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SEMI-ANNUAL PROGRESS REPORT: CONTRACTOR'S NARRATIVE

Contract No: AID-263-C-11-00003

July 1 – December 31, 2013

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Egypt Trade Facilitation Project

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Contractor: Nathan Associates Inc.

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1. CONTRACT OBJECTIVE

As written in the objective section of the contractual statement of work (SOW), the Trade Facilitation Project (TFP) was “designed to address key constraints to improving Egypt’s trade environment while providing support to Egypt in fulfilling its commitments under the Strategic Economic Partnership.” Also in the SOW, “TFP will contribute to USAID/Egypt’s assistance objective of improving conditions for trade and investment and will support the overall USG strategic economic partnership with Egypt signed in May 2009. The ultimate objective of this activity is to promote economic growth and job creation and reduce poverty through improvements in the trade environment.” Improvements in trade facilitation will contribute to Egypt’s economic development objectives in several ways. The reduction in barriers to trade and the creation of a more efficient internal and external trading system will help streamline and expedite the flow of goods across and within Egypt’s borders. These improvements will reduce the transaction costs of trade, lowering overall cost of production and increasing the potential for reductions in wholesale and retail prices. With lower costs, Egyptian firms can improve their competitive position and market share in global markets and reduce costs to consumers in the domestic economy. These improvements in economic efficiency will, in turn, lead to jobs and wealth creation, the cornerstone of beneficial and broad-based economic growth. To achieve these objectives, the contractor shall assist the GOE in implementing a number of reforms which enhance trade and relate directly to the US-Egypt strategic economic partnership.

Project results are categorized broadly in two major results: 1) external trade made more efficient and consistent with international standards, and 2) internal trade processes improved and strengthened.

The main government counterpart for the project is the Ministry of Industry and Foreign Trade (MIFT). The Ministry of Finance, represented by the Egyptian Customs Authority (ECA), and the Ministry of Supply and Internal Trade represented by the Internal Trade Development Authority (ITDA) are also important counterparts for the project. The Trade Facilitation Project is covered by Amendment 8 to the USAID Assistance Agreement No 263-0289 between the Arab Republic of Egypt and the United States of America signed on September 16, 2010. USAID awarded contract no. AID-263-C-1-0003 to Nathan Associates Inc. of Arlington, VA on June 1, 2011. The TFP contract base period of three years (June 2011 to May 2014) is for a total amount of \$10,870,663. The contract permits one additional option year.

This, the project’s fifth semi-annual report, covers the activities of the project during the six months from July 1 – December 31, 2013

1.1 Important Changes during this Reporting Period

During the period from July to December 2013, the government of Egypt and the TFP project underwent a series of important changes. President Mohammed Morsi and the government he appointed in August 2012, were ousted after large and widespread

popular protests and replaced by an interim government in July 2013. In response to the unstable political situation, the State Department issued, and USAID relayed to its contractors, a mandatory evacuation order for all non-essential personnel effective July 3, 2013. Nathan named COP, John Varley as essential personnel. DCOP Lindsey Wellons, his spouse and his dependent son, Carmen Varley (Mr. Varley's spouse) and STTA consultant Jaleen Moroney were evacuated in response to this order. In mid-July, DCOP Lindsey Wellons was also designated as "essential" and was permitted to return to post. TFP was not permitted to bring any short term expat consultants to Egypt for four months (the order was lifted on November 7, 2013). This adversely impacted the continuity and progress of planned project activities and the realization of results expected for this reporting period.

In addition, the TFP project underwent two important contractual changes during this semi-annual period. First, USAID/Egypt issued MOD 001 to the TFP contract authorizing Nathan Associates Inc. to include two new tasks among the set of illustrative tasks included in the SOW from the original award (see following section). Second, USAID/Egypt issued a letter on October 13, 2013, instructing Nathan Associates to cease all direct work with Government of Egypt counterparts until the Mission could review and approve a plan for "winding-up" assistance to government counterparts (see Appendix A). TFP was authorized to continue its project activities with mainly private sector counterparts and direct beneficiaries. These activities accounted for the most of the project work during this reporting period and produced encouragingly positive results despite the challenging conditions enveloping the nation and the project.

2. EXPECTED RESULTS

The award contract lists two main results and several illustrative tasks expected from under each result:

1. External trade made more efficient and consistent with international standards.

Task 1 - Improve the current export/import executive regulations

Task 2 - Establish a coordinated risk management system for imported commodities

Task 3 - Streamline Egyptian mandatory standards

Task 4 - Finalize customs reform measures

Task 5 - Strengthen the role of public-private dialogue relating to trade across borders

Task 6 - Support the non-tariff measures database initiated by MTI and the World Bank

Task 7 - Improve enforcement of IPR border measures

2. Internal trade process improved and strengthened.

Task 1 - Promote distribution/retail sector

Task 2 - Overcome deceptive advertising

Task 3 - Support the food safety system

Task 4 - Improve enforcement and application of IPR systems in the domestic market

Task 5 - Improve environmentally sustainable production

The tasks in the above list are described in the award SOW as “illustrative” which means the Mission may direct the contractor to substitute other actual tasks as the Mission determines appropriate. During this reporting period the Mission issued MOD 001, amending the original SOW to include two additional illustrative tasks under Result 1:

Task 8 - *Improve awareness and use of special export opportunities and preference programs available to Egyptian exporters;*

Task 9 - *Support government and private sector efforts to develop successful small and medium enterprise exporters.*

These additional tasks are consistent with the overall objective of the TFP project and reflect the Mission’s tactical decision to direct more assistance resources toward the private sector in an effort to produce and accelerate trade-related benefits for the Egyptian economy, especially benefits that could accrue to SME exporters. In the judgment of the Mission and the contractor, successful efforts with the private sector in the short run will produce documentable success stories that will spread through project dissemination efforts and by the “demonstration effect” to other potential exporters. These successes will enhance the ability of the private sector to generate trade-related economic benefits and also to better pursue facilitation reforms in the future by having improved their understanding of the global market place and broadened local sector support for export-led economic development and job creation.

At the direction of the COR, TFP has been undertaking activities in support of these two additional tasks since early in 2013, beginning with initial exploratory studies and a pilot in-country trade show event held in October 2012. Undertaking these additional tasks has been feasible because some of the illustrative tasks in the list above have been designated as “inactive” per instructions from the COR for various reasons including candid communications from senior officials in GOE counterpart agencies advising that certain activities could not be successfully undertaken in the short-run. With Mission approval, TFP made the adaptations and adjustments necessary to undertake the new priority tasks identified and approved by the COR and agreed to with private sector and GOE counterparts as appropriate. For the remaining 10 week period of the calendar year following receipt of the Wind Up Letter of October 13, 2013, TFP has focused its efforts primarily exclusively on these private-sector related tasks while winding up activities with the GOE as instructed.

2.1 Adaptations, Modifications, and Windup Plan

The original Statement of Work (SOW) for the Trade Facilitation Project was written before the January 2011 revolution and anticipated major reforms such as passage of a new customs laws, reforms in the export-import regulations and creation of a food safety agency. Although Supreme Council of the Armed Forces (SCAF) government and later the Morsi-led government stated they were both committed to the goals of reviving the economy, increasing exports and assisting SMEs, their attention and cooperation needed to address trade policy reforms was superseded by other policy concerns considered more pressing or higher in priority. That prioritization, along with the absence of a Parliament for many months, turnover among Ministers and agency heads, and the lack of political consensus about fundamental governance issues handicapped project progress on TFP initiatives aimed at securing or implementing policy reform. Therefore, with approval from its COR, and in collaboration with USAID/Egypt, TFP moved to develop alternative ways of directing project assistance to focus on activities in support of developing private sector capacity to succeed in exporting, in particular, to helping ready and willing SMEs to engage in and succeed at exporting.

After the Morsi-led government was removed from office on July 3, 2013, USAID/Egypt issued a letter (see Appendix A) instructing Nathan Associates Inc. to prepare a plan to wind up all project activities that directly supported the Government of Egypt. TFP, in close cooperation with USAID/Egypt, produced a Wind Up Plan that was reviewed, discussed and revised in October and November. The Project was informed that the final Wind Up Plan was technically approved by USAID/Egypt in December 2013. This plan specified all TFP tasks and activities to be (a) stopped and not re-started, (b) completed in an orderly manner as soon as feasible, and (c) continued to be implemented and possibly expanded until the end of the contract base period – essentially those engaged directly with the private sector. In this semi-annual progress report, the reader will find the current status of these activities vis-à-vis the Wind Up Plan delineated and explained.

3. PERFORMANCE DURING THE REPORTING PERIOD

Egypt's revolution in January 2011 has been followed by a three year period of political uncertainty including frequent turnover among ministers and agency heads and periodic episodes of social unrest and violence. The Egyptian people elected a president on June 30, 2012, however millions of people demonstrated in the streets one year later to remove President Morsi and on July 3, 2013, with military support, he and his government appointed ministers were removed from office and replaced by an interim government.

Prior to the removal of the Morsi-led government, the TFP project, with USAID's agreement and direction, had explored and developed options for working more closely with some of the Export Councils and the private sector. This strategy was adopted because high officials in the Ministry of Industry and Foreign Trade had

communicated to USAID and TFP their clear support for this kind of assistance and their candid assessment that they would not be able or interested in pursuing policy reforms activities among the illustrative tasks mentioned in the TFP contract. This lack of intent to engage sustained policy reform effort included a reluctance to engage in public-private dialog focused on policy reform. It has to be recognized that during this period many leaders in the public and private sector were preoccupied with higher priority governance items such as a new constitution, successive rounds of parliamentary and presidential elections, and judicial challenges to legitimacy – all of which dominated the agenda and left little time or energy for trade-focused policy efforts. Additionally, political unrest and polarization have made it challenging for the TFP staff to engage effectively with government counterparts and sustain a focus on trade policy priorities. By contrast, it has been relatively more productive for TFP to work on a sustainable basis with private sector counterparts focused on capacity building and discreet, short-term micro-economic results.

Egypt's Export (or Commodity) Councils were created by Minister of Trade and Supply Decree No. 521 of the year 1997. Although organized under the (now) Ministry of Industry and Foreign Trade, they are essentially run by, and serving, a membership of private firms in a particular sector engaged in or planning to engage in exporting. The Export Councils are the nexus entities between the Ministry and thousands of private sector exporters. Through the councils, the government plans and coordinates export growth targets and operates assistance and incentive programs such as cost support for trade fairs and trade missions and the export incentive program. Currently, there are 14 export councils organized along sector/commodity lines (e.g. Home Textiles, Engineered Products, Chemicals) and a senior coordinating council. Each council has a board of private sector members and a chairperson elected by the board but approved by the Ministry. Forward thinking councils have strategies that include programs to encourage new membership including assistance to first time exporters and SMEs. The objective of TFP's overtures was, and is, to develop a plan for partnering with private sector entities capable of assisting mostly export-ready SMEs with upgrading their marketing-related skills for entering export markets or expanding their base of exports. This private-sector oriented micro-economic goal was seen as valuable even if the environment and prospects for trade facilitation reform were not seen as fully supportive or ripe for change in the near term. Working with export-ready SMEs, approved in MOD 001 to the TFP SOW is consistent with the project's basic goals and will over time improve the prospects for trade facilitation reforms. TFP was able to craft a pilot project initiative with the Export Councils that resembled in many structural aspects the pilot project it was pursuing under results two – partnering with private sector firms on diagnostics and initiatives to reduce energy consumption.

Given TFP's increased engagement with the private sector earlier in 2013, the project was able to respond promptly to USAID's directions in October, 2013 by redoubling its efforts to support private sector efforts supporting SME export development, while winding up other activities that had been directed at supporting policy reform and capacity building for GOE departments and staff. The project coordinated directly with USAID throughout this reporting period to continue its private-sector focused

activities while designing an orderly wind up for all activities that had been underway with the public sector. The project took into account previous investments in activities with the public sector that offered the prospect of securing and protecting results through a careful, orderly wind up. The TFP Wind Up Plan was approved in late December 2013 and will guide the project until the end of the base period in May 2014, unless otherwise directed by USAID.

3.1 Result 1— Trade Facilitation Measures Improved

Task 1: Improve Current Export/Import Executive Regulations

Activities previously planned under this task in year 2 were placed on hold or designated as inactive during the year in accordance to instructions from USAID based on communications from the Egyptian Ministry of Industry and Foreign Trade. The USAID-approved Wind Up plan also designated this task as one to be stopped during the reporting period and not resumed during the base period.

Task 2: Establish a Coordinated Risk Management System for Imported (and Exported) Goods

Risk Management

TFP's work with the General Organization for Export and Import Control (GOEIC) in 2011 and 2012 was aimed at creating a plan and capacity for introducing computer-based Risk Management (RM) as the modern, best practice technology for GOEIC to use in managing its cargo-inspection responsibilities. Under Egyptian law, GOEIC is a border management agency with cargo inspection responsibilities for selected imports (industrial products and food) and exports (five fresh food products) charged with sampling and testing to assure safety, health and quality. Many other border management agencies around the world have adopted RM systems to assist in carrying out their mushrooming inspection responsibilities. Senior officials in GOEIC have requested technical assistance and supported introduction of RM in their agency. In 2012 with TFP assistance, GOEIC created a special task force unit to work with TFP on capacity building efforts in applying RM to their needs. However, because GOEIC is an implementation body without policy powers, it is legally unable to adopt and implement automated RM, even on a pilot basis, without a decree from the Ministry of Industry and Foreign Trade authorizing it to do so -- a decree that would amend the implementing regulations under which GOEIC operates. GOEIC and TFP were unable to obtain Ministerial approval (a decree) authorizing GOEIC to introduce automated Risk Management. The Head of the Foreign Trade Sector (FTS) in the Ministry, which could draft and advise the Minister to issue the needed decree, reported that he would not advocate any change from the existing executive regulations (ERs) or implementing regulations governing GOEIC. The current inspection regulations and protocols are more subjective, less transparent and far less efficient than an automated RM approach would be. Before this impasse had fully developed, GOEIC's senior advisor for IT systems encouraged TFP to provide

technical assistance (TA) to prepare a preliminary set of IT solution specifications for a tender for procuring IT equipment and software that GOEIC needs to modernize its IT platform and operations including software to implement automated RM-based inspection. TFP provided an expert to develop a set of high-level specifications and preliminary/draft tender documents. TFP also prepared a list of globally recognized RM software providers in September 2012 with the understanding that the procurement itself could not be implemented with USAID funding through the TFP project. It is TFP's understanding that these materials have helped GOEIC to proceed with procurement through other means.

Following the end of this series of TA assignments addressing RM, GOEIC officials asked USAID and TFP to provide TA in several other areas and TFP responded positively for two areas: (1) capacity building for GOEIC's lab preparation department and (2) assistance to help GOEIC publicize to the private sector its certified lab testing services are available on a fee basis. Both these tasks will help private sector users – including importers and exporters of lab-testing services. GOEIC also asked USAID and TFP to help them with a plan to obtain ISO certification as a body that can issue "Conformity Assessment" certification to private sector firms for selected products, processes and services. GOEIC also asked for assistance in marketing possible uses of its database of information on Egypt's exports and imports, and declined TFP's offer of assistance to update measurements of Egypt's clearance times for imports and exports. The latter would have required extensive coordination of data gathering among GOEIC, Customs, Port Authority and the private sector, which was not considered practical under current circumstances. The status of the three main GOEIC requests for 2013 is reported in the sections that follow.

ISO 17065 Certification

In May-June 2013, GOEIC asked for assistance in obtaining ISO 17065 Certification, as a way of helping Egypt comply with, and benefit from, sections of the Agadir Trade Agreement (Egypt, Jordan, Tunisia, and Morocco) which commits signatories among other things to broader acceptance of pre-shipment inspections (PSI). Potentially, GOEIC can provide PSI services for certain products, but it will need to be ISO certified (17065) for its certifications of conformity assessment to be recognized by the other countries in the Agadir agreement and global trading community. While the requirements for ISO 17065 Certification are well known, the process of achieving them is demanding and can require up to two-years for some applicants to fully comply and receive certification. TFP explained to GOEIC that the most that could be accomplished within the time frame of TFP's base period contract would be an STTA to prepare a plan for GOEIC to follow for creating a program gradually achieving requirements needed to obtain certification. Private sector labs in Egypt are also looking to achieve ISO 17065 status and it is not clear that the MIFT will fully support GOEIC's efforts to achieve this certification. While GOEIC has authority from the Ministry to offer its lab-testing services to the private sector on a fee basis when labs are not needed for mandated inspection and testing work, GOEIC lacks the organizational structure and capacity to undertake this kind of service marketing and delivery as a full-scale business activity. New authorizations from the Ministry would likely be needed to provide for dedicated sections, staff and budget.

Also, GOEIC may need to reorganize itself to do more inspections outside its own lab facilities, on site at private sector factories, requiring more vehicles and mobile testing equipment. Given these hurdles, and prevailing policy concerns, TFP, under advisement from USAID, has explained to GOEIC that it cannot proceed with this activity under the Wind Up Plan. Work on this activity has stopped.

Lab Preparation Capacity Building and Procurement

Procurement of office/clerical IT equipment was recommended as part of TA work done by TFP for GOEIC in early 2013, following a 2012 TFP report recommending reorganizing and upgrading the Lab Preparation Unit. TFP also provided TA and training to improve the organization and operational efficiency of Lab Preparation Department. Procurement of the recommended computer equipment will be the third key element in the plan to improve the unit's ability to track and manage utilization and needs for equipment and consumable supplies for all GOEIC's 39 labs in a centralized manner. Better management of lab equipment and supplies procurement and tracking will improve the quality and lower the cost of testing services provided to exporters and importers using the labs. No new legislation or decrees are needed for this task. Procuring the equipment will protect USAID's earlier investment in this task which includes more than 5 calendar months of local and international TA plus project management. Specifications have been prepared and procurement will be completed early in 2014. This activity was approved for continuation and wind-up under the Wind Up Plan.

Increasing Private Sector Awareness of GOEIC's Lab Testing Services

In May 2013, GOEIC requested assistance to help it increase the utilization of its accredited and professionally-equipped product-testing labs that are currently underutilized and idle during certain periods. The Ministry (MIFT) had approved a GOEIC request to offer its product testing services to the private sector on a fee-for-use basis - when and where excess lab-testing capacity exists. TFP worked with GOEIC to develop a campaign "offer" message and a plan for communicating that message to the private sector. TFP recruited a local (CCN) marketing consultant to do a preliminary assessment and to design a marketing and awareness campaign. The expert completed 90% of the design activity during this reporting period. A few calendar weeks 2014 are needed to complete what remains in order to wind up this task and complete two awareness events about GOEIC lab testing services to the private sector.

The two awareness events are the third and final step in TFP's assistance to help GOEIC with a plan to offer their certified lab-testing services to private sector firms on a fee basis. The TA provided recommended a low-cost "marketing approach" based on partnering with Export Councils to make live presentations to private sector association members about GOEIC's offer of lab testing services. The core "message" for those presentations was developed by TFP and GOEIC, and GOEIC is currently working with TFP assistance to prepare its own staff team to make the presentations. After these two presentations in early 2014, TFP will brief GOEIC on lessons learned and recommend next steps for GOEIC to implement. This will end TFP's direct assistance, and GOEIC will be responsible for any presentations to follow. Finishing

this task will realize the benefits of the investment made over the four previous months, and provide an orderly wind up of this activity. TFP believes that the recommended marketing approach, GOEIC partnering with Export Councils, will also lead to improvement in the Public Private Dialogue on Trade Facilitation issues in the future. This activity was approved to continue under the Wind Up Plan but wind-up as soon as practical in 2014.

Task 3: Streamline Egyptian Mandatory Standards

This activity supports the Egyptian Organization for Standardization and Quality (EOS) in MIFT. The purpose of TFP assistance is to support EOS's goals to develop sustainable capacity in conformity assessment and raise technical awareness about standards for safe local production and high-value exports in two sectors: fresh fruit & vegetables and ready-made garments/textiles. TFP completed the technical assistance assignment (4 weeks) covering fresh produce in late June 2013. As a result, EOS formed committees to review Egyptian mandatory standards and prepare conformity assessment protocols for fresh fruits and vegetables to be developed. EOS has informed TFP that these committees have been using TFP-supplied materials and training as guidance as they conduct their systematic reviews of standards and conformity assessment procedures. Revising these standards and improving conformity assessment procedures, will provide producers the necessary guidance to help ensure their products meet minimum food safety and quality standards in Egypt and elsewhere. An added benefit from revising standards and procedures will be that it will help small and medium producers who follow the national standards to better access to higher value market channels. This assignment benefits Egypt overall by assisting the EOS to establish national conformity assessment procedures for fresh fruits and vegetables that will help to increase food safety for all consumers.

TA for Textiles/RMG

TFP was unable to start the second STTA, planned for September 2013, due at first to USAID security restrictions limiting expatriate work in Egypt and later to restrictions required under the Mission mandated Wind-Up Plan.. This activity envisioned an international expert providing capacity building over 4 weeks for EOS staff (8 to 12) to review international standards and prepare conformity assessments procedures for Textiles/RMG. During the reporting period, however, EOS did not contact TFP seeking the second TA. EOS's interest in TA from TFP has been sporadic since the change of director in 2012.

Task 4: Finalize Customs Reforms/Restarting NCIS

NCIS

TFP's earlier successes with re-starting planning and work on the customs reforms measures suffered setbacks during this and the previous reporting period, especially

the effort to re-start work on the National Customs Information System (NCIS). The NCIS Task Force, created by the Egyptian Customs Authority (ECA) and trained and advised by TFP during the summer of 2012, met with software vendor firm ICS, in the autumn of 2012 according to the steps outlined in TFP special report to the ECA and Ministry of Finance drafted earlier in 2012. Based on that report the Minister and the ECA commissioner authorized actions to restart a mutual planning activity with the software vendor. Together, with TFP assistance, the two parties agreed upon a new NCIS project testing design and schedule. Unfortunately, the ECA new NCIS Task Force was not able to keep to the project schedule developed in October 2012 for re-starting software testing. Failure to progress as expected resulted from: (a) delays in testing of IT infrastructure (in place and quarantined for NCIS since 2009) including servers (11 of 22 were tested by the end of 2012), (b) lapsed contracts between ECA and vendors for repairs and maintenance of key IT infrastructure (mainly the servers), (c) lapsed licenses for foundation software that is needed on ECA servers for ICS “Micro-Clear” to function, and (d) lack of financial support for the NCIS team to travel to ECA ports to inspect hardware and enlist testers. Progress was also hindered by a turnover in the key positions of ECA head of technology and ECA Customs Commissioner, both before and after June 2013. All activities related to NCIS that had not already been completed before October 2013 have been stopped under the Wind Up Plan.

New Customs Law

From 2011 to 2012, the ECA commissioner did not consider a review of Egypt's draft customs law to be a priority. In 2013, a new Customs Commissioner was appointed and he asked the Project to review and comment on Egypt's draft custom law. TFP had the most recent version of the draft law translated into English and engaged a customs law specialist, Patricia McCauley, who completed a review in May 2013 highlighting concordance and discrepancies between the new draft customs law and language recommended by the World Customs Organization. TFP had her report translated into Arabic for ECA. After the change in government in July 2013, another new ECA Commissioner and a new Minister of Finance were appointed. USAID and TFP took the opportunity to deliver the report on the draft Customs Law to the new Commissioner. The TFP consultant who authored the report highly recommended a face-to-face discussion of certain items in the report with ECA's own legal staff before the finalized draft law was to be submitted to the Cabinet and the Parliament. However, with no sitting Parliament and elections not scheduled before March 2014, it is unlikely that a revised customs law will be submitted to Parliament before the end of the TFP base period on May 31, 2014, and reviewing the text of the law is once again not considered a priority at this time. The USAID-approved Wind Up Plan stops TA under this activity.

NCTI

TFP procured and delivered approximately \$10,000 (66,800 EGP) worth of video conferencing equipment, excluding the display, to National Customs Training Institute (NCTI). The display module had already been delivered by the project. TFP delivered, installed, and tested the video conferencing system in early Aug 2013 at NCTI in Alexandria.

Task 5: Strengthen the Role for Public-Private Dialogue

The Public-Private Dialogue (PPD) Task supports all other project tasks and activities. During this period, TFP concentrated on supporting private-sector activities such as preparing SMEs for participation in trade shows overseas. During the period, TFP assisted 39 SMEs, the public-private dialogue task provided communications technical assistance to a total of 11 SMEs in support of TFP Task 9's Export Development Pilot Project. Prior to USAID's October 13 letter, TFP also assisted GOE departments with PPD activities, mainly GOEIC, the GSP Unit, and the Food Safety Management Unit within the Ministry of Industry and Foreign Trade.

The project organized seven events (not including formal training activities mentioned later in this report) with a total number of 60 attendees from July 1 to December 31, 2013. The Project also wrote one press release and two success stories on the different activities implemented by TFP, and produced 10 different printed promotional materials for SMEs during the reporting period.

Communication Support to Export Councils

TFP has been working with several Export Councils (Home Textile and Engineering) in the pilot sectors selected for TFP support to develop SME exporters. The partnership with the Export Councils in these pilot sectors aims at building their capacity to better service their members and prospective SME members, and increase Egyptian exports. TFP focused on (1) supporting Export Council efforts to organize and prepare the materials for Egyptian delegations of firms participating in offshore trade shows, and (2) working on the Councils' own websites and directories for members and potential buyers. Trade show support included building "trade show" websites for the Egyptian delegations/pavilions (3 pavilion websites were created that linked to websites of firms in the delegation), designing "show" catalogues (two show catalogues), and for one show, TFP also paid for printing the designed catalogue.

In addition, TFP worked with two additional Export Councils this reporting period, Processed Food and Ready-Made Garments (RMG) by helping support SMEs participating in key trade shows in the U.S.

At the request of the Egyptian Engineering Export Council (EEEC), TFP also provided high-level technical assistance for their website development and training provided on how to use TradeMap.

Awareness Events

During the reporting period, USAID requested that the project not hold any large public events. This instruction did not include TFP's program for capacity building, a series of smaller interactive workshops with SMEs. Attendees were usually from SMEs or Export Council employees.

In support of the TFP's Export Development Pilot Program, TFP arranged for several workshops for SMEs that were being prepared to attend Trade Shows that would help them obtain export contracts. These half-day or one day workshops, included discussion and training on important topics such as supply chain management, quality assurance, corporate image enhancement and branding, and social compliance. The capacity building targeted export/marketing personnel – often owners – from SMEs, along with employees from their sector's Export Councils also attended as part of TFP's efforts to build such training capacity within the Councils.

The Project also held two workshops for personnel for the Home Textiles Export Council in an effort to improve the services they provide their members. The first event was on Best Practices of Export Councils. It was designed to show the Council what other business associations do for their members and what services "Export Council" like entities in other countries provide exporting companies. The event included discussion offering certain services for fees and suggestions as to what those services might be. The second event for the Home Textiles Export Council was about strategic planning and how the Council might plan for improvement. Unfortunately these events had to be rescheduled several times, due partly to security considerations following the July 3 change of Government, and the Council Board Members were not able to attend as planned.

A total of 57 participants, 36 male and 21 female attended TFP Event, of which a total of 38 attendees were unique individuals (non-repeat attendees). TFP's vents during this reporting period are presented in Table 1 below:

**Table 1: Summary of TFP Public-Private Dialogue Events,
July 1 to December 31, 2013**

Event Title	Activity	Date	Number of Attendees	Number of Males	Number of Females
Supply Chain Management	SMEs	Sept 4	5	3	2
Best Practices for Export Councils	Support to Export Councils	Sept 26	3	2	1
Social Compliance	SMEs	Sept 9	12	4	8
Developing a Strategic Plan	Support to Export Councils	Sept 10	3	2	1
Quality Assurance	SMEs	Sept 12	8	4	4
Corporate Image Enhancement for Auto Part Companies	SMEs	Sept 11	14	2	12
Total			60	23	37

Success stories

Prior to this reporting period, TFP had built positive relations with several media agencies (press and TV) including State-owned, independent and economic/financial media outlets, however during the period contact with the press was limited due to restrictions on STTAs and then restrictions on activities with government. Two success stories were drafted to showcase two USAID and TFP activities. These were:

1. An announcement of the successful participation of Egyptian SMEs in the Index Jeddah Trade Show delivered in November 2013 to USAID.
2. An announcement of the success of the cooperation between TFP and the Food Export Council in introducing Egyptian food products to the US market during the PLMA trade show. TFP submitted this announcement to USAID for approval to be released as a press release. Approval has not yet been received.

TFP also drafted a press release announcing Egypt's participation in the Auto Guangzhou tradeshow. It was decided with the USAID outreach office to leave the USAID mention out of this press release due to its political dimension in China and instead the Export Council issued the press release.

Website Development/Enhancement

The Project developed a number of websites during this reporting period. These included:

- **Three Trade Show websites:** TFP supported the Egyptian Home Textile Export Council, the Food Export Council and the Engineering Export Council as well as TFP organization of the Egyptian pavilion in the Index Jeddah Trade Show and Auto Guangzhou tradeshow with building collective promotional websites under Task 9. The websites are (www.egyptatindex.com), www.egyptatplma.com, and www.egyptatautoguangzhou.com. The websites targeted potential buyers at the show. Therefore the Index Jeddah was bilingual in Arabic and English, while the PLMA and Auto Guangzhou websites were in English only. It was designed to announce the participation of Egyptian companies in the Trade Show, highlight these companies' products and strengths, raised awareness on the advantages of the various sectors in Egypt, and provided a channel for potential buyers to communicate with the Egyptian exhibitors. The three trade show websites were built with a dynamic back end to be delivered to the respective export councils and used in the future for Egyptian participation in similar or other trade shows.
- **SME Websites:** TFP provided technical assistance to SMEs participating in the TFP Export Development Pilot Project to enhance their websites. More details on this section will be mentioned under "Communication Support for SMEs."
- **Food Safety Website:** TFP is supporting the development of a new website on food safety, which will compile all relevant information and educate the public on key food safety issue (see Result 2, Task 3).

Promotional Material

TFP prepared promotional materials for the GSP Unit, SMEs and the Export Councils during the reporting period including:

- **GSP:** TFP supported the GSP Unit between June and September with the print communication material needed for branding the Unit. This included designing a branding theme, printing generic rollups, as well as event specific brochures and banners. This support included advice on brochure content and communication messages. Three brochures were designed and printed by TFP PPD for two GSP awareness events targeting the handicrafts, agricultural and building material sectors.
- **Trade show collective catalogues:** TFP contributed to a successful representation of the Egyptian pavilion at two trade shows through supporting the development and printing of collective directories. The Project collected

information, edited content and designed collective catalogues for 14 Egyptian exhibitors at Index Jeddah, and 5 Egyptian exhibitors (and 28 non-exhibitor companies) at the Auto Guangzhou trade shows. (For these “show” catalogues and “show websites”, TFP reached out to all firms in the exhibiting delegation, more than just the SME firms that TFP was also coaching and supporting on a cost-share basis.) TFP also managed the printing of the Index Jeddah collective catalogue. The catalogues included information on the Egyptian exhibitors and their products, described the role of the Home Textile and Engineering Export Councils, included a section on why firms should trade with Egypt, trade agreements with Egypt to promote Egypt as a regional trade hub, and provided a map to guide buyers to the location of the Egyptian Pavilion at the show. The catalogues were well received by the Councils, Egyptian participants and buyers.

- **QIZ:** An information sheet about the advantages of importing from QIZ Egyptian companies was drafted and designed by TFP for distribution by QIZ firms to buyers at the PLMA Trade Show.
- **PLMA:** TFP designed an “E-Invitation” letter (shown below) that was sent to PLMA Trade Show potential buyers firms by the Food Export Council and the Egyptian Commercial Service office in Chicago.

Communication Support to SMEs

TFP provided focused technical assistance to EDPP (see Task 9) SMEs to help improve their corporate image and thus communication capacity. This support contributed to leveraging the export capacity of Egyptian SMEs by providing them with general and ad-hoc tools and tactics for branding and client communications. The main focus of this support was improving SME websites, promotional material, branding, and interpersonal communication with the customer. TFP support began with making a baseline evaluation of the existing company promotional material, meeting the individual companies and discussing their target markets and clients, developing recommendations for the individual SMEs, and providing advice as requested during the implementation of such recommendations.

GOE Public-Private Communication Strategies

TFP engaged marketing consultant, Dr. Lamiaa Negm, to conduct an assessment of the marketing of the GOEIC Labs as requested by GOEIC in order to increase the use of GOEIC laboratories by private trading companies. Dr. Negm conducted the assessment for GOEIC Labs, and designed a marketing plan focusing on priority sectors and tests. Plans were made for awareness sessions before the Wind Up Letter dated October 13, 2013 but this step was put on hold pending formal completion of the wind-up plan.

Also during the period, TFP helped the GSP Unit in understanding the level of awareness concerning the GSP system within the Egyptian market, and designed a strategy to raise awareness on the GSP system in Egypt. The survey and strategy work team from TFP subcontractor CID Consulting created the survey database, selected the sample, surveyed a total of 107 companies, and compiled the survey results. The team also designed a full communication strategy with main target audience, key communication messages, communication channels and tools, and methods to measure the results. As agreed with the GSP Unit, the survey and strategy focused on the main GSP eligible five sectors, which are; food industries, agriculture, building material, engineering, and handicrafts. Further implementation of this activity was put on hold after receipt of the USAID Wind UP letter.

Task 6: Support Reduction of Non-Tariff Measures (NTMs)

As directed by the Mission, based on its interaction with GOE agencies, TFP has been instructed to consider this task inactive until further notice. There were no specific activities planned for this task during the project's first or second year. However, some of the work TFP is conducting with MIFT, EOS, and GOEIC could also have the effect of eliminating or reducing some NTMs in Egypt, for example elimination by EOS of mandatory standards un-related to health and safety consideration would result in the removal of some non-tariff barriers to trade.

Task 7: Improve the Enforcement of IPR Border Measures

In a related task, the Project notes that the draft of the new Customs Law the project received from the Egyptian Customs Authority and reviewed as part of Task 4 does not include any reference to IPR or IPR border measures.

Additionally, the Project IPR Advisor completed a major revision of a book "*Intellectual Property Principles and Practice*" which can be used as a resource in the enforcement of border measures by Ministry of Industry and Foreign Trade or Customs officials (see Result 2, Task 4).

Activities under this task have ended in the Wind Up Plan.

Task 8: Improve Awareness and Use of Special Export Opportunities and Preference Programs Available to Egyptian Exporters

This activity supports two units within MIFT: the Qualified Industrial Zones (QIZ) Unit and the Generalized System of Preference (GSP) unit. This task is related to an item in the bilateral trade facilitation agenda under discussion between GOE and USTR, and it was officially added to the TFP SOW as a result of contract Mod 001 issued during this reporting period. The QIZ unit is responsible for administering Egypt's responsibilities under the Qualified Industrial Zones (QIZ) protocol which involves extension of free-trade status to certain Egyptian exporters who meet requirements related to location, some Israeli content and reporting. The GSP unit is a newly created point of contact and promotional department within MIFT that is

charged with making the private sector exporters more aware of the Generalized System of Preference programs available for use by Egyptian exporters, such as the US GSP program. The goal of TFP support under this task is to improve Egyptian exporters' awareness and use of the QIZ and GSP programs. TFP's support for these Units has included technical assistance, training, off-shore promotional events and IT procurement. Benefits include increased export sales for private Egyptian exporting firms, and reduced costs for U.S. imports from Egypt.

QIZ Training Needs Assessment & Procurement

The purpose of TFP support to the QIZ Unit has been to expand Egypt's exports under the program by (a) by improving the efficiency and productivity of the QIZ Unit in administering the program for private exporting firms and (b) increasing the number of private sector firms utilizing the QIZ program and. Building on the recommendations in TFP's QIZ Needs Assessment completed in early 2013, the project has been following a program of equipment procurement and training that builds the capacity of the unit. During this reporting period TFP completed an update of the training needs assessment and made preparations to solve IT problems related to enabling private QIZ exporters to report their data to QIZ on-line. Solution recommendations to date include procuring and installing a new server for the Unit, operating a connectivity line between the QIZ Unit and the Ministry of Administrative Development, and testing and fixing the online application developed using Microsoft BizTalk software. The goal is to improve the efficiency and productivity of QIZ Unit administration and quarterly reporting required under the protocol. With approval from a new director installed in September 2013, TFP undertook to update and complete a QIZ Training Needs assessment that had faced obstacles and less than whole-hearted support from the previous director. The Assessment was completed and delivered in November 2013, after which the TFP staff conducted a short briefing and presentation on the recommendations of the Assessment as provided under the Wind Up Plan.

During this reporting period, TFP completed an update of plans for completing its IT procurements for QIZ. The project will next acquire a server as the final major item needed to help solve current connectivity problems adversely affecting the QIZ Unit's regulatory responsibilities. The main beneficiaries will be private sector QIZ companies as the IT solution will allow private firms to enter data on-line, as recommended in the QIZ Needs Assessment conducted in January 2013. Microsoft Biz Talk training will be required after the server is procured in order for the staff to utilize it to help solve on-line data entry problems for private sector QIZ firms. These activities have been approved in the Wind Up plan and are scheduled to be completed by April 2014.

While TFP's role has mainly been in the area of capacity building the project is also aware of GOE and QIZ goals to attract and interest more Egyptian producers and possibly even foreign investors willing to locate in Egypt in one of the zones. The USTR is the main dialogue partner with Egypt on policy discussions to increase the number and qualified zones and products for export, a decision that also involves the

Israeli counterpart to the QIZ unit. TFP's role has been in the area of capacity building only.

QIZ Study Tour

As mentioned in the last semi-annual report, nine persons from the QIZ Unit traveled to Turkey in late June to early July to learn about value-addition and rules of origin record keeping by Turkish Customs and to promote interest in investment in one of Egypt's Qualified Industrial Zones. A trip report was written in July discussing the visits to successful Turkish export factories and Turkish Customs facilities and record keeping procedures.

Support for GSP Unit

This activity supports the Generalized System of Preferences (GSP) Unit in MIFT that is responsible for promoting and administering the U.S. GSP program to Egyptian exporters, which provides preferential tariffs for certain Egyptian products entering the U.S. market. Support includes TA, training, promotional events in Egypt and IT procurement. Benefits include increased use of GSP tariff preferences and increased export sales for private Egyptian exporting firms, and reduced costs for U.S. importers from Egypt. TFP recently helped the GSP Unit complete a baseline survey and a follow-on GSP Promotion Strategy. The goal of all these activities is to promote use of the GSP Program by private sector firms. This task is related to an item in the bilateral trade facilitation agenda under discussion between GOE and USTR. These activities were stopped by USAID under the approved Wind Up plan.

Task 9: Support Government and Private Sector Efforts to Develop Successful Small and Medium Enterprise Exporters SMEs

This is the second new task added to the TFP Scope of Work during this reporting period by MOD 001, and one to which TFP has devoted a major share of its time and resources. This task also addresses the GOE and Mission priority to encourage Egyptian exports. In this case TFP's approach is to partner with private sector entities that have the capacity and programs to help SME exporters improve their export skills and grow their exports. Partnering with viable partners helps TFP to leverage its project work and to sustain the benefits beyond the life to the project. Under this task TFP started its Export Development Pilot Project during the previous reporting period, partnering with the Home Textile and Engineering Export Councils. During this period, TFP expanded its help to SMEs by also partnering with the Food Export Council and the Ready Made Garments (RMG) Export Council. This task has proven to be demanding and rewarding, producing early positive results for Egyptian SMEs who have participated in both the training programs and trade shows with TFP support and the support of their respective Export Council.

Export Development Pilot Project

In 2012, the Mission and GOE agreed to increase the priority of assistance aimed at helping Egyptian SMEs to become successful exporters. TFP undertook a series of studies aimed at identifying appropriate partners within the GOE and the private sector for undertaking a program to assist SME exporters. In January 2013, Mr. Herbert Williamson submitted a report entitled, *SME Export Pilot Project Design*. Based on the approach outlined in this report, TFP launched its Export Development Pilot Project focusing on two product sectors: home textiles and automotive components.

The Trade Facilitation Project's Export Development Pilot Project (EDPP) is a three phase pilot project that began in March 2013 and is designed to end in March 2014. EDPP focuses on providing export promotion and marketing training and technical assistance to Small and Medium Enterprises (SMEs) in the home textile and automotive components sectors, as well as providing capacity building and communications assistance to the concerned Export Councils. In Phase 1 (March-May 2013), TFP and the export business consultants reviewed candidate sectors, and determined the two sectors mentioned above had high export potential. TFP then entered into partnership agreements with the Egyptian Engineering Export Council (EEEC) and Home Textile Export Council (HTEC) in order to encourage sustainability of the activity after the Project ends through the transfer of knowledge and skills to the Councils.

During the previous reporting period, TFP held two successful launch events to invite automotive component and home textile SMEs to join EDPP. TFP and EEEC/HTEC staff carefully reviewed more than 65 applications that were submitted during the launch events and made site visits to 33 candidate SMEs with promising questionnaire responses. Based on information from the questionnaires, the results of the site visits, discussions with the concerned Exports Councils, and the consultants' professional judgment, TFP selected and invited nine automotive component and eleven home textile SMEs to participate in TFP's Export Development Pilot Program. EEEC and HTEC concurred in the selection criteria, process and candidate firms.

TFP required participating SMEs to sign an agreement pledging them to participate in an extensive program of training and other capacity building in preparation for participating in at least one trade show or mission prior to March 2014. Each firm was asked to appoint staff to participate in TFP's organized training and to commit to investing in a trade show of their own choosing. USAID and TFP agreed to provide cost share support, generally in the terms of an air ticket and/or assistance with company website design and promotional materials, to assist SMEs to attend trade shows. As of the end of December 2013, six automotive component and thirteen home textile firms participate in the pilot program with TFP and EEEC/HTEC under the terms and conditions specified by TFP. Moreover, in order to better integrate gender considerations into the process, three small women-owned home textile companies were added to EDPP in the autumn of 2013, bringing the total number of participating home textile SMEs to thirteen (13), of which four are women-owned and two are women-managed.

The second phase of the program (May –Dec 2013) occurred primarily during this reporting period. During this phase, TFP conducted fifteen training and or workshop events for the SMEs and EEEEC/HTEC staff and thirty-five on-site coaching visits (visits to the concerned SMEs premises) designed to prepare the SMEs to successfully participate in trade shows in Saudi Arabia (six home textile firms) and Auto Guangzhou in China (five automotive component firms) in November. A total of 11 EDPP SMEs attended two trade shows during the reporting period, whereby the project provided cost-share support – typically airfare and a portion of setup and participation expenses.

In addition, eight home textile firms have been prepared to attend the Heimtextil Trade show in Germany in January 2014, which will bring the total number of EDDP SMEs assisted to attend a Trade Show to 18.

TFP has put into place a program of debriefing and follow-up with the SMEs returning from participating in trade shows. The third phase of the program (Jan – Mar 2014) consists of follow-up designed to train and coach them on post-trade show activities (such as follow-up with potential buyers), training on other export-related topics of importance (such as Export Planning), as well as lessons learned to improve TFP's and the Export Council's program of assistance. At the end of the program, the SMEs should be able to produce an annual export plan.

This report covers the EDPP training and coaching performed during July 1 – December 31, 2013.

Export Readiness Training and Coaching

During the last six months, TFP's international and local export business consultants developed and delivered training, mentoring, coaching and follow-up technical assistance covering a range of export-related subjects designed to help SMEs improve their knowledge, readiness and capacity to export successfully. The EDPP program of training focused mainly on the challenge of entering new markets and covered the fundamentals and basics of exporting from research to marketing to customer relationship management and negotiating sales agreements.

Export Councils

As mentioned earlier, TFP also worked with the Home Textile Export Council and the Egyptian Engineering Export Council to increase their capacity and to enable a platform for sustainability of the SME export program. Council members were encouraged to attend all training, mentoring and coaching events with the SMEs. The project also worked with the councils on the Councils' websites, Trade Show websites, member directories and promotional materials, as well as two especially designed training programs for the Home Textile Council on *Best Practices of Export Councils* and *Strategic Planning*.

Trade Shows

TFP has been providing intensive assistance to two export councils (Engineered Products and Home Textiles) through its EDPP program and has also assisted two other export councils (Processed Foods and Ready Made Garments) with support efforts to participate in trade missions and shows. In total, TFP provided assistance to 31 SMEs to participate in four trade shows during 2013 (three during this reporting period, and one in the previous period). For many of these SMEs this was their first time participating in a trade show. As indicated in the table below, early reports from participants who completed TFP M&E questionnaires indicate that total initial orders/sales during the four trade shows totaled \$2,041,000. Participating SMEs also reported that they expect total projected sales after the shows to be on the order of \$4,990,000 as a result of their TFP-assisted participation in these events (see Table 2 below).

Table 2: Trade Show Sales Results of SMEs Participating with USAID/TFP Assistance in 2013

Trade Show Attended	No. of SME Companies	Initial Orders/Sales	Projected Orders/Sales
Ready-Made Garment Roadshow New York, May 2013	7	\$ 724,000	TBD
Index Home Textile Trade Show, Jeddah, Nov. 2013	6	\$ 437,000	\$ 1,430,000
Auto Guangzhou, China, Nov. 2013	5	\$ 40,000	TBD
PLMA Chicago, Processed Foods, Nov. 2013	13	\$ 840,000	\$ 3,560,000
TOTAL	31	2,041,000	\$ 4,990,000
Source: TFP Monitoring & Evaluation Questionnaires completed by participating SMEs during and after each Trade Show.			
TBD: To be determined			

Additional results and descriptions of each trade show include:

Index Jeddah, Saudi Arabia, November 5-7, 2013

Six home textile SMEs who have been participating in the Export Development Pilot Program exhibited in the Index show in Jeddah and two TFP consultants, Dr. Ahmed El Adawy and Mr. Louis Ragy, accompanied the SMEs providing them with coaching during the event. It was the first time that the firms were exposed to the Saudi market and they were very pleased with the Saudi response to their products. A total of \$437,000 in orders was booked during the show as per the EDPP M&E questionnaires that were completed by the SMEs at the end of the show. A further \$1.43 million in orders is expected to come in from Index Jeddah buyers between now and May 2014. One of the SMEs has already shipped \$80,000 worth of product to Saudi Arabia and will receive two Saudi buyers for factory visits this month. The SMEs shared the Egyptian Pavilion with eight large home textile firms and HTEC. By the end of the show, most of the fourteen (8 large and 6 SMEs) Egyptian firms were meeting with Saudi and Egyptian lawyers to learn how they could work together with the aim of strengthening their presence in the Saudi market. Moreover, TFP and some of the Index SMEs have had talks with the UNIDO Export Consortia Initiative in an effort to gain guidance on forming a marketing entity for the Index Jeddah firms to operate under in Saudi Arabia.

As mentioned under Task 5, TFP prepared an English-Arabic website for the Egyptian Pavilion at this event (not just for SMEs).

Auto Guangzhou, China, November 21-23, 2013

Five EDPP automotive component SMEs exhibited in Auto Guangzhou and two TFP consultants, Dr. Ahmed El Adawy and Ms. Rania Habib, accompanied the SMEs and provided them with coaching during the event. It was the first time for some of the companies to be exposed to the Chinese market. Moreover, some had never exhibited in a trade show before. Unfortunately, the show proved to be less productive than had been expected due to the lack of international buyers and floor traffic. A total of \$40,000 in orders was booked during the show as per the EDPP M&E questionnaire completed by the SMEs at the end of the show. While the SMEs were disheartened by their Auto Guangzhou experience, they realized that their products were competitive with Chinese made products vis-à-vis quality and price, and expressed their eagerness to attend another trade show, possibly in the region, during the Auto Guangzhou de-briefing meeting in the TFP office.

As with Index, the project created the website for the Egyptian exhibitors in the show.

Private Label Trade Show (PLMA), Chicago, IL, November 17-19, 2013

The Project also supported SMEs in the Food Industry to attend a Trade Show in November who have not been part of the more in depth EDPP training and mentoring program. A total of 13 processed food SMEs that are members of Egypt's Food Export Council (FEC), of which 4 have QIZ status, were assisted in attending the Private Label Trade Show (PLMA) in Chicago in November. TFP organized its support in cooperation with the FEC as a first step in potential additional assistance to this Council and its member companies in the future. Results were positive, with all

participating companies reporting that they made sales, or expected to make sales, as a result of contacts made at the show. Exhibiting SMEs met a total of 161 buyers, of which 54 were potential new buyers, and 47 requested follow-up meetings. Firms reported that total orders or sales made during the show amounted to \$840,000, and that projected sales are anticipated at up to \$3.5 million. Sales invoices to document results were collected during and after the de-briefing meeting at TFP following SMEs return to Egypt.

TFP has also been working to send SMEs to two Trade Shows in January:

Business-to-Buyers Road Show, New York, NY, January 14-15, 2014, and RMG Magic Show, Las Vegas, NV, February 18-20, 2014

Based on the success of previous events, the Ready Made Garments Export Council has approached TFP with requests for assistance to include SMEs for two trade missions in the U.S. in early 2014. TFP will support the RMG/Textile SMEs to attend a TFP cosponsored *Business-to-Buyers Event* or promotional “Road Show” in New York City in January and will also support SMEs at the *RMG Magic RMG/Textile* trade show in Las Vegas in February of the next reporting period. These activities are approved under the Wind Up Plan.

Heimtextil Trade Show, Frankfurt, Germany, January 2014

TFP also plans to assist home textile SMEs to attend this major European trade show early in the next reporting period.

STTA Assignments for Task 9

The largest single activity of the project during this reporting period was the training, mentoring, coaching and PPD work undertaken by the project with Export Councils and SMEs. A total of 494 STTA LOE days (173 expat and 321 CCN) was devoted to this task. This excludes work on this Task by TFP full-time staff, such as the IT Systems Consultant’s time on website development, the Training Manager’s time, or the Public Awareness and Communications Specialist’s time spent on print materials, website design, etc.

The following lists the STTA consultants and their duties during July 1 - December 31, 2013.

1. **Mr. Herb Williamson** – managed the EDPP training and technical assistance activities.
2. **Mr. Louis Ragy** – provided home textile export technical assistance (e.g. product selection, packaging and pricing) to the home textile SMEs before, during and after the trade shows.
3. **Dr. Maged Youssef** – provided training and technical assistance to the home textile SMEs and HTEC from July until September when he left TFP to accept a four-month fellowship at Dresden University in Germany.

4. **Dr. Yasser Saleh** – provided training and technical assistance to the automotive component SMEs until October when he departed for a new assignment in Algiers as Managing Director of Daimler-Benz/Algeria.
5. **Dr. Ahmed El Adawy** – replaced Dr. Maged and Dr. Yasser and has been providing training and technical assistance to the automotive component and home textile SMEs since October.
6. **Ms. Rania Habib** – provided training and technical assistance (e.g. corporate image and marketing) to the automotive components SMEs.
7. **Ms. Basma Kandil** – provided trade show preparation (e.g. booth build-out and product display) to SMEs prior to exhibiting in Saudi Arabia, China, and Germany (January 2014).
8. **Mr. Peter Ilick** - provided English language editing services to the automotive component and home textile SMEs preparing websites and other promotional materials for participation in their respective trade shows.
9. **Mr. Ahmed Hassan** – was the primary website designer for four Trade Show websites created for the Export Councils.

The activities under this task were approved to continue under the Wind Up Plan. Therefore, the TFP project plans to continue its EDPP pilot program into the next reporting period, completing additional training on export promotion and market strategy and sending SMEs to others trade shows in January and February as mentioned above.

3.2 Result 2—Domestic Market Strengthened

Task 1: Promote the Distribution/Retail Sectors

Despite effort from the TFP project to gain momentum in this space, planned TFP activities under this task were placed on hold or stopped by senior officials in GOE counterparts with USAID concurrence due to changing structural or institutional conditions and evolving priorities in Egypt that were not anticipated in TFP's original SOW. As part of its USAID-approved Wind Up Plan, the mission has instructed TFP not to initiate activities with GOE under this task.

Task 2: Overcome Deceptive Advertisement

With the exception of a few presentations by TFP's intellectual property expert on World Consumer Day and in a workshop for Economic Court judges during the previous reporting period, this has largely been an inactive task.

No activities occurred during this reporting period on this task. Additionally, the Mission instructed TFP to stop work on this activity under the approved Wind Up plan.

Task 3: Support the Food Safety System

The lack of a national food safety authority and a food safety law has hampered the project's planned work in support of the food safety system. When the project's original SOW was being drafted by USAID in 2010, it was anticipated that the GOE would enact legislation creating a Food Safety Agency before the end of 2012. Unfortunately, given the revolution of 2011 and lack of sustained political stability since then, there has been no progress made on this legislation. In an effort to sustain the value of mission assistance to this goal dating back to 2005 under the USAID-funded TAPR II Project, TFP had proposed a targeted program of training and procurement activity to enhance the capacity of the small (three person) Food Safety Management Unit (FSMU) in the Ministry of Industry and Foreign Trade that is the link of continuity for all major activity to date in the area of food safety. TFP proposed creating a website for the unit, updating some equipment to make the Unit functioning and sponsoring two staff members to attend training and certification in Food Safety Standards in the U.S.

During this reporting period, TFP agreed with the Food Safety Management Unit, under the Ministry of Trade and Industry officials on the final draft of the website plan and property and conducted a competitive bidding process. During this process, TFP PPD Task provided support to ensure that the project requirements and company selection will result in a website that will enhance the FSMU communication capacity and deliver its awareness message to the targeted audience. The website is expected to be completed during the next semi-annual period as agreed in the Wind Up Plan.

In addition, the project sent two FSMU personnel to the National Environmental and Health Association Annual Conference in Washington, DC in July to receive training and international certification in Food Safety standards. Additionally, TFP procured some equipment and maintenance contracts for the Unit to maintain USAID-funded equipment during the previous reporting period. USAID and the project also agreed to assist the FSMU create a website. The RFP for website development was prepared and sent out for bids when the Project received notice in October to suspend work with the GOE. Continued support and procurement for the FSMU website was approved under the USAID Wind Up Plan and will be completed in the next reporting period. In view of the lack of other progress in this area and dim prospects for any legislation however, other possible TFP activities with FSMU were officially stopped under the December 2013 USAID-approved Wind Up Plan.

Task 4: Improve and Promote the Application and Enforcement of IPR Systems in the Domestic Market

Trademark Office

For many years in Egypt, attorneys and agents filing trademark applications have requested that the Trademark Office publish the monthly Trademark Gazette online and permit online filing for registration and renewal of marks as well as online

searching of registered mark. The online publication of the Trademark Gazette would allow trademark applicants and owners from both inside and outside Egypt to search Office actions regarding registration, renewal, oppositions and appeals. Additionally, best international practice encourages online filing of new and renewal applications, as well as online searching of the database of registered mark. Previous USAID-funded projects, as well as the U.S. Patent and Trademark Office and the World Intellectual Property Organization (WIPO), have encouraged the Egyptian Trademark Office to publish its Gazette online and permit online filing and searching of trademark applications. USAID has had a longstanding understanding with the Egyptian Office of Trademarks that USAID would fund procurement for new IT servers and some desktop or laptop computers for the Trademarks Office, if and when, the Trademark Office actually begins publishing the Trademark Gazette online. The Trademark Office officially published the first gazette online in May 2013. Additionally, the Trademark Office is already receiving and accepted online applications through the World Intellectual Property Organization (WIPO). Local applications cannot yet be filed directly online because the Trademark Office needs new servers to be able to receive and process these applications. Nevertheless, these actions meet one of USAID's long requested IPR policy reforms.

The TFP annual work plan included provision for the procurement and installation of new servers and computers for the Trademark Office if the Office met the necessary conditions. These conditions have been met and the Project is now awaiting approval to procure these items, if and when, the restriction to work with the GOE is lifted. As of the writing of this report, however, this activity has been stopped under the Wind Up Plan.

IPR Book

During this reporting period, TFP had planned and arranged for the training of State Council and Economic Court judges on IPR. Unfortunately, due to the evacuation orders and then the October 13th letter from the Contracting Officer, the project was unable to implement this task. The Project did take the opportunity, however, to ask the IPR Advisor, Judy Goans, who was unable to come to Cairo to train judges, to update and revise an introductory IPR textbook "*Intellectual Property – Principles and Practice*" that she had authored USAID had funded under a previous project. The original version of the book, published over a decade ago, is still being used by Cairo University for fourth year law students and some judges use it as a reference in their IPR decisions. The revised English-language version of the book was nearly completed by the end of this reporting period. TFP is also preparing an Arabic translation that should be completed in the first quarter of 2014. The Project intends to hold an event to launch the book and to get it into the hands of IPR professionals, lawyers, law students. This activity continues under the Wind Up Plan.

Task 5: Improve Environmentally Sustainable Production

In order to put its fiscal house in order, the Egyptian government has been gradually lifting energy subsidies to industry over the past year. This has meant increasing energy bills for Egyptian factories and decreasing competitiveness for Egyptian products in the market. TFP is partnering with the ENCPC (Egyptian National Cleaner Production Center) to work with one small and eight medium SMEs in the food processing sector to improve industrial energy efficiency. TFP is working with nine selected firms in the processed food sector who are interested in reducing their energy costs and have agreed to partner with TFP in an organized and documented effort that can be used as case studies by other firms. The assistance program started with “audits” of the current energy use in selected food processing firms. The consultant Abdel Latif Touzani, conducted the Energy Audits. The audits evaluate existing practices and baseline energy consumption levels, and compare them with best practices to identify opportunities for improvement. The partner firms will then implement some or all of the suggested efficiency improvements at their own cost, while TFP will carefully track progress, costs, and results.

Unfortunately, implementation of this task was delayed due to the evacuation order and thus Project’s inability to field an energy expert until December 2013. On November 20, 2013 we received official authorization to proceed with the energy task. The consultant arrived on December 7 and conducted energy audits for five (5) food processing firms. Final reports for these audits were issued in December and early January. The reports will be shared with the companies in January. The project will follow up on their implementation of recommendations. The consultant will return in the next reporting period to conduct another set of energy audits for the remaining partner firms.

An example of energy audit recommendations from a report is shown in the table below:

Table 3: Example Summary Energy Report from an Energy Audit

Project No	Project title	Savings (EGP)	Investment (EGP)	Payback (month)
1	Operational Measures and M end T.	45,473	2,500	1.0
2	Optimization of CIP	1,360	2,000	17.0
3	Optimization of Refrigerators	7,379	0	0
4	Optimization of Freezing Tunnel	9,663	400	1.0
5	Optimizing the Use of Water	7,847	0	0.0
6	Optimizing Power Factor	9,640	22,174	27.0
7	Energy Management	65,232	81,000	15.0
TOTAL		146,594	108,074	9.0

In addition, TFP procured nearly \$15,000 worth of energy efficiency monitors and testing equipment to support its energy audits of the select SMEs during this period. Activity under this task has been approved under the Wind Up Plan.

4. TRAINING COURSES CONDUCTED

This section collects and summarizes results for all training activities in all the above tasks in Results 1 and 2 described in the previous sections. During this reporting period, the project conducted 10 training programs consisting of 29 training days for a total of 89 participants as shown in Table 2 below. An additional two programs began in the last reporting period and were completed in July but were reported on during the last six month period, so are not included in Table 2. Almost all participants were either SME personnel or Export Council personnel (Home Textiles Export Council, Egyptian Engineering Export Council and Food Export Council) except for two government employees from the Food Safety Management Unit. Four of the ten training events were participant training in Trade Shows. It should be noted here that several participants counted in this reporting period are repeat participants (individual persons taking more than one training program) because they are SME staff taking training in several areas in preparation for participating in and benefitting from a Trade Show and other marketing activity. The total non-repeat number of participants in TFP training programs during the period is 61 persons (18 female and 43 male).

Table 4: TFP Training Events July – December 2013

Program Title	Organizations Represented	Participants	No. of Males	No. of Females	Dates of Program	Number of Training Days
National Environmental and Health Associations Annual Educational Conference	Food Safety Unit, MIFT	2	1	1	July 6-13, 2013	4
International Marketing and Export Strategy for Automotive Industries	SMEs in the Automotive Sector & EEEEC	8	8	0	July 16-18 and 23-24, 2013	5
Export Market Analysis for Automotive SMEs	SMEs Automotive Sector & EEEEC	10	7	3	September 17-18, 2013	2
Export Market Analysis for Home Textile Sector	SMEs Home Textile Sector & HTEC	10	7	3	October 1-2, 2013	2
Trade Show Preparation Workshop for Home Textile SMEs	SMEs Home Textile Sector & HTEC	8	6	2	October 10 and 24, 2013	2
Trade Show Preparation Workshop for Automotive Sector	SMEs Automotive Sector & EEEEC	9	7	2	October 23, 28 and November 17, 2013	3
Index (Saudi Arabia) for Home Textiles Trade Show	SMEs Home Textile Sector & HTEC	7	6	1	November 11-15, 2013	3
PLAMA 2013 Trade Show (USA)	QIZ SMEs in Food Industry & FEC	13	10	3	November 15-23, 2013	3
Auto Guangzhou Trade Show (China)	SMEs Automotive Sector	5	5	0	November 18-23, 2013	3
Strategic Brand Management Workshop	SMEs Automotive and Home Textile Sectors	17	9	8	December 24 and 30, 2013	2
TOTAL		89	66	23		29

5. GENDER

The project's revised and updated gender report was accepted by USAID during this reporting period and its proposed gender indicators for have been integrated into project tasks and PMP. TFP staff and partnering counterparts (e.g. Export Councils) made a concerted effort during the period to identify and include women-owned and women-managed SMEs and women staff members in the EEDP program of intensive SME coaching and mentoring. A total of 4 women-owned and 5 women-managed SMEs were assisted out of the 48 SMEs that were assisted by the Project. Of the 19 SMEs that participated in the EDDP program, 6 were women-owned or managed; one of the nine food processing firms participating in the Energy Efficiency activity was women-owned and two RMG QIZ SMEs were women-owned or women-managed.

One of TFP's gender indicators is that 30% of the workshops and training programs offered by TFP should have a women's representation of 30% or higher. Four out of ten, or 40%, of the training programs offered during this reporting period, as shown above, had at least 30% women trainees.

TFP EDPP supported women-owned and managed SME specializing in embroidered bed linens that also trains and employs local women.

6. DIRECT PROCUREMENT TO ACTIVITIES

During this reporting period, the Project procured approximately \$15,000 worth of equipment for use in the energy audits. Including: a thermal imager, power measurement devices, 2 portable energy analyzers, an infrared thermometer, a light meter, a power performance analyzer, an ultra sound measure device, a blocker, a thermo-anemometer and an aluminum carry case for the equipment.

Additionally, the Project procured about \$1,500 worth of office furniture (desks, chairs, file cabinets) to accommodate the addition of several local consultants working on the SME task and an air conditioning unit for the server area.

To date the project has procured \$295,890 worth of equipment out of total contract plug figure for procurement of \$500,000.

7. MEDIA COVERAGE

During this six-month period (July – December 2013), the project prepared two press releases about TFP events that, unfortunately were not released for lack of final clearance from USAID. Final clearance could not be arranged because of (a) evacuation of USAID staff that would have provided clearances followed by (b) Mission instructions to maintain a low public profile. Nevertheless, the Trade Shows in which TFP-sponsored SMEs were covered independently by the Egyptian media and coverage of the events and the showings by the SMEs that TFP read in the media were all positive.

8. CONTRACTOR ASSESSMENT OF CURRENT STATUS

This period was filled with challenges that adversely affected project performance in many areas. At the beginning of the reporting period the project had to adjust to the ouster of the sitting government, followed quickly by a mandatory evacuation of non-essential personnel and then a four-month USAID partial ban on expatriate STTA. Then came USAID's October 13 letter calling for a wind up of all government-related activities. That was followed by a comprehensive review of all project activities and work on developing and agreeing upon a Wind Up Plan with the Mission. Despite these challenges, the TFP Project managed an impressive list of achievements and results during the period by staying very active - working mainly with SMEs and Export Councils and private sector firms keen on reducing their energy bills. Even with the evacuation order in place from July 3 through November 7, TFP logged 675 person-days of STTA (435 days of Egyptian CCN LOE) spread over 34 separate STTA assignments. The Project hosted and coordinated seven events and 10 trainings including attendance by 18 SMEs in three Trade Shows overseas during the 25 weeks. Preparation for and participation in these Trade Shows has produce significant results for both the project and its private sector counterparts. The SMEs that TFP supported reported immediate orders for merchandise amounting to \$1.3 million received at the shows (3 shows in November). Moreover, the exhibiting firms reported projected future sales on the order of \$5.0 million. It should be noted that these figures do not include sales result as a results of TFP assistance to other export activities such to the Tesco Trade Show held in October 2012. These sales figures are the first of what could be a stream of future export sales that will far surpass the total \$5.8 million of technical assistance, training and procurement provides to all its counterparts over the two and one-half years of the project.

Despite the challenges the project can expect to face in 2014, the contractor believes that results to date and opportunities foreseeable in 2014 argue strongly in favor of continuing the project's activities with the private sector, even expanding them to the extent that funding and Project's staffing structure. One of the lessons learned during this reporting period is that progress is possible at the firm and micro-economic level, even when the overall environment is not entirely conducive to success. In a period when efforts aimed at greater achievements such as trade policy reform are not practical, it is still very worthwhile to work on micro-economic fundamentals in a key area such as exports. Success with even a small number of pioneering firms can lead to larger results in the future. First, with proper dissemination other firms can learn about and imitated successful models developed under TFP. Second, successful record at the firm level builds credibility and builds a platform of achievements that the private sector can use in advocating trade facilitation reforms with the government in the future.

Finally, it should be noted that May 31, 2014 is the end of the project's base period and the Mission has to decide whether or not to exercise an option year that would extend the contract and period of project performance to May 31, 2015.

9. PERFORMANCE RESULTS AND INDICATORS

The PMP report is provided in a separate document to this semi-annual report.

10. FINANCIAL EXPENDITURES

Table 5: Type of Expenditure and Amount of Expenditure(s)

<i>Type of Expenditure</i>	<i>Amount of Expenditure (\$)</i>
<i>Total estimated cost</i>	\$10,870,663.03
Expenditures from July 1 to December 31	1,553,951.74
Cumulative expenditures to date	5,800,691.42
Remaining unexpended balance	5,069,971.61

As of the end of December 2013, TFP had spent approximately 53% of its base period total budget. The Project spend rate had accelerated by 12% during the first six months of 2013 but then dropped again due to the restriction on bringing STTA consultants to Egypt and the restriction on working with the GOE after receipt of the October 13, 2013 letter from USAID. At current spending rates the project will reach May 31 2014 with approximately \$3.3 million or 33% of its base period funds unspent. However, the contractor has nearly completed the obligated funds received and needs incremental funding of \$1M in order to complete the base period.

APPENDIX A. LETTER FROM USAID/EGYPT DIRECTOR OF PROCUREMENT



October 13, 2013

Nathan Associates
2101 Wilson Boulevard, Suite 1200
Arlington VA 22201-3049
Attn: Mr. Marvin Morris, Chief Financial Officer
mmorris@nathaninc.com

Subject: Trade Facilitation Project (AID-263-C-11-00003)

Dear Mr. Morris,

I am contacting you to discuss Nathan's Trade Facilitation Project in Egypt. While we are committed to ensuring continued support for projects such as this, recent events in Egypt require USAID, consistent with U.S. law and policy, to work with our partners to wind-up certain existing activities. We are working with our Congress to ensure that we have the necessary authorities to continue funding. In the meantime, existing activities will be given sufficient time and resources to allow for an orderly close out, and in some cases completion.

We will be in contact with you shortly to provide more specific instructions. In the meantime, please minimize/limit expenditures to those necessary to wind up programs and do not initiate any new activities described in your work plans until you have received further instructions.

If you have any immediate questions, please contact me at rkoehring@usaid.gov.

Sincerely,



Ralph V. Koehring

Director, USAID/Egypt Office of Procurement

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