problems outside of ECP and USAID control.

Streamlined business processes saw great success in leaving behind four Tamayouz Centers with highly trained individuals, and a model that is easily replicable in every governorate in Egypt through the Chambers of Commerce or other GOE entities. These centers can register a business in one to two hours in an optimal situation. The same is true for the unified Commercial Registry, which is now computerized, allowing anyone to check on business registration anywhere in the country.

Developing marketable skills through vocational and technical training also saw remarkable results by attracting end users and giving students on-the-job training needed by the private sector. The Ministry of Education wants this model scaled at the national level and has committed to doing so. The entrepreneurship program also became an enormous success by raising awareness of entrepreneurship and highlighting the potential of young people in starting a new business in farming, IT, and others sectors. The unofficial mentorship and angel investor programs have also grown and are sustainable on their own. According to project staff, both programs continue to succeed and grow but may need follow-on assistance to reach their full potential in developing jobs and new businesses, primarily in entrepreneurship development.

Strengthening the financial sector activities left behind a well-run non-bank financial regulator and training institute, EFSA and its FSI, which do not appear to need further assistance. While making inroads into restructuring the SFD, the latter will need further assistance in maintaining forward momentum to make real changes in the organization that can benefit micro and small businesses in Egypt. Improving access to finance for MSMEs has made significant strides; however, the political and economic situation has undermined the long-term lending environment. Still, the initial progress made is in need of continuous support. Finally, the development of business development services and business incubators housed in associations

and other groups has improved the organizational capacities of such associations and has sparked further requests from businesses.

C. Recommendations for the Future

Looking at the near future, and until the new government is in place and stable, it would make more sense for future projects to work with the private sector in Egypt.

Any follow-on activities from previous USAID or other donor programs should be carefully scrutinized and evaluated before planning the design of new projects. Large, all-encompassing projects with many different facets can be challenging given the usual limited resources and time involved to accomplish activities. Smaller, targeted projects can achieve much more if they have reasonable and practical deliverables, considering the operating environment.

Future activities with local organizations and groups should be examined carefully in order to yield tangible results. Considerations for sustainability must be taken into account when designing technical assistance programs through contract or grant mechanisms.

While ECP has generated a lot of public awareness and other activities that have built the entrepreneurship spirit in the country, lacking are core classes in entrepreneurship developed in universities. Similarly, universities should be involved in business incubators as well as business development services — both would fit under a good entrepreneurship course. This needs to be ingrained in the education system and will take substantial effort to be achieved.

Business development services are needed in every governorate in Egypt to promote formalization of micro and small businesses as well as to provide needed assistance to existing SMEs to grow profitable and sustainable businesses. BDS assistance can also help a business obtain financing from a bank or other financial institution. ECP has worked with a few business associations and local Chambers of Commerce but has only touched the tip of the iceberg. Substantially more needs to be accomplished.

Developing additional Tamayouz Centers is another needed element of future EG projects. ECP was finally able to develop a good model for developing and opening centers, but more is needed to assist MSMEs around the country. A downside to this work was that the three Tamayouz team members were residing in Alexandria and lost a day coming and going in travel whenever they moved around to other locations in the country. Future project(s) utilizing these individuals should understand the time and money lost based on their residence location.

Access to finance for SMEs is another major issue for Egypt. Banks will never lend to startups, a view that prevails worldwide and a practice that is futile to try to address. Banks need to be trained, so that they can make money by lending to SMEs which can later grow into larger businesses. This also diversifies the bank's risk. However, handing a bank a DCA guarantee will not solve the problem. Banks must have a desire to lend and at the same time must develop a strong SME lending department/platform to do so profitably. The European Bank for Reconstruction and Development (EBRD) has been the leader in developing a strong program to do this, first by either providing equity or a large loan facility to a bank, and second by

demanding and providing hands-on assistance to the bank to train and develop a bank's SME lending facility. USAID cannot lend to or provide direct equity to banks, but if they partnered with EBRD and had EBRD provide the funding, with USAID providing the hands-on training for a bank's SME loan department, this might prove to be an excellent way to collaborate and achieve positive results in lending to SMEs. At the same time, BDS units could provide the assistance to potential borrowers that is also needed in developing good loan applications.

A project involved in developing or correcting computer software faces enormous potential problems because the project cannot provide proper oversight and therefore cannot guarantee the results. Software developed and provided by a software company is usually proprietary and extremely complicated, and a project can never ensure that all aspects of the work are done properly. Considering the operating environment, it is recommended to consider the challenges that will arise when involved in these type of activities.